

SOLAR FUNDING II LIMITED

Interim Management Report & Unaudited Financial Statements

For the half year ended 30 April 2022

UNAUDITED HALF YEAR FINANCIAL STATEMENTS 30 APRIL 2022

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UNAUDITED HALF YEAR FINANCIAL STATEMENTS 30 APRIL 2022

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

Marian Suguitan
John Pendergast
Richard Go

SECRETARY

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INTERIM MANAGEMENT REPORT

The directors present the interim report and the unaudited financial statements of Solar Funding II Limited (the "Company") for the half year ended 30 April 2022.

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The Company was incorporated in Jersey on 13 May 2002 as a private Company and then re-registered as a public Company on 13 December 2002.

The Company was established as a special purpose vehicle and participates in a US\$10bn Secured Asset-backed Medium Term Note Programme.

There has been no change in the activities of the Company during the period and no significant change is expected in the foreseeable future.

The Company facilitates repackaging transactions by issuing Notes, acquiring underlying assets and entering into and performing the agreements to which it is or may become party. At the date of this report, the Company had issued twenty series of Notes (2021: twenty) of which eight series remain in issue. Two series are still collateralised by underlying debt assets (2021: two), with the remainder being backed solely by derivative financial instruments. The Company is principally funded by third party investors who purchased the Notes. Upon the maturity of the Notes or an event leading to the repurchase/redemption of the Notes, the collateral will be unwound to pay the maturity proceeds or repurchase/redemption amount. The third-party investors bear all the risks and returns of the Notes and there is no recourse or limited recourse to the other assets of the Company. The Company acts as a pass through vehicle to facilitate each transaction.

NatWest Markets plc has provided a subordinated loan facility of up to £500,000 (the "Loan Agreement"), with the maximum amount being permitted to be drawn under this facility having been increased from £250,000 to £500,000 on 13 December 2021. At the balance sheet reporting date, £250,000 (2021: £250,000) had been drawn, the majority of the proceeds of which are held as cash at year end in order to meet future expenses if required.

The key performance indicator for the Company is the total assets. The Company had total assets as at the reporting date of \$19,289,000 (2021: \$24,751,000).

GOING CONCERN

The directors believe that the Company is risk neutral and, as a consequence of the terms of the various transaction documents governing the structures, will always be able to meet its obligations on the Notes as they fall due.

The Company's statement of financial position as at 30 April 2022 showed a deficit in Equity Shareholders' Funds of \$491,000 (2021: \$488,000). However, it should be noted that amounts drawn under the loan facility from NatWest Markets plc are repayable only from the credit balance, if any, on the Expense Reserve Account. Consequently, any shortfall in the Company's funds will be borne by NatWest Markets plc up to the amount drawn down under the Loan Agreement. In addition, NatWest Markets plc has no right under the Loan Agreement to petition for the commencement of insolvency proceedings against the Company whilst the Notes of any Series are outstanding and in any event until the date falling one year and one day after the date on which the last Notes have matured.

Considering the above, the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. For these reasons, they continue to adopt the going concern basis in preparing the half yearly report and accounts.

As at the date of approval of the financial statements, the COVID-19 outbreak has not had, and is not anticipated to have, a material adverse effect on the Company.

RESULTS AND DIVIDENDS

The loss for the first half year ended 30 April 2022 was \$51,000 (half year ended 30 April 2021: \$69,000) and is shown on page 5 of the financial statements. The loss for the first half year ended 30 April 2022 will be transferred to reserves.

No dividends were declared or paid from the Company during the period (2021: \$Nil) and the directors do not propose a final dividend (2021: \$Nil).

INTERIM MANAGEMENT REPORT (CONTINUED)

PRINCIPAL RISKS AND UNCERTAINTIES

The directors acknowledge that the global macro-economic indicators and general business environment have remained uncertain in 2022. Market liquidity constraints, limited availability of credit and difficult trading conditions continue to pose significant challenges to all underlying businesses and borrowers to whom the Company has exposure. Conditions may deteriorate further due to the continued global financial and economic uncertainty.

The principal risks facing the Company are liquidity risk, interest rate risk, currency risk and credit risk. The Company has policies in place to mitigate these risks. Refer to note 13 of the Financial Statements for details.

CREDITORS PAYMENT POLICY

The Company's policy concerning payment of its trade creditors is to pay in accordance with its contractual and other legal obligations. Due to the nature of the business, the main creditors are the Noteholders. Principal and interest are repaid in accordance with the agreements in place. The Company does not follow any other code or standard on payment practice.

AUDIT COMMITTEE AND CORPORATE GOVERNANCE

An audit committee is not appointed for the Company as the sole business of the Company is to act as the issuer of asset-backed securities. The entity is set up as a bankruptcy remote special purpose vehicle and is owned by a charitable trust with professional directors provided by Sanne Fiduciary Services Limited and its affiliates. Oversight of risk management is performed by NatWest Markets plc in their capacity as arranger and dealers of the transactions. Interest rate, credit and currency risk are materially hedged as the Company issues Notes that are funded fully by third party investors and uses derivatives to offset any exposure. Oversight of the financial reporting and disclosure process is managed by NatWest Markets plc. Sanne Secretaries Limited and its affiliates have oversight of appointment, performance and independence of the external audit function.

DIRECTORS AND THEIR INTERESTS

The present directors, who have served throughout the period, are listed on page 1.

None of the directors had any interests in the Company at any time during this period (2021: \$Nil).

EMPLOYEES

The Company has no employees. Sanne Secretaries Limited performs the Company's secretarial function.

Signed on behalf of the Board of Directors:



John Pendergast
Date: 26 July 2022

STATEMENT OF DIRECTORS' RESPONSIBILITIES

In accordance with DTR 4.1.12R, each of the Directors, whose names and functions are listed on page 1, confirms to the best of that Director's knowledge and belief:

- the unaudited interim financial statements have been prepared in accordance with IAS 34 'Interim Financial Reporting' as adopted by the EU; and,
- The interim management report includes a fair review of the information required by the Disclosure Guidance and Transparency Rules ("DTR"):
 - DTR 4.2.7R (indication of important events during the first six months of the current financial year and their impact on the financial statements; and a description of principal risks and uncertainties for the remaining six months of the financial year); and,
 - DTR 4.2.8R (related party transactions that have taken place in the first six months of the current financial year and that have materially affected the financial position or the performance of the Company during that period; and any changes in the related party transactions described in the last annual report that could do so).

Signed on behalf of the Board of Directors:



Richard Go

Date: 26 July 2022

STATEMENT OF COMPREHENSIVE INCOME
For the half year ended 30 April 2022

	Notes	6 months to 30 April 2022 \$'000	6 months to 30 April 2021 \$'000
Interest income		608	1,361
Interest expense		(608)	(1,361)
Net interest income		-	-
Change in fair value on debt securities owned	5	(616)	(971)
Change in fair value on debt securities issued	8	3,114	986
Change in fair value on derivatives	6	(2,498)	(15)
Net unrealised profit/loss		-	-
Net income		-	-
Fees received		14	12
Administrative expenses	3	(65)	(81)
Loss for the period		(51)	(69)
Exchange differences on translation to the presentation currency		48	45
Total comprehensive loss for the period		(3)	(24)

The accompanying notes on pages 8 to 21 are an integral part of these financial statements.

Comparatives are based on prior half year end unaudited numbers.

STATEMENT OF CHANGES IN EQUITY
For the half year ended 30 April 2022

	Share capital \$'000	Foreign currency reserves \$'000	Retained earnings \$'000	Total \$'000
Balance at 31 October 2020	-	79	(424)	(345)
Loss for the period	-	-	(69)	(69)
Other comprehensive gain	-	45	-	45
Balance at 30 April 2021	-	124	(493)	(396)
Balance at 31 October 2021	-	63	(551)	(488)
Loss for the period	-	-	(51)	(51)
Other comprehensive gain	-	48	-	48
Balance at 30 April 2022	-	111	(602)	(491)

STATEMENT OF CASH FLOWS
For the half year ended 30 April 2022

	Notes	April 2022 \$'000	October 2021 \$'000
NON-CURRENT ASSETS			
Derivative financial instruments	6	11,086	15,243
Investments in debt securities	5	7,195	8,535
		<u>18,281</u>	<u>23,778</u>
CURRENT ASSETS			
Prepayments		23	35
Accrued interest receivable		259	119
Derivative financial instruments	6	620	615
Cash and cash equivalents		106	204
		<u>1,008</u>	<u>973</u>
TOTAL ASSETS		<u>19,289</u>	<u>24,751</u>
CURRENT LIABILITIES			
Accrued fees payable	7	31	68
Deferred fee income		21	23
Accrued interest payable		260	123
Derivative financial instruments	6	376	428
Debt securities issued	8	620	615
Subordinated loans payable		314	343
		<u>1,622</u>	<u>1,600</u>
NON-CURRENT LIABILITIES			
Debt securities issued	8	17,167	22,140
Derivative financial instruments	6	738	1,210
Deferred fee income		253	289
		<u>18,158</u>	<u>23,639</u>
TOTAL LIABILITIES		<u>19,780</u>	<u>25,239</u>
EQUITY			
Called up share capital	9	-	-
Foreign currency reserves	10	111	63
Retained earnings	11	(602)	(551)
EQUITY SHAREHOLDERS' FUNDS		<u>(491)</u>	<u>(488)</u>

The accompanying notes on pages 8 to 21 are an integral part of these financial statements.

These financial statements were approved by the Board of Directors and authorised for issue (Registered in Jersey No. 83117) on 26 July 2022.

Signed on behalf of the Board of Directors:



John Pendergast

STATEMENT OF CASH FLOWS
For the half year ended 30 April 2022

	Notes	Period to 30 April 2022 \$'000	Period to 30 April 2021 \$'000
Operating Activities			
Net cash outflow from operations	12	(70)	(48)
Adjustment for non-cash item:			
Change in fair value on debt securities owned		616	971
Change in fair value on debt securities issued		(3,114)	(986)
Change in fair value on derivatives		2,498	15
Net cash used in operating activities		<u>(70)</u>	<u>(48)</u>
Financing activities			
Net payments on redemption of debt securities issued	8	(397)	(545)
Net swap payments	6	397	545
Net cash used in financing activities		<u>-</u>	<u>-</u>
Net cash outflow for the period		<u>(70)</u>	<u>(48)</u>
Cash and cash equivalents at beginning of the period		204	353
Exchange differences on translation to the presentation currency		(28)	22
Cash and cash equivalents at end of the period		<u>106</u>	<u>327</u>

The accompanying notes on pages 8 to 21 are an integral part of these financial statements.

ANALYSIS OF CHANGE IN NET DEBT	Debt Security	Derivative Instruments	Net Debt
	\$'000	\$'000	\$'000
Opening balance as at 1 Nov 2021	8,535	14,220	22,755
Cash movement	-	(397)	(397)
Non cash movement	(1,340)	(3,231)	(4,571)
Closing balance as at 30 April 2022	<u>7,195</u>	<u>10,592</u>	<u>17,787</u>

NOTES TO THE ACCOUNTS
For the half year ended 30 April 2022

1. ACCOUNTING POLICIES

General information

Solar Funding II Limited is a company incorporated in Jersey under the Companies (Jersey) Law 1991 as amended. The address of the registered office is given on page 1. The nature of the Company's operations and its principal activities are set out in the Directors' Report.

Basis of accounting

The financial statements have been prepared in accordance with IAS 34 'Interim Financial Reporting' as adopted by the European Union ("EU") as issued by the International Accounting Board (IASB) and interpretations issued by the International Financial Reporting Interpretations Committee of the IASB as adopted by the EU (together IFRS) and on the historical cost basis except for the following:

- Derivative financial instruments are measured at fair value through profit or loss
- Financial liabilities are measured at fair value through profit or loss
- Financial assets are measured at fair value through profit or loss

Any changes to IFRS that were effective from 1 November 2021 have had no material effect on the Company's financial statements for the period ended 30 April 2022.

The financial instruments were measured at fair value and continued to be measured at fair value.

Due to the fact that the nature of the business is to participate in the issuance of secured asset-backed medium-term notes, the directors are of the opinion that it is more appropriate to use interest income and expense than turnover and cost of sales in preparing the statement of comprehensive income.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

Basis of accounting – going concern

The Company's business activities, performance and position, as well as principal risks and uncertainties are set out in the Interim Management Report on pages 2 and 3. In addition, note 13 to the financial statements includes the Company's objectives, policies and processes for managing its capital; its financial risk management objectives; details of its financial instruments; and its exposures to credit risk and liquidity risk.

The directors believe that the Company is risk neutral and, as a consequence of the terms of the various transaction documents governing the structures, will always be able to meet its obligations on the Notes as they fall due. The Notes are collateralised by various underlying fixed and variable rate assets for related series. The Company is funded by third party investors who purchase the Notes. Upon the maturity of the Note or an event leading to the repurchase of the Note, the asset will be unwound to repay the investors' funding. The third party investors bear all the risks and returns of the Note and there is no recourse or limited recourse to the Company. NatWest Markets plc has provided a subordinated loan facility of up to £500,000. At the Interim Report date, £250,000 (2021: £250,000) had been drawn, the majority of the proceeds of which are held as cash at period end in order to meet future expenses if required.

With this in consideration, the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. For these reasons, they continue to adopt the going concern basis in preparing the half yearly report and accounts.

NOTES TO THE ACCOUNTS
For the half year ended 30 April 2022**1. ACCOUNTING POLICIES (CONTINUED)****Critical accounting judgements and key sources of estimation uncertainty**

The preparation of financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expense, in particular the fair values of financial instruments designated at fair value through profit and loss. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgements on carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates used in the financial statements.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both the current and future periods. No sensitivity analysis has been prepared as the Company does not have a material exposure to interest and/or currency risk.

Currency translation

Transactions in foreign currencies are initially recorded at the rates of exchange prevailing on the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated into the reporting currency at the rates of exchange ruling at the reporting date. Profits and losses arising from foreign currency translation from the functional currency to the presentational currency are dealt with in the foreign currency reserve.

Presentation and functional currencies

The financial statements have been presented in United States dollars (\$) as the Company participates in a US dollar secured asset-backed medium-term Note programme. The functional currency is Euros since the majority of transactions are denominated in Euros.

Interest income and interest expense

Interest income on financial instruments held at fair value is recognised in the statement of comprehensive income on an accruals basis. The discount on zero coupon debt securities issued and held at fair value is recognised in interest expense on an accruals basis using the effective interest rate method. Interest expense on interest bearing debt securities issued and held at fair value is recognised on an accruals basis using the effective interest rate method.

Interest income and interest expense on financial instruments held at fair value are disclosed separately from the fair value movements on those financial instruments in the statement of comprehensive income. In addition accrued interest income and expense on these instruments are disclosed on separate lines in the statement of financial position to the carrying value of those financial instruments.

Fee expenses

Fee expenses include legal, administration, advisory and audit fees. Fee expenses are accounted for on an accruals basis.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits with banks together with short-term, highly liquid investments that are readily convertible to known amounts of cash and subject to insignificant risk of changes in value.

NOTES TO THE ACCOUNTS
For the half year ended 30 April 2022**1. ACCOUNTING POLICIES (CONTINUED)****Financial instruments**

Financial assets and liabilities are recognised on the Company's statement of financial position when the Company becomes party to the contractual provisions of the instrument.

The Company derecognises a financial asset only when the contractual rights to the cash flows from the asset expire; or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. Net realised gains and losses on the sale, transfer, discharge, cancellation or expiry of positions are determined on a realisation basis and are included in the Statement of Comprehensive Income for the period in which they arise.

Investments in debt securities

Investments in debt securities are held by the Company with the intention to use them on a continuing basis in the Company's activities. The investments in debt securities were designated and are accounted for at fair value through profit or loss to reduce the accounting mismatch that arises due to measuring derivative instruments at fair value. Fair values have been calculated based on available market prices, or where these are not available, by discounting cash flows at prevailing interest rates.

Debt securities issued

Debt securities issued were designated and are accounted for at fair value through profit or loss to reduce the accounting mismatch that arises due to measuring derivative instruments at fair value. Fair values have been calculated based on available market prices, or where these are not available, by discounting cash flows at prevailing interest rates.

Derivative instruments

The Company does not enter into speculative derivative contracts. Derivative instruments are used for hedging purposes to alter the risk profile of an underlying exposure of the Company in line with the Company's risk management policy (refer to note 13). Derivative financial instruments are recorded at fair value, with any gain or loss on re-measurement being recognised in the statement of comprehensive income. The fair value of interest rate swaps is the estimated amount that the Company would receive or pay to terminate the swap at the reporting date, and is based upon discounted cash flows. The derivatives are structured in a way that results in the operating profit being nil at each reporting date due to pass-through nature of the Company.

Segmental reporting

The directors have determined that the Company has only one reportable operating segment: acquiring of fixed and variable rate assets which are funded by Notes issued. The directors do not consider it necessary to provide a further analysis of the results of the Company from those already disclosed in these financial statements, in particular note 13 contains additional information about the geographical concentrations and assets held.

2. DIRECTORS AND EMPLOYEES

None of the directors received any emoluments for their services to the Company during the period (2021: \$Nil). The directors had no interest in any contracts in relation to the business of the Company at any time during the period (2021: \$Nil). The Company does not have any employees (2021: none).

NOTES TO THE ACCOUNTS
For the half year ended 30 April 2022

3. ADMINISTRATIVE EXPENSES

	Period to 30 April 2022 \$'000	Period to 30 April 2021 \$'000
Management fees	(4)	(4)
Auditor's remuneration for the audit of the Company's accounts	(33)	(34)
Other expenses	(28)	(43)
Total expenses	(65)	(81)

4. TAX

The Company is registered in Jersey, Channel Islands as an income tax paying company. The general rate of corporation tax for companies resident in Jersey (such as the Company) is 0% for the current period of assessment (2021: 0%).

5. INVESTMENTS IN FINANCIAL ASSETS

Debt securities held at fair value

	30 April 2022 \$'000	31 October 2021 \$'000
Fair value at beginning of period/year	8,535	33,616
Repayments	-	(24,786)
Change in value	(616)	(410)
Foreign exchange movement	(724)	115
Fair value at end of period/year	7,195	8,535
Due in less than one year	-	-
Due in greater than one year	7,195	8,535
Fair value at end of period/year	7,195	8,535
Government related	3,029	3,520
Bank and building society bonds	4,166	5,015
	7,195	8,535
Listed on Madrid Stock Exchange	3,029	3,520
Unlisted	4,166	5,015
	7,195	8,535

NOTES TO THE ACCOUNTS
For the half year ended 30 April 2022

6. SWAP CONTRACTS HELD AT FAIR VALUE

	30 April 2022	31 October 2021
	\$'000	\$'000
Fair value at beginning of period/ year (net)	14,220	14,914
Principal payments on swaps	(397)	(1,369)
Change in value	(2,498)	(614)
Foreign exchange movement	(733)	1,289
Fair value at end of period/ year (net)	<u>10,592</u>	<u>14,220</u>
Derivative assets:		
Amounts due within one year	620	615
Amounts due after one year	11,086	15,243
	<u>11,706</u>	<u>15,858</u>
Derivative liabilities:		
Amounts due within one year	(376)	(428)
Amounts due after one year	(738)	(1,210)
	<u>(1,114)</u>	<u>(1,638)</u>
	<u>10,592</u>	<u>14,220</u>

The fair value of the swap contracts above is linked to the fair value of the asset-backed Notes issued. Refer to note 13 of the Financial Statements for more details of the principal risks facing the Company and the policies in place for managing the risks.

7. ACCRUED FEES PAYABLE

	30 April 2022	31 October 2021
	\$'000	\$'000
Administrative fees	31	68
Total accrued fees payable	<u>31</u>	<u>68</u>

8. DEBT SECURITIES ISSUED

Debt securities issued by the Company have been classified as asset-backed. The debt securities issued are classified based on their risk characteristics and debt securities issued within each class are considered to have similar risk exposures.

The Company uses proceeds from the secured asset-backed debt securities issued to acquire charged assets agreed with the Noteholders at deal inception. The Company then enters into a derivative agreement with NatWest Markets plc whereby any interest received on the charged assets, along with any principal repayments, are payable to NatWest Markets plc. In return, NatWest Markets plc undertakes to pay to the Company amounts equal to the amounts due on the debt securities issued.

NOTES TO THE ACCOUNTS
For the half year ended 30 April 2022

8. DEBT SECURITIES ISSUED (CONTINUED)

The below tables refers to asset-backed securities for all Series of Notes which have underlying assets:

Series	Currency	Carrying Value	Issue Price	Maturity Date	Coupon
Series 8	EUR	6,141,400	68.87%	31-Dec-35	0.00%
Series 19	EUR	3,000,000	100.00%	27-Oct-27	CMS10 + 1.40% (capped at 8% and floored at 4%)

The below table refers to Asset backed securities for all series of notes which don't have underlying assets:

Series	Currency	Carrying Value	Issue Price	Maturity Date	Coupon
Series 2	EUR	1,444,000	76.20%	30-Dec-33	0.00%
Series 3	EUR	454,000	52.20%	29-Dec-34	0.00%
Series 4	EUR	2,760,000	76.74%	29-Dec-34	0.00%
Series 6	EUR	511,000	82.57%	31-Dec-35	0.00%
Series 7	EUR	3,535,000	79.41%	31-Dec-35	0.00%
Series 10	EUR	3,320,000	74.93%	31-Dec-35	0.00%

The following table shows the movement in the debt securities issued in the period:

	30 April 2022 \$'000	31 October 2021 \$'000
Fair value at beginning of period/year	22,755	48,530
Repayments	(397)	(26,155)
Change in value	(3,114)	(1,024)
Foreign exchange movement	(1,457)	1,404
Fair value at end of period/year	<u>17,787</u>	<u>22,755</u>
Due in less than one year	620	615
Due in greater than one year	17,167	22,140
Fair value at end of period/year	<u>17,787</u>	<u>22,755</u>

Each series of Notes issued is independent and is backed by a particular pool of assets. Holders of one series of Notes have no recourse to the assets and cash flows of other series' Notes.

The Company's obligations to pay interest and principal in respect of its Notes are exactly matched by the terms of the Company's investments in debt securities and derivatives. The recourse of the Noteholders is limited to the principal value of, and return generated by, the Company's investments in debt securities and derivatives.

NOTES TO THE ACCOUNTS
For the half year ended 30 April 2022

8. DEBT SECURITIES ISSUED (CONTINUED)

The following analysis shows the grouping of balance sheet amounts of associated financial assets, derivatives and Notes issued by each category of debt securities:

Notes issued by category:
30 April 2022

	Fair value of Financial assets	Fair value of Derivatives	Fair value of Notes issued
	\$'000	\$'000	\$'000
Asset-backed securities	7,195	10,592	(17,787)
	<u>7,195</u>	<u>10,592</u>	<u>(17,787)</u>

Notes issued by category:
31 October 2021

	Fair value of Financial assets	Fair value of Derivatives	Fair value of Notes issued
	\$'000	\$'000	\$'000
Asset-backed securities	8,535	14,220	(22,755)
	<u>8,535</u>	<u>14,220</u>	<u>(22,755)</u>

9. SHARE CAPITAL

	30 April 2022	31 October 2021
	\$	\$
Authorised share capital:		
10,000 (2021: 10,000) ordinary shares of £1 each	<u>15,000</u>	<u>15,000</u>
	\$	\$
Issued, allotted and paid		
10 (2021: 10) ordinary shares of £1 each	<u>15</u>	<u>15</u>

The share capital is held by a trust for charitable purposes and there is no obligation to the Noteholders with limited recourse conditions attached while issuing Notes. Further the trust has no beneficial interest in and derives no benefits other than fees for acting as trustee.

NOTES TO THE ACCOUNTS
For the half year ended 30 April 2022

10. FOREIGN CURRENCY RESERVES

	30 April 2022 \$'000	31 October 2021 \$'000
At start of period/year	63	79
Gain/(loss) for the period/year	48	(16)
At end of period	<u>111</u>	<u>63</u>

11. RETAINED EARNINGS

	30 April 2022 \$'000	31 October 2021 \$'000
At start of period/year	(551)	(424)
Total comprehensive loss for the period/year	(51)	(127)
Retained loss at end of period/year	<u>(602)</u>	<u>(551)</u>

12. RECONCILIATION OF OPERATING LOSS TO NET CASH OUTFLOW FROM OPERATING ACTIVITIES

	30 April 2022 \$'000	31 October 2021 \$'000
Loss from operations	(51)	(127)
(Increase)/decrease in debtors	(124)	177
Increase/(decrease) in creditors	61	(202)
Foreign exchange movements	44	(16)
Net cash outflow from operating activities	<u>(70)</u>	<u>(168)</u>

NOTES TO THE ACCOUNTS
For the half year ended 30 April 2022

13. FINANCIAL INSTRUMENTS

The Company's financial instruments principally comprise amounts due on loans payable, investments in debt securities and other financial assets, derivatives and debt securities issued. Cash and other items arise directly from the Company's operations.

It is, and has been throughout the period, the Company's policy that no trading in derivative financial instruments shall be undertaken.

The Board reviews and agrees policies for managing each of these risks and these are summarised below.

Capital risk management

The Company manages its capital to ensure it will be able to continue as a going concern. The Company has no externally imposed capital requirements.

The capital structure of the Company primarily comprises issued Notes purchased by third party investors under the entity's secured asset-backed medium-term Note programme. Other sources of funding consist of an unsecured subordinated loan of up to £500,000 from NatWest Markets plc and retained earnings.

At the reporting date, £250,000 has been drawn down on the subordinated loan (2021: £250,000).

The Notes are collateralised by the various assets held under each relevant series of Note.

The company has limited foreign currency exposure due to matched underlying assets with Notes in issue. The currency exposure is limited to transaction cost and the subordinate loan issued by NatWest Markets plc of £500,000.

Liquidity risk

The Company's obligations to pay interest and principal in respect of its Notes are exactly matched by the terms of the Company's investments in debt securities and derivatives. The recourse of the Noteholders is limited to the principal value of, and return generated by, the Company's investments in debt securities and derivatives.

Furthermore, the loan payable to NatWest Markets plc of \$314,350 (2021: \$343,000) is subordinate to the Notes and is limited recourse in nature.

The Company's management believes that the Company is risk neutral and, as a consequence of the terms of the various transaction documents governing the structure, will always be able to meet its obligations as they fall due.

NOTES TO THE ACCOUNTS
For the half year ended 30 April 2022

13. FINANCIAL INSTRUMENTS (CONTINUED)

Carrying amounts and undiscounted future contractual cash flows of liabilities are set out below:

As at 30 April 2022

	Carrying amount/ Fair value \$'000	Contractual cash flows \$'000	<1 mth \$'000	1-3 mths \$'000	3-12mths \$'000	1-5 yrs \$'000	>5 yrs \$'000
Non-derivatives financial liabilities							
Notes issued	(17,787)	(23,643)	(20)	(425)	(1,054)	(4,899)	(17,245)
Other creditors	(879)	(879)	-	-	(879)	-	-
	<u>(18,666)</u>	<u>(24,522)</u>	<u>(20)</u>	<u>(425)</u>	<u>(1,933)</u>	<u>(4,899)</u>	<u>(17,245)</u>
Derivatives financial liabilities							
Interest rate swaps	<u>(1,114)</u>	<u>(2,655)</u>	<u>(191)</u>	<u>(95)</u>	<u>(336)</u>	<u>(1,782)</u>	<u>(251)</u>

As at 31 October 2021

	Carrying amount/ Fair value \$'000	Contractual cash flows \$'000	<1 mth \$'000	1-3 mths \$'000	3-12mths \$'000	1-5 yrs \$'000	>5 yrs \$'000
Non-derivatives financial liabilities							
Notes issued	(22,755)	(26,637)	-	(173)	(1,353)	(5,621)	(19,490)
Other creditors	(846)	(846)	-	-	(846)	-	-
	<u>(23,601)</u>	<u>(27,483)</u>	<u>-</u>	<u>(173)</u>	<u>(2,199)</u>	<u>(5,621)</u>	<u>(19,490)</u>
Derivatives financial liabilities							
Interest rate swaps	<u>(1,638)</u>	<u>(2,866)</u>	<u>-</u>	<u>(106)</u>	<u>(472)</u>	<u>(1,838)</u>	<u>(450)</u>

NOTES TO THE ACCOUNTS
For the half year ended 30 April 2022

13. FINANCIAL INSTRUMENTS (CONTINUED)

Currency risk

The Company publishes its financial statements in United States dollars, is capitalised in Pounds Sterling and conducts most of its business in Euros. As a result, it is subject to foreign currency exchange risk due to exchange rate movements which will affect the Company's transaction costs. Foreign currency investments are hedged by foreign currency loans and it is the Company's policy to match liabilities with assets of the same currency. As a result the Company does not have a material exposure to currency risk and therefore no sensitivity analysis has been presented.

Interest rate risk

The interest profile of debt securities issued is detailed in note 8. The subordinated loan payable to NatWest Markets plc is at a floating rate. The Company is not exposed to interest rate risk as the interest receipts and payments are matched by entering into interest rate swap agreements. As a result the Company does not have a material net exposure to interest rate risk and therefore no sensitivity analysis has been presented.

Credit risk

The Company faces a credit risk that the underlying assets may not pay as and when they fall due. The Company's liquidity risk is reduced by ensuring that its obligations to pay interest and principal on the associated debt securities issued and derivatives held are limited to the receipts on the underlying assets. The largest exposure to any one debt security held amounts to \$4m (2021: \$5m) representing 58% (2021: 59%) of the portfolio. The Maximum exposure to credit risk on assets held as at the reporting date is the amount stated in the statement of financial position.

The following table details the aggregate investment grade of the financial assets in the portfolio, as rated by well known rating agencies approved by management:

2022 Ratings (Standard and Poor's)	Total
	\$'000
A and above	-
AA- and above	-
BBB+ and above	-
Not rated	7,195
Total	<u>7,195</u>

NOTES TO THE ACCOUNTS
For the half year ended 30 April 2022

13. FINANCIAL INSTRUMENTS (CONTINUED)

2021 Ratings (Standard and Poor's)	Total
	\$'000
A and above	-
AA- and above	-
BBB+ and above	-
Not rated	8,535
Total	8,535

As at 30 April 2022, the Company's investment securities analysed by geographic location were concentrated as follows:

April 2022 Geographic location	Total investment securities \$'000
France	58%
Spain	42%
Total	100%

As at 31 October 2021, the Company's investment securities analysed by geographic location were concentrated as follows:

October 2021 Geographic location	Total investment securities \$'000
France	59%
Spain	41%
Total	100%

NOTES TO THE ACCOUNTS
For the half year ended 30 April 2022

13. FINANCIAL INSTRUMENTS (CONTINUED)

Fair values of financial assets and financial liabilities

The directors consider the carrying amounts of assets and liabilities not held at fair value to approximate their fair values, as at 30 April 2022.

As at 30 April 2022, the carrying amounts of financial assets and financial liabilities issued by the Company for which fair values were determined directly, in full or in part, by reference to published price quotations or determined using valuation techniques are as follows:

April 2022	Level 1	Level 2	Level 3
	Quoted price	Valuation	Valuation
	in active	technique	technique
	market	observable	unobservable
	\$'000	parameters	parameters
Assets	\$'000	\$'000	\$'000
Financial assets at fair value through profit or loss	-	7,195	-
Derivative financial instruments	-	11,706	-
	-	18,901	-
Liabilities			
Financial liabilities at fair value through profit or loss	-	(17,787)	-
Derivative financial instruments	-	(1,114)	-
	-	18,901	-
October 2021	Level 1	Level 2	Level 3
	Quoted price	Valuation	Valuation
	in active	technique	technique
	market	observable	unobservable
	\$'000	parameters	parameters
Assets	\$'000	\$'000	\$'000
Financial assets at fair value through profit or loss	-	8,535	-
Derivative financial instruments	-	15,858	-
	-	24,393	-
Liabilities			
Financial liabilities at fair value through profit or loss	-	(22,755)	-
Derivative financial instruments	-	(1,638)	-
	-	(24,393)	-

NOTES TO THE ACCOUNTS
For the half year ended 30 April 2022

13. FINANCIAL INSTRUMENTS (CONTINUED)

Fair values of financial assets and financial liabilities (continued)

Valuation techniques

The Company derives fair value of its instruments differently depending on whether the instrument is a non-modelled or a modelled product.

Non-modelled product

Non-modelled products are valued directly from a price observable on the market typically on a position by position basis and include debt with prices observable on the active market.

Modelled products and observable parameters

Interest rate swaps, debt issued and unquoted debt securities are valued using pricing models. The valuation of modelled products requires an appropriate model and inputs into the model. The main inputs for valuation of those instruments are: interest rates (such as London Interbank Offered Rate (LIBOR), Overnight Index Swaps (OIS) rate and other quoted interest rates in the swap markets); credit spreads; and other market inputs.

14. RELATED PARTY TRANSACTIONS

Sanne Fiduciary Services Limited (“SFSL”) and Sanne Secretaries Limited (“SSL”) provided administration and/or secretarial services respectively to the Company. Each of SFSL and SSL is a member of the “Sanne Group” (where the “Sanne Group” means Sanne Group PLC and all its subsidiaries and affiliates of the same). Each of Marian Suguitan, John Pendergast and Richard Go is a director and/or employee of SFSL and should be regarded as interested in any transaction with any member of Sanne Group. During the period, fees incurred for these services were \$26,362 (2021: \$24,614) and no amount was payable as at 30 April 2022.

15. CONTROLLING PARTY

The management determined that the Company has no ultimate controlling party. As described in note 9 the shares of the Company held by Solar Funding II Charitable Trust, which is a Jersey trust established for charitable purposes, whose trustee is Sanne Trustee Services Limited.

16. SUBSEQUENT EVENTS

In the opinion of the Directors, there have been no significant events subsequent to the period end that are deemed necessary to be adjusted or disclosed in the financial statements.