

SOLAR FUNDING II LIMITED

Interim Management Report & Unaudited Financial Statements

For the half year ended 30 April 2019

UNAUDITED HALF YEAR FINANCIAL STATEMENTS APRIL 2019

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UNAUDITED HALF YEAR FINANCIAL STATEMENTS APRIL 2019

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

Marian Suguitan
Stephanie Hopkins (resigned 12 December 2018)
John Pendergast
Richard Go (appointed 12 December 2018)

SECRETARY

Sanne Secretaries Limited
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TRUSTEE

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The Royal Bank of Scotland plc
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INTERIM MANAGEMENT REPORT

The directors present the interim report and the unaudited financial statements of Solar Funding II (the "Company") for the half year ended 30 April 2019.

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 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 has issued twenty series of Notes (2018: twenty) of which eight remain in issue (2018: eight). 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. The Company acts as a pass through vehicle to facilitate each transaction.

NatWest Markets plc has provided a subordinated loan facility of up to £250,000. At the Interim Management reporting date, £250,000 (2018: £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 has total assets in this period of \$100,815,000 (2018: \$104,071,000).

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 2019 showed a deficit in Equity Shareholders' Funds of \$195,000. However, it should be noted that loan of £250,000 from NatWest Market plc is 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.

RESULTS AND DIVIDENDS

The loss for the first half year of 2019 is \$38,000 (loss for Apr 2018: \$7,000) is shown on page 5 of the financial statements. The loss for the first half year of 2019 will be transferred from reserves.

No dividends were declared or paid from the Company during the period (2018: \$Nil) and the directors do not propose a final dividend (2018: \$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 2019. 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. These risks are monitored on an ongoing basis during the period and 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 Note holders. 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 Corporate Services Limited and its affiliates. Oversight of risk management is performed by NatWestMarkets 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, except as noted, are listed on page 1.

None of the directors had any interests in the Company at any time during this period (2018: \$nil).

EMPLOYEES

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



Signed on behalf of the Board of Directors:

Date: 25 JULY 2019

DIRECTORS' RESPONSIBILITIES STATEMENT

The Company's directors are responsible for preparing the management report and the interim financial statements in accordance with applicable law and regulations. The Directors confirm that, to the best of their knowledge that:

- o the financial statements, which have been prepared in accordance with International Financial Reporting Standards as adopted by the EU, give a true and fair view of the assets, liabilities, financial position and results of the Company; and
- o the interim management report includes a fair review of :
 - important events that have occurred during the first six months of the year; and
 - the impact of those events on the financial statements.

The Directors further indicate that such interim financial statements for the half year ended 30 April 2019 have not been audited.

STATEMENT OF PERSONS RESPONSIBLE WITHIN THE ISSUER

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:

- o the financial statements, prepared in accordance with IFRS as adopted by the EU, give a true and fair view of the assets, liabilities, financial position and loss of the Company; and
- o the annual reports taken as a whole, is fair, balanced and understandable and includes a fair view of the development and performance of the business and position of the Company, together with a description of the principal risks and uncertainties that it faces.

Signed on behalf of the Board of Directors:



Date: 25 JULY 2019

STATEMENT OF COMPREHENSIVE INCOME
For the half year ended 30 April 2019

	Notes	6 months to 30 April 2019 \$'000	6 months to 30 April 2018 \$'000
Interest income		2,661	3,656
Interest expense		(2,661)	(3,656)
Net interest income		-	-
Change in fair value on debt securities owned	5	(2,629)	(5,439)
Change in fair value on debt securities issued	8	786	3,055
Change in fair value on derivatives	6	1,843	2,384
Net unrealised profit/loss		-	-
Net income		-	-
Fees received		21	48
Administrative expenses	3	(59)	(55)
Loss for the period		(38)	(7)
Other comprehensive income for the period		-	-
Total comprehensive loss for the period		(38)	(7)

The accompanying notes on pages 8 to 22 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 2019

	Share capital \$'000	Foreign currency reserves \$'000	Retained earnings \$'000	Total \$'000
Balance at 31 October 2017	-	91	(181)	(90)
Loss for the period	-	-	(77)	(77)
other comprehensive income	-	73	-	73
Balance at 31 October 2018	-	164	(258)	(94)
Loss for the period	-	-	(38)	(38)
Other comprehensive income	-	(63)	-	(63)
Balance at 30 April 2019	-	101	(296)	(195)

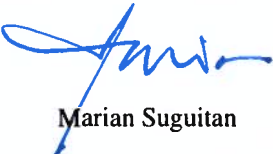
**STATEMENT OF FINANCIAL POSITION
As at 30 April 2019**

	Notes	April 2019 \$'000	October 2018 \$'000
NON-CURRENT ASSETS			
Derivative financial instruments	6	4,957	7,317
Investments in debt securities	5	61,188	93,548
		<u>66,145</u>	<u>100,865</u>
CURRENT ASSETS			
Prepayments		18	18
Accrued interest receivable		1,800	1,038
Derivative financial instruments	6	3,518	1,466
Investment in debt securities	5	28,796	-
Cash and cash equivalents		537	684
		<u>34,669</u>	<u>3,206</u>
TOTAL ASSETS		<u>100,815</u>	<u>104,071</u>
CURRENT LIABILITIES			
Accrued fees payable	7	30	61
Deferred fee income		32	32
Accrued interest payable		1,800	1,038
Derivative financial instruments	6	13,697	2,478
Debt securities issued	8	931	1,076
Subordinated loans payable		326	318
		<u>16,816</u>	<u>5,003</u>
NON-CURRENT LIABILITIES			
Debt securities issued	8	80,373	82,868
Derivative financial instruments	6	3,458	15,908
Deferred fee income		363	386
		<u>84,194</u>	<u>99,162</u>
TOTAL LIABILITIES		<u>101,010</u>	<u>104,165</u>
EQUITY			
Called up share capital	9	-	-
Foreign currency reserves	10	101	164
Retained earnings	11	(296)	(258)
EQUITY SHAREHOLDERS' FUNDS		<u>(195)</u>	<u>(94)</u>

The accompanying notes on pages 8 to 22 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 date *25 JULY 2019*

Signed on behalf of the Board by Director


Marian Suguitan

STATEMENT OF CASH FLOWS
For the half year ended 30 April 2019

	Notes	Period to 30 April 2019 \$'000	Period to 30 April 2018 \$'000
Operating Activities			
Net cash (outflow) from operations	12	(155)	(107)
Adjustment for non-cash item:			
Foreign exchange on subordinated loan		8	12
Net cash used in operating activities		<u>(147)</u>	<u>(95)</u>
Investing activities			
Proceeds on redemption of debt securities	5	-	2,607
Net cash from investing activities		<u>-</u>	<u>2,607</u>
Financing activities			
Net payments on redemption of debt securities issued	8	(1,008)	(307)
Net swap payments	6	1,008	(2,300)
Net cash used in financing activities		<u>-</u>	<u>(2,607)</u>
Net cash outflow for the period		<u>(147)</u>	<u>(95)</u>
Cash and cash equivalents at beginning of the period		684	760
Cash and cash equivalents at end of the period		<u>537</u>	<u>665</u>

The accompanying notes on pages 8 to 22 are an integral part of these financial statements.

NOTES TO THE ACCOUNTS

For the half year ended 30 April 2019

1. ACCOUNTING POLICIES

General information

Solar Funding II Limited is a company incorporated in Jersey under the Companies (Jersey) Law 1991. 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 International Financial Reporting Standards (IFRS) 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. At the date of reporting of these financial statements, the Company doesn't anticipate early adopting IFRS 16 and IFRS 17 and doesn't expect them to have an effect on the financial statements.

IFRS 9 'Financial Instruments' has been adopted with effect from 1 January 2018. The Accounting policy is updated to reflect the terminology in the new standard, but it has had no effect on financial information reported in the current or comparative periods. Interest income and expense continues to be recognised using the effective interest rate method for financial instruments measured at historical cost. There has been no restatement of profit or loss for comparative periods.

The few of changes to IFRS that were effective from 1 January 2018 have had no material effect on the Company's financial statements for the year ended 31 December 2018.

IFRS 9 changed the classification categories from IAS 39. There has been no restatement of prior years. Assets held for trading were reclassified to mandatory fair value through profit or loss. Loans and receivables were reclassified to amortised costs assets, available for sale assets were reclassified as fair value through other comprehensive income unless they were deemed to be in a fair value business model or failed the contractual cash flow requirements under IFRS 9. There were no changes in the classification and measurement of financial liabilities.

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 page 2. 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 £250,000. At the Interim Report date, £250,000 (2017: £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.

**NOTES TO THE ACCOUNTS
For the half year ended 30 April 2019****1. ACCOUNTING POLICIES (CONTINUED)**

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.

Critical accounting judgements and key sources of estimation uncertainty

The preparation of financial statements in conformity with IFRSs 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.

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 prepared 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 2019

1. ACCOUNTING POLICIES (CONTINUED)

Financial instruments

On initial recognition, financial instruments are measured at fair value. Subsequently they are measured at amortised cost.

Amortised cost assets – have to meet both the following criteria:

- the asset is held within a business model whose objective is solely to hold assets to collect contractual cash flows; and
- the contractual terms of the financial asset are solely payments of principal and interest on the outstanding balance.

Amortised cost liabilities – all liabilities that are not subsequently measured at fair value are measured at cost.

Assets designated at fair value through other comprehensive income – An equity instrument may be designated irrevocably at fair value through other comprehensive income. Other assets have to meet both the following criteria:

- the asset is held within a business model whose objective is both to hold assets to collect contractual cash flows and selling financial assets; and
- the contractual terms of the financial asset are solely payments of principal and interest on the outstanding balance.

Reclassifications – financial liabilities cannot be reclassified. Financial assets are only reclassified where there has been a change in the business model.

Business model assessment – business models are assessed at portfolio level, being the level at which they are managed. This is expected to result in the most consistent classification of assets because it aligns with the stated objectives of the portfolio, its risk management, manager's remuneration and the ability to monitor sales of assets from a portfolio. The criteria for classifying cash flows as solely principal and interest are assessed against the contractual terms of a facility, with attention to leverage features; prepayment and extension terms; and triggers that might reset the effective rate of interest.

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.

NOTES TO THE ACCOUNTS
For the half year ended 30 April 2019

1. ACCOUNTING POLICIES (CONTINUED)

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 (2018: \$nil). The directors had no interest in any contracts in relation to the business of the Company at any time during the period (2018: \$nil). The Company does not have any employees (2018: none).

3. ADMINISTRATIVE EXPENSES

	Period to 30 April 2019 \$'000	Period to 30 April 2018 \$'000
Management fees	(4)	(4)
Legal fees	-	-
Auditor's remuneration for the audit of the Company's accounts	(29)	(40)
Other expenses	(26)	(11)
Total expenses	(59)	(55)

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 (2018: 0%).

NOTES TO THE ACCOUNTS
For the half year ended 30 April 2019

5. INVESTMENTS IN FINANCIAL ASSETS

Debt securities held at fair value

	April 2019 \$'000	October 2018 \$'000
Fair value at beginning of period/year	93,548	104,890
Additions	-	-
Repayments	-	(1,866)
Change in value	(2,629)	(6,618)
Foreign exchange movement	(935)	(2,858)
	<hr/>	<hr/>
Fair value at end of period/year	89,984	93,548
	<hr/>	<hr/>
Due in less than one year	28,796	-
Due in greater than one year	61,188	93,548
Fair value at end of period/year	89,984	93,548
	<hr/>	<hr/>
Government related	11,360	11,470
Bank and building society bonds	78,624	82,078
	<hr/>	<hr/>
	89,984	93,548
	<hr/>	<hr/>
Listed on London Stock Exchange	16,553	17,156
Listed on Luxembourg Stock Exchange	7,013	7,264
Listed on Madrid Stock Exchange	11,360	11,470
Listed on Irish Stock Exchange	22,389	24,522
Unlisted	32,669	33,136
	<hr/>	<hr/>
	89,984	93,548
	<hr/>	<hr/>

NOTES TO THE ACCOUNTS
For the half year ended 30 April 2019

6. SWAP CONTRACTS HELD AT FAIR VALUE

	April 2019 \$'000	October 2018 \$'000
Fair value at beginning of period/ year (net)	(9,604)	(15,507)
Principal payments/receipts on swaps	(1,008)	1,798
Change in value	1,843	2,420
Foreign exchange movement	89	1,686
	<hr/>	<hr/>
Fair value at end of period/ year (net)	(8,680)	(9,603)
	<hr/>	<hr/>
Derivative assets:		
Amounts due within one year	3,518	1,466
Amounts due after one year	4,957	7,317
	<hr/>	<hr/>
	8,475	8,783
Derivative liabilities:		
Amounts due within one year	(13,697)	(2,478)
Amounts due after one year	(3,458)	(15,908)
	<hr/>	<hr/>
	(17,156)	(18,386)
	<hr/>	<hr/>
	(8,679)	(9,603)

The fair value of the swap contracts above is aligned to asset backed notes. 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

	April 2019 \$'000	October 2018 \$'000
Administrative fees	(30)	(61)
	<hr/>	<hr/>
Total accrued fees payable	(30)	(61)

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 Note holders 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 2019

8. DEBT SECURITIES ISSUED (CONTINUED)

The below tables refers to Asset backed securities for all Series of notes which have underlying assets:

Series	Currency	Nominal	Issue Price	Maturity Date	Coupon
Series 4	EUR	25,670,000	76.74%	29-Dec-34	0.00%
Series 7	EUR	32,915,000	79.41%	31-Dec-35	0.00%
Series 8	EUR	33,005,000	68.87%	31-Dec-35	0.00%
Series 10	EUR	17,463,358	74.93%	31-Dec-35	0.00%
Series 11	EUR	25,000,000	100.00%	04-Aug-20	10 year CMS less 0.18%
Series 17	EUR	20,000,000	100.00%	01-Jun-20	5.70% per annum
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	Nominal	Issue Price	Maturity Date	Coupon
Series 2	EUR	23,984,000	76.20%	30-Dec-33	0.00%
Series 3	EUR	16,332,000	52.19%	29-Dec-34	0.00%
Series 6	EUR	10,876,000	82.57%	31-Dec-35	0.00%

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

	April 2019 \$'000	October 2018 \$'000
Fair value at beginning of period/year	83,944	89,383
Additions	-	-
Repayments	(1,008)	(69)
Change in value	(786)	(4,198)
Foreign exchange movement	(846)	(1,173)
Fair value at end of period/year	<u>81,304</u>	<u>83,944</u>
Due in less than one year	931	1,076
Due in greater than one year	80,373	82,868
Fair value at end of period/year	<u>81,304</u>	<u>83,944</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 Note holders 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 2019

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:			
April 2019			
	Fair value of Financial assets	Fair value of Derivatives	Fair value of Notes issued
	\$'000	\$'000	\$'000
Asset backed securities	89,984	(8,680)	(81,304)
	89,984	(8,680)	(81,304)

Notes issued by category:			
October 2018			
	Fair value of Financial assets	Fair value of Derivatives	Fair value of Notes issued
	\$'000	\$'000	\$'000
Asset backed securities	93,548	(9,604)	(83,944)
	93,548	(9,604)	(83,944)

9. SHARE CAPITAL

	April 2019	October 2018
	\$	\$
Authorised share capital:		
10,000 (2018: 10,000) ordinary shares of £1 each	15,000	15,000
	\$	\$
Issued, allotted and paid		
10 (2018: 10) ordinary shares of £1 each	15	15

The share capital is held by a trust for charitable purposes and there is no obligation to the Note holders 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 2019

10. FOREIGN CURRENCY RESERVES

	April 2019 \$'000	October 2018 \$'000
At start of period/year	164	91
Loss for the period/year	(63)	73
At end of period	<u>101</u>	<u>164</u>

11. RETAINED EARNINGS

	April 2019 \$'000	October 2018 \$'000
At start of period/year	(258)	(181)
Total comprehensive loss for the period/year	(38)	(77)
Retained Loss at end of period/year	<u>(296)</u>	<u>(258)</u>

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

	April 2019 \$'000	October 2018 \$'000
Loss from operations	(38)	(77)
Increase in debtors	(762)	36
Increase in creditors	708	(95)
Foreign exchange movements	(63)	73
Net cash (outflow) from operating activities	<u>(155)</u>	<u>(63)</u>

NOTES TO THE ACCOUNTS
For the half year ended 30 April 2019

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 £250,000 from NatWest Markets plc and retained earnings.

At the reporting date, £250,000 has been drawn down on the subordinated loan (2018: £250,000).

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

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 Note holders 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 \$325,500 (2018: \$318,000) 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 2019

13. FINANCIAL INSTRUMENTS (CONTINUED)

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

As at 30 April 2019	Carrying amount/ Fair value \$'000	Contractual cash flows \$'000	<1 mth \$'000	1-3 mths \$'000	3mths- 1year \$'000	1-5 years \$'000	5 years and over \$'000
Non-derivatives financial liabilities							
Notes issued	(81,304)	(87,962)	(372)	(444)	(2,424)	(58,131)	(26,591)
Other creditors	(2,551)	(2,551)	-	(8)	(2,179)	(98)	(266)
	<u>(83,855)</u>	<u>(90,513)</u>	<u>(372)</u>	<u>(452)</u>	<u>(4,603)</u>	<u>(58,229)</u>	<u>(26,857)</u>
Derivatives financial liabilities							
Interest rate swaps	(17,156)	(42,760)	141	(100)	(30,612)	(3,279)	(8,910)
As at 31 October 2018	Carrying amount/ Fair value \$'000	Contractual cash flows \$'000	<1 mth \$'000	1-3 mths \$'000	3mths- 1year \$'000	1-5 years \$'000	5 years and over \$'000
Non-derivatives financial liabilities							
Notes issued	(83,944)	(89,825)	-	(387)	(2,856)	(58,782)	(27,800)
Other creditors	(1,834)	(1,834)	-	(68)	(1,380)	(104)	(282)
	<u>(85,778)</u>	<u>(91,659)</u>	<u>-</u>	<u>(455)</u>	<u>(4,236)</u>	<u>(58,886)</u>	<u>(28,082)</u>
Derivatives financial liabilities							
Interest rate swaps	(18,387)	(40,397)	-	(101)	(12,791)	(20,540)	(6,965)

NOTES TO THE ACCOUNTS
For the half year ended 30 April 2019

13. FINANCIAL INSTRUMENTS (CONT)

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 \$27.4m (2018: \$27.9m) representing 28% (2018: 30%) of the portfolio. The Company has a concentration of credit risk to NatWest Markets plc amounting to \$16.6m (2018: \$17.2m) representing 18% (2018: 18%) of the portfolio. The maximum exposure to credit risk on assets held at the interim management report date is the balance sheet amount. There were no impaired or past due assets at the period-end or prior year end.

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:

2019 Ratings (Standard and Poor's)	Total
	\$'000
A and above	
AA- and above	16,553
BBB+ and above	7,013
Not rated	66,419
Total	89,984

NOTES TO THE ACCOUNTS
For the half year ended 30 April 2019

13. FINANCIAL INSTRUMENTS (CONTINUED)

2018 Ratings (Standard and Poor's)	Total
	\$'000
AA and above	-
A and above	-
AA- and above	-
BBB+ and above	24,420
Not rated	69,128
Total	93,548

As at 30 April 2019, the Company's investment securities analysed by geographic location were concentrated as follows:

April 2019 Geographic location	Total investment securities \$'000
France	36%
Ireland	25%
Netherlands	-
Spain	13%
United Kingdom	18%
United States	8%
Total	100%

As at 31 October 2018, the Company's investment securities analysed by geographic location were concentrated as follows:

October 2018 Geographic location	Total investment securities \$'000
France	36%
Ireland	26%
Netherlands	-
Spain	12%
United Kingdom	18%
United States	8%
Total	100%

NOTES TO THE ACCOUNTS
For the half year ended 30 April 2019

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 2019.

As at 30 April 2019, 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 2019	Level 1 Quoted price in active market	Level 2 Valuation technique observable parameters	Level 3 Valuation technique unobservable parameters
	\$'000	\$'000	\$'000
Assets			
Financial assets at fair value through profit or loss	-	62,613	27,371
Derivative financial instruments	-	8,475	-
	-	71,088	27,371
Liabilities			
Financial liabilities at fair value through profit or loss	-	(53,607)	(27,697)
Derivative financial instruments	-	(17,155)	-
	-	(70,762)	(27,697)
October 2018			
	Level 1 Quoted price in active market	Level 2 Valuation technique observable parameters	Level 3 Valuation technique unobservable parameters
	\$'000	\$'000	\$'000
Assets			
Financial assets at fair value through profit or loss	-	65,609	27,939
Derivative financial instruments	-	8,783	-
	-	74,392	27,939
Liabilities			
Financial liabilities at fair value through profit or loss	-	(55,511)	(28,433)
Derivative financial instruments	-	(18,387)	-
	-	(73,898)	(28,433)

NOTES TO THE ACCOUNTS
For the half year ended 30 April 2019

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, Stephanie Hopkins, John Pendergast and Richard Go is/was a director and/or employee of SFSL and should be regarded as interested in any transaction with any member of Sanne Group.

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 trustees are Sanne Trustee Services.

16. SUBSEQUENT EVENTS

There have been no significant subsequent events after the statement of interim management date to report.