

SOLAR FUNDING II LIMITED

Interim Management Report & Unaudited Financial Statements

For the half year ended 30 April 2020

UNAUDITED HALF YEAR FINANCIAL STATEMENTS 30 APRIL 2020

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UNAUDITED HALF YEAR FINANCIAL STATEMENTS 30 APRIL 2020

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

Marian Suguitan
John Pendergast
Richard Go

SECRETARY

Sanne Secretaries Limited
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TRUSTEE

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ADVISER

NatWest Markets plc
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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 2020.

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 a party to. At the date of this report, the Company has issued 20 series of Notes (2019: 20) of which ten remain in issue (2019: ten). Four of them are still backed by assets (2019: four). 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 reporting date, £250,000 (2019: £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 \$84,276,000 (2019: \$96,335,000).

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 2020 showed a deficit in Equity Shareholders' Funds of \$283,000. However, it should be noted that the 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 ended 30 April 2020 was \$21,000 (half year ended 30 April 2019: \$38,000) and is shown on page 5 of the financial statements. The loss for the first half year ended 30 April 2020 will be transferred to reserves.

No dividends were declared or paid from the Company during the period (2019: \$Nil) and the directors do not propose a final dividend (2019: \$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 2020. 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 Fiduciary 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. The Directors 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 (2019: \$nil).

EMPLOYEES

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

Signed on behalf of the Board of Directors:



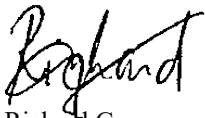
Richard Go
Date: 28 July 2020

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: 28 July 2020

STATEMENT OF COMPREHENSIVE INCOME
For the half year ended 30 April 2020

	Notes	6 months to 30 April 2020 \$'000	6 months to 30 April 2019 \$'000
Interest income		1,845	2,661
Interest expense		(1,845)	(2,661)
Net interest income		-	-
Change in fair value on debt securities owned	5	(1,613)	(2,629)
Change in fair value on debt securities issued	8	2,291	786
Change in fair value on derivatives	6	(678)	1,843
Net unrealised profit/loss		-	-
Net income		-	-
Fees received		19	21
Administrative expenses	3	(40)	(59)
Loss for the period		(21)	(38)
Other comprehensive income to be reclassified to profit or loss in subsequent periods		-	-
Exchange differences on translation to the presentation currency		(17)	(63)
Total comprehensive loss for the period		(38)	(101)

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 2020

	Share capital \$'000	Foreign currency reserves \$'000	Retained earnings \$'000	Total \$'000
Balance at 31 October 2018	-	164	(258)	(94)
Loss for the period	-	-	(38)	(38)
Other comprehensive loss	-	(63)	-	(63)
Balance at 30 April 2019	-	101	(296)	(195)
Balance at 31 October 2019	-	80	(325)	(245)
Loss for the period	-	-	(21)	(21)
Other comprehensive loss	-	(17)	-	(17)
Balance at 30 April 2020	-	63	(346)	(283)

STATEMENT OF FINANCIAL POSITION
As at 30 April 2020

	Notes	April 2020 \$'000	October 2019 \$'000
NON-CURRENT ASSETS			
Derivative financial instruments	6	20,545	14,383
Investments in debt securities	5	34,132	36,241
		<u>54,677</u>	<u>50,624</u>
CURRENT ASSETS			
Prepayments		26	31
Accrued interest receivable		1,326	814
Derivative financial instruments	6	1,026	869
Investment in debt securities	5	26,795	43,542
Cash and cash equivalents		426	455
		<u>29,599</u>	<u>45,711</u>
TOTAL ASSETS		<u>84,276</u>	<u>96,335</u>
CURRENT LIABILITIES			
Accrued fees payable	7	91	60
Deferred fee income		24	28
Accrued interest payable		1,326	814
Derivative financial instruments	6	407	6,611
Debt securities issued	8	27,840	53,349
Subordinated loans payable		315	323
		<u>30,003</u>	<u>61,185</u>
NON-CURRENT LIABILITIES			
Debt securities issued	8	52,528	30,181
Derivative financial instruments	6	1,723	4,893
Deferred fee income		305	321
		<u>54,556</u>	<u>35,395</u>
TOTAL LIABILITIES		<u>84,559</u>	<u>96,580</u>
EQUITY			
Called up share capital	9	-	-
Foreign currency reserves	10	63	80
Retained earnings	11	(346)	(325)
EQUITY SHAREHOLDERS' FUNDS		<u>(283)</u>	<u>(245)</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 28 July 2020.

Signed on behalf of the Board of Directors:



John Pendergast

STATEMENT OF CASH FLOWS
For the half year ended 30 April 2020

	Notes	Period to 30 April 2020 \$'000	Period to 30 April 2019 \$'000
Operating Activities			
Net cash (outflow) from operations	12	(21)	(155)
Adjustment for non-cash item:			
Change in fair value on debt securities owned		(1,613)	(2,629)
Change in fair value on debt securities issued		2,291	786
Change in fair value on derivatives		(678)	1,843
Net cash used in operating activities		<u>(21)</u>	<u>(155)</u>
Investing activities			
Proceeds on redemption of debt securities	5	15,911	-
Net cash from investing activities		<u>15,911</u>	<u>-</u>
Financing activities			
Net payments on redemption of debt securities issued	8	(40)	(1,008)
Net swap payments	6	(15,871)	1,008
Net cash used in financing activities		<u>(15,911)</u>	<u>-</u>
Net cash outflow for the period		<u>(21)</u>	<u>(155)</u>
Cash and cash equivalents at beginning of the period		455	684
Exchange differences on translation to the presentation currency		(8)	8
Cash and cash equivalents at end of the period		<u><u>426</u></u>	<u><u>537</u></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 2020

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 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
- Financial liabilities are measured at fair value, through profit or loss

At the date of reporting of these financial statements, the Company does not anticipate early adopting IFRS 17 and does not expect it to have an effect on the financial statements.

Any changes to IFRS that were effective from 1 November 2019 have had no material effect on the Company's financial statements for the period ended 30 April 2020.

The financial instruments were measured at FV and continued to be measured at FV.

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 £250,000. At the Interim Report date, £250,000 (2019: £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 2020

1. ACCOUNTING POLICIES (CONTINUED)

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 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 2020

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.

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 (2019: \$nil). The directors had no interest in any contracts in relation to the business of the Company at any time during the period (2019: \$nil). The Company does not have any employees (2019: none).

NOTES TO THE ACCOUNTS
For the half year ended 30 April 2020

3. ADMINISTRATIVE EXPENSES

	Period to 30 April 2020 \$'000	Period to 30 April 2019 \$'000
Management fees	(4)	(4)
Auditor's remuneration for the audit of the Company's accounts	(30)	(29)
Other expenses	(6)	(26)
	(40)	(59)
	(40)	(59)

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 (2019: 0%).

5. INVESTMENTS IN FINANCIAL ASSETS

Debt securities held at fair value

	30 April 2020 \$'000	31 October 2019 \$'000
Fair value at beginning of period/year	79,783	93,548
Additions	-	-
Repayments	(15,910)	(12,578)
Change in value	(1,613)	122
Foreign exchange movement	(1,333)	(1,309)
	60,927	79,783
	60,927	79,783
Due in less than one year	26,795	43,542
Due in greater than one year	34,132	36,241
Fair value at end of period/year	60,927	79,783
	60,927	79,783
Government related	5,829	6,132
Bank and building society bonds	55,098	73,651
	60,927	79,783
	60,927	79,783
Listed on London Stock Exchange	-	16,070
Listed on Madrid Stock Exchange	5,829	6,132
Listed on Irish Stock Exchange	23,264	24,775
Unlisted	31,834	32,806
	60,927	79,783
	60,927	79,783

NOTES TO THE ACCOUNTS
For the half year ended 30 April 2020

6. SWAP CONTRACTS HELD AT FAIR VALUE

	30 April 2020 \$'000	31 October 2019 \$'000
Fair value at beginning of period/ year (net)	3,748	(9,604)
Principal payments/receipts on swaps	15,871	12,350
Change in value	(678)	2,425
Foreign exchange movement	500	(1,423)
	19,441	3,748
Derivative assets:		
Amounts due within one year	1,026	869
Amounts due after one year	20,545	14,383
	21,571	15,252
Derivative liabilities:		
Amounts due within one year	(407)	(6,611)
Amounts due after one year	(1,723)	(4,893)
	(2,130)	(11,504)
	19,441	3,748

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 2020 \$'000	31 October 2019 \$'000
Administrative fees	(91)	(60)
Total accrued fees payable	(91)	(60)

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 2020

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 8	EUR	33,005,000	68.87%	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	52.20%	29-Dec-34	0.00%
Series 4	EUR	25,670,000	76.74%	29-Dec-34	0.00%
Series 6	EUR	10,876,000	82.57%	31-Dec-35	0.00%
Series 7	EUR	32,915,000	79.41%	31-Dec-35	0.00%
Series 10	EUR	17,463,358	74.93%	31-Dec-35	0.00%

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

	30 April 2020 \$'000	31 October 2019 \$'000
Fair value at beginning of period/year	83,530	83,944
Repayments	(39)	(228)
Change in value	(2,291)	2,547
Foreign exchange movement	(832)	(2,733)
Fair value at end of period/year	<u>80,368</u>	<u>83,530</u>
Due in less than one year	27,840	53,349
Due in greater than one year	52,528	30,181
Fair value at end of period/year	<u>80,368</u>	<u>83,530</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 2020

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 2020			
	Fair value of Financial assets	Fair value of Derivatives	Fair value of Notes issued
	\$'000	\$'000	\$'000
Asset-backed securities	60,927	19,441	(80,368)
	60,927	19,441	(80,368)

Notes issued by category: 31 October 2019			
	Fair value of Financial assets	Fair value of Derivatives	Fair value of Notes issued
	\$'000	\$'000	\$'000
Asset-backed securities	79,783	3,748	(83,531)
	79,783	3,748	(83,531)

9. SHARE CAPITAL

	30 April 2020	31 October 2019
	\$	\$
Authorised share capital:		
10,000 (2019: 10,000) ordinary shares of £1 each	15,000	15,000
	\$	\$
Issued, allotted and paid		
10 (2019: 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 2020

10. FOREIGN CURRENCY RESERVES

	30 April 2020 \$'000	31 October 2019 \$'000
At start of period/year	80	164
Loss for the period/year	(18)	(84)
At end of period	63	80

11. RETAINED EARNINGS

	30 April 2020 \$'000	31 October 2019 \$'000
At start of period/year	(325)	(258)
Total comprehensive loss for the period/year	(21)	(67)
Retained Loss at end of period/year	(346)	(325)

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

	30 April 2020 \$'000	31 October 2019 \$'000
Loss from operations	(21)	(67)
Increase in debtors	(505)	211
Increase in creditors	523	(294)
Foreign exchange movements	(18)	(84)
Net cash (outflow) from operating activities	(21)	(234)

NOTES TO THE ACCOUNTS
For the half year ended 30 April 2020

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 (2019: £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 £250,000.

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 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 \$315,000 (2019: \$323,000) 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 2020

13. FINANCIAL INSTRUMENTS (CONTINUED)

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

As at 30 April 2020	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	(80,368)	(82,526)	(324)	(22,209)	(28,910)	(6,726)	(24,357)
Other creditors	(2,060)	(1,731)	-	-	(1,731)	-	-
	<u>(82,428)</u>	<u>(84,257)</u>	<u>(324)</u>	<u>(22,209)</u>	<u>(30,641)</u>	<u>(6,726)</u>	<u>(24,357)</u>
Derivatives financial liabilities							
Interest rate swaps	(2,130)	(11,808)	-	(98)	(1,239)	(2,356)	(8,115)
As at 31 October 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	(83,530)	(85,495)	(56)	(353)	(52,486)	(6,887)	(25,714)
Other creditors	(1,546)	(2,153)	-	-	(2,153)	-	-
	<u>(85,076)</u>	<u>(87,648)</u>	<u>(56)</u>	<u>(353)</u>	<u>(54,639)</u>	<u>(6,887)</u>	<u>(25,714)</u>
Derivatives financial liabilities							
Interest rate swaps	(11,504)	(28,180)	-	(100)	(17,480)	(2,346)	(8,255)

NOTES TO THE ACCOUNTS
For the half year ended 30 April 2020

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 \$26.8m (2019: \$27.5m) representing 44% (2019: 34%) of the portfolio. The Company has a concentration of credit risk to NatWest Markets plc amounting to \$Nil (2019: \$16.1m) representing 0% (2019: 20%) of the portfolio. The maximum exposure to credit risk on assets held at the interim management report date is the balance sheet amount. 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:

2020 Ratings (Standard and Poor's)	Total
	\$'000
A and above	-
AA- and above	-
BBB+ and above	-
Not rated	60,927
Total	60,927

NOTES TO THE ACCOUNTS
For the half year ended 30 April 2020

13. FINANCIAL INSTRUMENTS (CONTINUED)

2019 Ratings (Standard and Poor's)	Total
	\$'000
A and above	-
AA- and above	16,070
BBB+ and above	-
Not rated	63,713
Total	79,783

As at 30 April 2020, the Company's investment securities analysed by geographic location were concentrated as follows:

April 2020 Geographic location	Total investment securities \$'000
France	52%
Ireland	38%
Spain	10%
Total	100%

As at 31 October 2019, the Company's investment securities analysed by geographic location were concentrated as follows:

October 2019 Geographic location	Total investment securities \$'000
France	41%
Ireland	31%
Spain	8%
United Kingdom	20%
Total	100%

NOTES TO THE ACCOUNTS
For the half year ended 30 April 2020

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 2020.

As at 30 April 2020, 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 2020	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	-	34,132	26,795
Derivative financial instruments	-	21,571	-
	-	55,703	26,795
Liabilities			
Financial liabilities at fair value through profit or loss	-	(53,573)	(26,795)
Derivative financial instruments	-	(2,130)	-
	-	(55,703)	(26,795)
October 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	-	52,311	27,472
Derivative financial instruments	-	15,252	-
	-	67,563	27,472
Liabilities			
Financial liabilities at fair value through profit or loss	-	(56,058)	(27,472)
Derivative financial instruments	-	(11,504)	-
	-	(67,563)	(27,472)

Level 3 balances at 30 April 2020 comprised both Investments in debt securities of \$26,795,000 and Debt securities issued of \$26,795,000.

NOTES TO THE ACCOUNTS
For the half year ended 30 April 2020

13. FINANCIAL INSTRUMENTS (CONTINUED)

Fair values of financial assets and financial liabilities (continued)

As at 30 April 2020 a reasonably possible change in fair value of Investments in debt securities classified within level 3 of the fair value hierarchy was considered to be \$2,679,500 using a 10% increase in market value and -\$2,679,500 using a 10% reduction in market value as at the measurement date.

As at 30 April 2020 a reasonably possible change in fair value of debt securities issued classified within level 3 of the fair value hierarchy was considered to be -\$2,679,500 using a 10% increase in market value and \$2,679,500 using a 10% reduction in market value as at the measurement date, with the potential impact being presented from the perspective of the company.

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/was 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 \$1,195 (2019: \$28,179) and no amount was payable as at 30 April 2020.

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

The current worldwide COVID-19 Coronavirus outbreak commenced in China prior to the reporting date, being notified to the World Health Organisation (“WHO”) by China on 31 December 2019 and subsequently being declared by the WHO as a Public Health Emergency of International Concern on 30 January 2020 and as a worldwide pandemic on 11 March 2020. The situation has continued to evolve throughout the period since the reporting date.

In the opinion of the Directors, although the COVID-19 outbreak may have a material adverse impact on the assets held by the Company, it is not likely to have a material adverse effect on the overall financial position and/or net results of the Company due to the fact that the Company has attempted to match the properties of its financial liabilities to those of its financial assets to mitigate significant elements of risk generated by mismatches of investment performance caused by market risks and/or any other risks such as credit risks against its obligations. Accordingly, the risks associated with the Company’s financial assets and financial liabilities are ultimately borne by the holders of the Notes. In the opinion of the Directors, the estimated impact of the COVID-19 outbreak as at the reporting date would have been taken into account in the estimated fair values of the Company’s financial assets and financial liabilities as at that date. No adjustment has been made in these financial statements for any subsequent impact of the COVID-19 outbreak on the

NOTES TO THE ACCOUNTS
For the half year ended 30 April 2020

16. Subsequent events (continued)

Company's financial assets or financial liabilities as, in the Directors' opinion, it is not possible to reliably estimate the current impact thereon.

As the Directors believe that the COVID-19 outbreak is not likely to have a material adverse effect on the overall financial position and/or net results of the Company, the COVID-19 outbreak has had no material impact on the Directors' going concern assessment. Consequently, these financial statements have been prepared on a going concern basis. In the opinion of the Directors, there were no other material events subsequent to the reporting date.