UK CANADIAN HYDRO HOLDCO A LIMITED

(Registered No. 11842949)

Audited Financial Statements

For the period ended 31 December 2019

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UK CANADIAN HYDRO HOLDCO A LIMITED

GENERAL INFORMATION

Registered Office	2 St. James's Market London SW1Y 4AH
Investment Advisor	StepStone Group Real Assets LP 130 King Street West, Suite 1205 Exchange Tower, Toronto M5X 1A9
English Legal Advisor	Mccarthy Tetrault 1 Angel Court 18th Floor London EC2R 7HJ
Independent Auditors	Ernst & Young LLP 25 Churchill Place London E14 5EY
Administrators	Sanne Group (UK) Limited 2nd Floor 21 Palmer Street London SW1H 0AD
Valuers	KPMG LLP Bay Adelaide Centre 333 Bay Street Suite 4600 Toronto 0N M5H 2S5

REPORT OF THE DIRECTORS

The Directors present their report and the audited financial statements of UK Canadian Hydro Holdco A Limited (the "Company") and its subsidiaries (the "Group") for the period from 22 February 2019 to 31 December 2019.

INCORPORATION

The Company was incorporated in England and Wales on 22 February 2019 as a private company with limited liability under the Companies Act 2006.

PRINCIPAL ACTIVITY

The purpose of the Company is to act as a holding company. The purpose of the Group is to invest in Canadian hydroelectric generation assets.

The Canadian hydroelectric generation assets of the Group are comprised of three projects as follows (collectively, the "Projects"):

i) 349 megawatts (MW) Great Lakes Power Limited in Ontario ("GLPL");

ii) 19 MW Carmichael Limited Partnership in Ontario ("Carmichael"). Pursuant to the acquisition, the Group acquired 25% of the Partnership units of Carmichael; and

iii) 45 MW (34 MW net) Kwagis Power Limited Partnership in British Columbia ("Kokish"). Pursuant to the acquisition, the Group acquired 25% of the shares of Brookfield Renewable Kwagis Holdings Inc. ("BRKHI"), an entity that owns 75% of the partnership units of Kokish, with the remaining 25% of the equity owned by the Namgis Power Corporation ("Namgis").

The investments allow the Group to invest in infrastructure assets with long-term power purchase agreements (“PPAs”), generally with terms exceeding 20-years, with investment grade counterparties or with long-term offtake agreements with A+ rated governments. The investments provide the investors with stable cash flows over a defined period of time and upside potential with respect to post-PPA merchant pricing over the remaining useful lives of the Projects.

RESULTS AND DIVIDENDS

The Group recorded a total comprehensive income for the period ended 31 December 2019 of CAD 16,745,342. The Group distributed CAD nil during the period.

POST BALANCE SHEET EVENTS

There were no material events, other than those noted in Note 14, after the statement of financial position date that have any bearing on the understanding of these financial statements.

BUSINESS REVIEW AND FUTURE DEVELOPMENTS

Business review and future developments are discussed in detail in the strategic report.

Directors

The Directors who held office during the period ended 31 December 2019 and up to the date of approval of the financial statements were:

D.L.R. Beamish (appointed on 22 February 2019)

S.G. Chandrasekaran (appointed on 22 February 2019)

P.J. Stalley (appointed on 22 February 2019)

Independent Auditors

Ernst & Young LLP have been appointed as auditors.

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE REPORT OF THE DIRECTORS AND THE FINANCIAL STATEMENTS

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial period. Under that law, they have elected to prepare the financial statements in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board ("IASB") and applicable law.

Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of its profit or loss for that period. In preparing the financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable, relevant and reliable;
- state whether they have been prepared in accordance with IFRSs; subject to any material departures disclosed and explained in the financial statements;
- assess the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that its financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

DIRECTORS' CONFIRMATION

Each Director at the date of the approval of this annual report confirms that:

- there is no relevant audit information of which the Group's auditors are unaware; and
- the Directors have taken all the steps that ought to have been taken as Directors in order to be aware of any relevant audit information and to establish that the Group's auditor is aware of that information.

BY ORDER OF THE BOARD

Director: Pete Stalley

Date: December 17, 2020

STRATEGIC REPORT

BUSINESS REVIEW

The Group's principal business is investment in Canadian hydroelectric generation assets. The Group aims to increase the value of its underlying investments. The Group recorded a net comprehensive income of CAD 16,745,357 during the period.

PERFORMANCE SUMMARY

The Group's investments generated fair value gain of CAD 26,761,267 during the period ended 31 December 2019. As at 31 December 2019, total investments was valued at CAD 345,000,000.

KPMG LLP ("KPMG" or the "valuers") has performed a valuation of the equity interest in the hydroelectric generation assets as at 31 December 2019. The valuers have derived the fair value as at the 31 December 2019 of the equity interest to be in the range of CAD330 million to CAD360 million, with a midpoint of CAD345 million. The valuation was based on a discounted cash flow analysis and the discount rates set out in their report as at 31 December 2019. The valuation range was based on the midpoint value plus/minus 5%.

KEY PERFORMANCE INDICATORS

The Directors meet on a regular basis and at each meeting reviews performance against a number of key measures:

Valuation of the underlying investments

The Directors have engaged independent valuers to determine the fair value of the undelrying investment on a regular basis. Due to the forecasted growth profile of underlying investment and the availability of financial projections, the DCF methodology was applied on a levered basis. Under this approach, expected future cash flows include those associated with debt service and repayment, as estimated based on the forecast debt levels of the underlying projects held. Similarly, the cash flows also include the tax shields related to the debt service costs.

Net asset value

The Board regards this as the best overall measure of value delivered to its shareholders. The Board assesses the net asset value of the Group with reference to KPMG's valuation.

PRINCIPAL RISKS AND UNCERTAINTIES

The key business risks facing the Group are considered by the Directors. Key risks facing the business and the processes in place by which the Group aims to manage those risks are:

- Financing risk: the Group is currently funded by its shareholders through equity and loan notes. The Group has processes in place to ensure that funding requirements are monitored and reported to the Directors on a regular basis.

- Market risk: there is a risk from specialising in Canadian hydroelectric generation assets that this market underperforms other investment classes leading to poor relative financial results.

- The impact of changes in legislation particularly in respect of taxation, planning, environmental legislation and EU directives: through both the use of experienced professional advisors and direct contact, the Directors ensure compliance with current regulations.

- COVID-19: The current worldwide Coronavirus outbreak commenced in China shortly prior to the reporting date, being notified to the World Health Organisation ("WHO") by China on 31 December 2019, and the situation has continued to evolve throughout the period since the reporting date, 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. In the opinion of the Directors, the Coronavirus outbreak is not likely to have a material adverse effect on the financial position and results of the Group.

FUTURE DEVELOPMENTS

GLPL - All of the electrical energy produced by the GLPL facilities will be sold to Independent Electricity System Operator through to 30 November 2029.

Carmichael - All of the electric energy produced by the Carmichael project will be sold to Ontario Electricity Financial Corporation through to 31 March 2042.

Kokish - All of the electric energy produced by the Kokish project will be sold to BC Hydro through to 9 April 2054.

BY ORDER OF THE BOARD

Director: Pete Stalley
Date: December 17, 2020

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF UK CANADIAN HYDRO HOLDCO A LIMITED

Report on the audit of the financial statements

Opinion

We have audited the financial statements of UK Canadian Hydro Holdco A Limited Limited ('the parent company') and its subsidiaries (the 'group') for the period ended 31 December 2019 which comprise the Consolidated Statement of Comprehensive Income, the Consolidated and Parent company Statement of Financial Position, the Consolidated and Parent Statement of Changes in Equity and the related notes 1 to 14, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

In our opinion:

- the financial statements give a true and fair view of the group's and of the parent company's affairs as at 31 December 2019 and of the group's profit for the year then ended;
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report below. We are independent of the group and parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group's or the parent company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF UK CANADIAN HYDRO HOLDCO A LIMITED

Report on the audit of the financial statements - (continued)

Opinions on other matters prescribed by the Companies Act 2006

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

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the group and the parent company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or directors' report.

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

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

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 5, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the group's and the parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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

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

Use of our report

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

Ernst & Young LLP

Denise Davidson (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
London
Date: 22 December 2020

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE PERIOD FROM 22 FEBRUARY 2019 TO 31 DECEMBER 2019

	Notes	Period ended 31 December 2019 CAD
Net fair value gain	5	26,761,267
		26,761,267
Expenses		
Audit fees		(37,515)
Administrative expenses		(29,585)
Tax fees		(5,000)
Operating profit		26,689,167
Finance costs		
Bank charges		(306)
Interest expense	6	(9,435,904)
Profit before tax		17,252,957
Tax	11	(507,615)
Total comprehensive income for the period		16,745,342

There are no items of other comprehensive income.

The accompanying notes to the Financial Statements on pages 14 to 24 form an integral part of these Consolidated Financial Statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2019

	Notes	As at 31 December 2019 CAD
Non - current assets		
Investments	5	344,741,250
Total non - current assets		344,741,250
Current assets		
Cash at bank	8	516,512
Total current assets		516,512
Total assets		345,257,762
Current liabilities		
Creditors	9	68,994
Loan note interest payable	6	4,967,373
Total current liabilities		5,036,367
Non-current liabilities		
Loan note payable	6	194,085,630
Total non-current liabilities		194,085,630
Total liabilities		199,121,997
Net assets		146,135,765
Equity		
Share capital	10	129,390,423
Retained earnings		16,745,342
Total equity		146,135,765

The accompanying notes to the Financial Statements on pages 14 to 24 form an integral part of these Consolidated Financial Statements.

The audited consolidated financial statements were approved and authorised for issue by the Directors on the day of 2020 and were signed on its behalf by:

Director: Pete Stalley
Date: December 17, 2020

PARENT COMPANY STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2019

	Notes	As at 31 December 2019
		CAD
Non - current assets		
Investments in subsidiaries	5	129,390,423
Loan note receivable		194,085,630
Loan note interest receivable		4,770,030
Total non - current assets		328,246,083
Current assets		
Cash at bank	8	99,985
Total current assets		99,985
Total assets		328,346,068
Current liabilities		
Creditors	9	52,310
Loan note payable	6	194,085,630
Loan note interest payable	6	4,967,373
Total current liabilities		199,105,313
Total liabilities		199,105,313
Net assets		129,240,755
Equity		
Share capital	10	129,390,423
Retained earnings		(149,668)
Total equity		129,240,755

The accompanying notes to the Financial Statements on pages 14 to 24 form an integral part of these Consolidated Financial Statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE PERIOD FROM 22 FEBRUARY 2019 TO 31 DECEMBER 2019

	Notes	Share capital CAD	Retained earnings CAD	TOTAL CAD
As at 22 February 2019		-	-	-
Shares issued	10	132,592,975	-	132,592,975
Redemption of shares	10	(3,202,552)	-	(3,202,552)
Total comprehensive income		-	16,745,342	16,745,342
As at 31 December 2019		**129,390,423**	**16,745,342**	**146,135,765**

Parent Company	Notes	Share capital CAD	Retained earnings CAD	TOTAL CAD
As at 22 February 2019		-	-	-
Shares issued	10	132,592,975	-	132,592,975
Redemption of shares	10	(3,202,552)	-	(3,202,552)
Total comprehensive income		-	(149,668)	(149,668)
As at 31 December 2019		**129,390,423**	**(149,668)**	**129,240,755**

The accompanying notes to the Financial Statements on pages 14 to 24 form an integral part of these Consolidated Financial Statements.

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE PERIOD FROM 22 FEBRUARY 2019 TO 31 DECEMBER 2019

	Notes	Period ended 31 December 2019 £
Cash flows from operating activities		
Profit before tax		17,252,957
Adjustments for:		
Fair value gain	5	(26,761,267)
Interest expense		9,435,904
Changes in working capital		
Increase in creditors		68,994
Net cash used in operating activities		**(3,412)**
Taxes paid		(507,615)
Net cash used in operating activities		**(511,027)**
Investing activities		
Cash flows from investing activities		
Acquisition of investments	5	(331,482,433)
Disposal of investments	5	13,502,450
Net cash used in investing activities		**(317,979,983)**
Cash flows from financing activities		
Proceeds from issuance of shares		132,592,975
Payment for redemption of shares		(3,202,552)
Proceeds from issuance of loan notes	6	198,889,458
Repayment of loan notes	6	(4,803,828)
Interest paid		(4,468,531)
Net cash generated from financing activities		**319,007,522**
Net increase in cash and cash equivalents		516,512
Cash and cash equivalents at the beginning of the period		-
Cash and cash equivalents at the end of the period		**516,512**

The accompanying notes to the Financial Statements on pages 14 to 24 form an integral part of these Consolidated Financial Statements.

NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL INFORMATION

The Company was incorporated in England and Wales on 22 February 2019 as a private company with limited liability under the Companies Act 2006.

The Company and its subsidiaries are together the "Group". The principal activity of the Group is to invest in Canadian hydroelectric generation assets.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all periods presented, unless otherwise stated.

The principal accounting policies applied in the preparation of these financial statements are set out below.

a) Basis of preparation

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"), and International Financial Reporting Interpretations Committee ("IFRIC") interpretations.

The consolidated financial statements have been prepared on a going concern basis under the historical cost convention as modified by the revaluation of investments.

Under IFRS 10, an entity investment entity is an entity that:

- obtains funds from one or more investors for the purpose of providing those investor(s) with investment management services;
- commits to its investor(s) that its business purpose is to invest funds solely for returns from capital appreciation, investment income, or both, and
- measures and evaluates the performance of substantially all of its investments on a fair value basis.

IFRS 10 provides that an investment entity should have the following typical characteristics:

- it has more than one investment;
- it has more than one investor;
- it has investors that are not related parties of the entity; and
- it has ownership interests in the form of equity or similar interests.

Canada Atlantis Hydro LP meets the definition of an investment entity and therefore investments held by Canada Atlantis Hydro LP are recognised at fair value through profit or loss.

b) Basis of consolidation

These consolidated financial statements incorporate the results and financial position of the Company and its subsidiaries up to 31 December 2019.

Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Company obtains control, and continue to be consolidated until the date when such control ceases. All intra-Group balances, transactions and unrealised gains and losses resulting from these transactions are eliminated in full on consolidation.

The preparation of financial statements require the use of certain accounting estimates. It also requires management to exercise judgement in applying the accounting policies. The areas where significant judgements and estimates have been made in preparing the financial statements and their effects are disclosed in note 3.

c) Adoption of new and revised standards

New Accounting Standards, amendments to existing Accounting Standards and/or interpretations of existing Accounting Standards (separately or together, "New Accounting Requirements") adopted during the current period

The Directors have assessed the impact, or potential impact, of all new accounting requirements. In the opinion of the Directors, there are no mandatory new accounting requirements applicable in the current period that had any material effect on the reported performance, financial position, or disclosures of the Group. Consequently, no other mandatory New Accounting Requirements are listed.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (CONTINUED)

c) Adoption of new and revised standards - (continued)

Non-mandatory New Accounting Requirements not yet adopted

All non-mandatory New Accounting Requirements in issue are either not yet permitted to be adopted or, in the Directors' opinion, would have no material effect on the reported performance, financial position, or disclosures of the Group and consequently have neither been adopted, nor listed.

d) Income and Statement of Cash Flows

The Group presents its Consolidated Statement of Comprehensive Income by nature of expense. The Group reports cash flows using the indirect method.

The acquisitions of investments is disclosed as cash flows from investing activities because this most appropriately reflects the Group's business activities.

e) Going concern

As at 31 December 2019, the Group is in a net asset position of CAD 146,135,765. The consolidated financial statements have been prepared on a going concern basis, which assumes that the Group will continue to meet its liabilities when they fall due, for the foreseeable future.

The current worldwide Coronavirus outbreak commenced in China shortly prior to the reporting date, being notified to the World Health Organisation ("WHO") by China on 31 December 2019, and the situation has continued to evolve throughout the period since the reporting date, 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. In the opinion of the Directors, the Coronavirus outbreak is not likely to have a material adverse effect on the financial position and results of the Group.

The Directors are of the opinion that the Group has sufficient resources to continue as a going concern for at least 12 months from the date of the approval of the financial statements based on reviews conducted in relation to the future performance and cash flows forecasts for the foreseeable future.

f) Foreign currencies

Functional and presentation currency

Items included in the consolidated financial statements are measured using the currency of the primary economic environment in which the Group operates; its functional currency. As all investments held by the Group and financing received by the Group are in Canadian Dollar ("CAD"), this is considered to be the functional and presentational currency of the Group.

Foreign currency translation

Monetary assets and liabilities are translated into CAD at the rate of exchange ruling at the financial position date. Foreign exchange gains or losses resulting from settlement of such transactions and from the translation at the year end exchange rates of monetary assets and liabilities denominated in foreign currencies are presented net in the Consolidated Statement of Comprehensive Income.

g) Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks and other short term investments in an active market with original maturities of three months or less and bank overdrafts.

h) Interest income and interest expense

Interest income and expense are recognised within 'finance income' and 'finance costs' in the Consolidated Statement of Comprehensive Income using the effective interest method. Interest income includes income from cash and cash equivalents.

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating the interest income or interest expense over the relevant year.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (CONTINUED)

h) Interest income and interest expense - (continued)

The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts throughout the expected life of the financial instrument, or a shorter period where appropriate, to the net carrying amount of the financial asset or financial liability.

i) Financial assets

Classification and initial measurement

Financial assets are classified under IFRS 9 as financial assets at fair value through profit or loss, fair value through other comprehensive income or at amortised cost as appropriate. The Group determines the classification of its financial assets at initial recognition. When financial assets are recognised initially, they are measured at fair value plus, in the case of investments not at fair value, directly attributable transaction costs.

The Group's financial assets consist of investment in equity and cash and cash equivalents.

Subsequent measurement

Investment in equity is subsequently measured at fair value.

The Directors adopt the fair value as determined by independent valuers, without adjustment.

Based on the ongoing nature of the operations of the underlying investment, the investments are valued using a going concern assumption, more specifically, the Discounted Cash Flow ("DCF") Approach.

Due to the forecasted growth profile of underlying investment and the availability of financial projections, the DCF methodology was applied on a levered basis. Under this approach, expected future cash flows include those associated with debt service and repayment, as estimated based on the forecast debt levels of the underlying projects held. Similarly, the cash flows also include the tax shields related to the debt service costs.

The cash flows are then discounted using an after-tax cost of equity. The cost of equity represents the cost of equity measured on a market basis. The cost of equity must adequately reflect the nature of the investment and the risk of the underlying future cash flows. When post-interest cash flow, together with the continuing value of the business at the end of the projection period are discounted using a cost of equity, the resulting conclusion represents the value of the equity investment in a project.

Investments are assessed for fair value on an annual basis, with any changes in fair value being recorded in "Fair value gain" in the Consolidated Statement of Comprehensive Income for the period.

Other financial assets are subsequently measured at amortised costs less provision for impairment. Given the nature of cash and cash equivalents and their short length of time between the origination and settlement, their amortised cost is the same as the fair value on date of origination.

As required by IFRS 9, all financial assets, except those carried at fair value through profit or loss, are subject to review for impairment at each reporting date. IFRS 9 requires the use of an "expected credit loss" model in the measurement of impairment loss. At initial recognition, an impairment allowance is required for expected credit loss/losses ("ECL") resulting from possible default events within the next 12 months. If an event were to occur that significantly increased the credit risk of the counterparty, an allowance for ECL would be required for projected defaults over the term of the financial instrument. Such a change in credit risk of the counterparty would also have an impact on the recognition of income on the financial asset. As permitted under IFRS 9, the Company has elected to utilise the practical expedient under which any necessary impairment allowance may be measured by estimating the 12-month ECL. IFRS 9 requires the Group to record expected credit losses on all of its loans receivables and other receivables, either on a 12-month or lifetime basis.

If in a subsequent period the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed, to the extent that the carrying value of the asset does not exceed its amortised cost at the reversal date. Any subsequent reversal of an impairment loss is recognised in the Consolidated Statement of Comprehensive Income.

Derecognition

Financial assets are derecognised only when the contractual rights to the cash flows from the financial asset expire or the Group transfers substantially all risks and rewards of ownership.

NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS - (CONTINUED)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (CONTINUED)

j) Financial liabilities

Liabilities within the scope of IFRS 9 are classified as financial liabilities at fair value through profit or loss or amortised cost, as appropriate.

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or has expired.

Financial liabilities include creditors and loan notes, and are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method. The fair value of a non-interest bearing liability is its discounted repayment amount. If the due date of the liability is less than one year, discounting is omitted and their amortised cost is the same as the fair value on date of origination given the short length of time between origination and date of settlement.

Interest expense is recognised in the Consolidated Statement of Comprehensive Income. Any gain or loss on derecognition is also recognised in the Consolidated Statement of Comprehensive Income.

k) Taxation

Current tax is recognised in the Consolidated Statement of Comprehensive Income, except to the extent that it relates to items recognised directly in other comprehensive income or equity – in which case, the tax is also recognised in other comprehensive income or equity. The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the date of the consolidated Statement of Financial Position in the countries where the Group operates.

Deferred income tax is provided using the liability method on all temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred income tax assets are recognised only to the extent that it is probable that taxable profit will be available against which deductible temporary differences, carried forward tax credits or tax losses can be utilised. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities. In determining the expected manner of realisation of an asset the General Partner considers that the Group will recover the value of investment property through sale. Deferred income tax relating to items recognised directly in equity is recognised in equity and not in the statement of comprehensive income.

l) Expenses

Expenses of the Group are recognised in the consolidated Statement of Comprehensive Income on an accruals basis.

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The Group makes estimates and assumptions that affect the reported amounts of assets and liabilities within the financial year. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Investment in equity

In measuring the fair value of the investment, the valuers based their valuation on a discounted cash flow model which is performed by discounting the levered free cash flow streams (i.e. levered after tax Project distributions and Project terminal value less holding company cash flows) at the cost of equity of 8.25%.

The determination of the fair value requires the use of estimates such as, future cash flows from the investment (such as EBITDA, capital expenditures, working capital investments, debt servicing and cash taxes), terminal value of the investment and the cost of equity applicable to the asset.

4. FAIR VALUE

The Group's assets and liabilities measured and reported at fair value are classified and disclosed in one of the following fair value hierarchy levels based on the significance of the inputs used in measuring their fair value in accordance with IFRS 13:

Level 1 inputs are unadjusted quoted prices in active markets for identical assets or liabilities that the Group has the ability to access at the valuation date. An active market for the asset or liability is a market in which transactions for the asset or liability occur with sufficient frequency and volume to provide pricing information on an ongoing basis.

Level 2 inputs are inputs other than quoted prices in active markets included within Level 1 that are observable for the asset or liability, either directly or indirectly.

4. FAIR VALUE - (CONTINUED)

Assets and liabilities are always categorised as Level 1, 2 or 3 in their entirety. In certain cases, the fair value measurement for financial assets and liabilities may use a number of different inputs that fall into different levels of the fair value hierarchy. In such cases, their level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement. The assessment of the significance of a particular input to the fair value measurement requires judgment and is specific to the financial asset or liability.

The policies for determining when transfers take place are as follows; transfers are made from Level 1 to Level 2 when the level of trading activity reduces significantly and transfer from Level 3 to Level 2 when information on a similar asset traded in an active market becomes available.

The Group has satisfactory title to all owned assets appearing in the Consolidated Statement of Financial Position and no pledges had been made on the assets as at the year end.

The Group's investment in equity is classified as Level 3. There were no transfers between the hierarchy levels during the period ended 31 December 2019.

5. INVESTMENTS

	31-Dec-19
	CAD
Group:	
Balance at beginning of period	-
Acquisition of investments	331,482,433
Disposal of investments	(13,502,450)
Change in fair value of investments	26,761,267
Balance at end of period	344,741,250

During the period, the Group acquired interest in Canada Atlantis Hydro LP which owns Canadian hydroelectric generation assets.

	31-Dec-19
	CAD
Company:	
Balance at beginning of period	-
Acquisition of investments in subsidiaries	129,390,423
Disposal of investments	-
Balance at end of period	129,390,423

6. LOAN NOTE PAYABLE

	31-Dec-19
	CAD
Due in one year	
Loan note interest payable	4,967,373
Due in more than one year	
Loan note payable	194,085,630
	199,053,003

On the 1 March 2019, the Group issued Loan Notes amounting to CAD 198,889,457.75. The loan note is repayable in 2044.

On 21 October 2019, the Group repaid CAD 4,468,531 of the loan note interest.

Interest is charged on the loan note at 5.75% per annum. During the period, interest accrued amounted to CAD 9,435,904, of which CAD 4,967,358 is repayable as at 31 December 2019.

7. FINANCIAL RISK MANAGEMENT

The Directors carry out the risk management function in respect of the financial risks of the Group. Financial risks are risks arising from financial instruments to which the Group is exposed during or at the end of the reporting year. Financial risk comprises credit risk, liquidity risk and market risk (including interest rate risk, currency risk and other price risk). The primary objectives of the financial risk management function are to establish risk limits, and then ensure that exposure to risks stays within these limits.

The Group's financial assets and financial liabilities comprise investment in equity, cash and cash equivalents, loan notes and creditors that arise directly from its operations.

The main risks arising from the Group's financial instruments are credit risk, liquidity risk and market risk. The Directors review and agrees policies for managing its risk exposure. These policies are described within this note and have remained unchanged for the period under review.

a) Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge its contractual obligation.

The Group's maximum exposure to credit risk by class of financial asset is as follows:

	31-Dec-19 CAD
Cash and cash equivalents	516,512
	516,512

The fair value of cash and cash equivalents at 31 December 2019 approximates the carrying value. There is a significant concentration of credit risk with respect to cash and cash equivalents as at 31 December 2019, cash balances are held with the Bank of Montreal, which is considered a reputable institution.

The following table is a summary of the banking institution's credit rating per Moody's, S&P and Fitch, Credit Rating Agents as at the reporting dates:

31-Dec-19	Moody's	S&P	Fitch
Bank of Montreal	Aa2	A+	AA

b) Liquidity risk

Liquidity risk is the risk that the Group may not be able to generate sufficient cash resources to settle its obligations in full as they fall due or can only do so on terms that are materially disadvantageous.

The Group's liquidity position is reviewed by the Directors as part of its quarterly review.

The Group manages its liquidity risk by a combination of (i) drawdowns from the shareholders through loan notes or equity shares and (ii) maintaining cash levels to fund short-term operating expenses.

7. FINANCIAL RISK MANAGEMENT - (CONTINUED)

b) Liquidity risk - (continued)

The tables below summarises the maturity profile of the Group's exposure to liquidity risk based on undiscounted contractual maturities as at 31 December 2019:

	Current to 3 months CAD	3 months to 1 year CAD	1 year to 5 years CAD	5 years + CAD	Total CAD
Financial assets					
Cash and cash equivalents	516,512	-	-	-	516,512
	516,512	**-**	**-**	**-**	**516,512**
Financial liabilities					
Loan notes payable	-	-	-	469,856,960	469,856,960
Creditors	68,994	-	-	-	68,994
	68,994	**-**	**-**	**469,856,960**	**469,925,954**
Net liquidity risk	**447,518**	**-**	**-**	**(469,856,960)**	**(469,409,442)**

c) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices.

IFRS 7 requires disclosure of a 'sensitivity analysis' for each type of market risk to which the entity is exposed at the reporting date, showing how profit or loss and equity would have been affected by changing the relevant risk variables that were reasonably possible at that date for financial instruments.

Sensitivities to market risks included below are based on a change in one factor while holding all other factors constant. In practice, this is unlikely to occur, and changes in some of the factors may be correlated - for example, changes in interest rate and changes in foreign currency rates.

i) Foreign exchange risk

The Group is currently not exposed to significant foreign currency risk as material transactions are all in CAD.

ii) Price risk

The Group is indirectly exposed to property price and property rental risk on its investment. The Group is not exposed to market risk with respect to financial instruments as it does not hold any marketable financial instruments.

Further details regarding the valuation of investment are provided in notes 2 and 3.

iii) Cash flow and fair value interest rate risk

The Group holds cash balances with the Bank of Montreal. These balances expose the Group to cash flow interest rate risk as the Group's income and operating cash flows will be affected by movements in the market rate of interest. There is considered to be no material fair value interest rate risk in regard to these balances.

The Group's loan note payable is subject to fixed interest rate and therefore not subject to changes in market rate of interest.

7. FINANCIAL RISK MANAGEMENT - (CONTINUED)

c) Market risk - (continued)

The tables below summarise the Group's exposure to cash flow interest rate risk.

31 December 2019 **Financial assets**	**Non-interest bearing CAD**	**Fixed rate CAD**	**Floating rate CAD**	**Total CAD**
Cash and cash equivalents	-	-	516,512	516,512
	-	**-**	**516,512**	**516,512**

Financial liabilities	**Non-interest bearing CAD**	**Non-interest bearing CAD**	**Floating rate CAD**	**Total CAD**
Loan notes payable	-	199,053,003	-	199,053,003
Creditors	68,994	-	-	-
	68,994	**199,053,003**	**-**	**199,053,003**

The average effective rate of interest applicable to cash and cash equivalents for the period ended 31 December 2019 was approximately 0%.

The average effective rate of interest applicable to loan note payable for the period ended 31 December 2019 was approximately 5.75%.

iv) Sensitivity analysis

Sensitivity disclosure is provided below with respect to interest rate risk:

As of 31 December 2019, if interest rates had been 50 basis points lower with all other variables held constant, net asset value for the year would have been £2,583 higher.

As of 31 December 2019, if interest rates had been 50 basis points higher with all other variables held constant, net asset value for the period would have been £2,583 lower.

As of 31 December 2019, if price had been 500 basis points higher with all other variables held constant, net asset value for the year would have been £15 million higher.

As of 31 December 2019, if interest rates had been 500 basis points lower with all other variables held constant, net asset value for the period would have been £15 million lower.

The Group does not have significant variable exposure to liquidity or foreign exchange risk and therefore no sensitivity analysis for these risks has been disclosed.

7. FINANCIAL RISK MANAGEMENT - (CONTINUED)

d) Capital risk management

The capital of the Group is represented by the equity which is made up of share capital and retained earnings. The Group's objective when managing capital is to safeguard the ability to continue as a going concern in order to provide returns for shareholders and to maintain a strong capital base to support the investment activities of the Group. In order to maintain or adjust the capital structure, the Group may drawdown from the shareholders or withhold distributing funds to the shareholders.

8 CASH AND CASH EQUIVALENTS

	31-Dec-19
	CAD
Group:	
Cash at bank	516,512
	516,512
Parent Company:	
Cash at bank	99,985
	99,985

9 CREDITORS

	31-Dec-19
	CAD
Group:	
Accrued expenses	68,994
	68,994
Parent Company:	
Accrued expenses	52,310
	52,310

10 SHARE CAPITAL

	31-Dec-19
	CAD
Authorised, issued and fully paid	
129,390,423 Ordinary shares of £1 each at par	**129,390,423**

On 1 March 2019, 132,592,975 ordinary shares of £1 each were issued to the shareholders. Subsequently, 3,202,552 ordinary shares of £1 each were redeemed on 16 July 2019.

11 TAXATION

	31-Dec-19
	CAD
Current tax:	
UK Corporation tax charge on profit for the year at 19%	-
Withholding tax	507,615
Deferred tax:	
Deferred tax charge for the year	-
Total tax charge for the year	**507,615**

NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS - (CONTINUED)

11 TAXATION - (CONTINUED)

a) Factors affecting the tax charge for the year

The tax assessed for the year is lower than the standard rate of corporation tax in the UK of 19%

Profit on ordinary activities before tax	17,252,957
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19%	3,278,062
Effects of:	
Non-taxable income	(5,084,641)
Income subject to withholding tax	507,615
Profits not recognised for deferred tax	1,806,579
Total tax charge for the year	**507,615**

b) Factors affecting current and future tax changes

The current United Kingdom corporation tax rate is 19.0% which has been in place since 1 April 2017. The UK government has announced that the UK corporation tax rate will reduce to 17.0% by April 2020. In March 2020, the UK government announced that the UK corporation tax will increase back to 19.0% by 2021 and this has been treated as a non-adjusting subsequent event in these financial statements.

12. SUBSIDIARIES

The list of subsidiaries which are included in the Group's consolidated financial statements with their respective legal ownership percentages by the Group is as follows.

Name of subsidiary	Country of incorporation	Principal activity	Proportion of ownership
Canada Atlantis Hydro Holdco A Inc.	Canada	Investment holding	100.00%
Canada Atlantis Hydro General Partner Holdco A Inc.	Canada	General partner	100.00%
Canada Atlantis Hydro LP	Canada	Property holding	99.99%

13. RELATED PARTY DISCLOSURES

StepStone Group Real Assets LP act as the Investment Advisor to the Group. The Directors are also employees of the Investment Advisor. The Group does not pay any of the Directors' Fees.

14. SUBSEQUENT EVENTS

Coronavirus disease (COVID-19)

The current worldwide Coronavirus outbreak commenced in China shortly prior to the reporting date, being notified to the World Health Organisation ("WHO") by China on 31 December 2019, and the situation has continued to evolve throughout the period since the reporting date, 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.

In the opinion of the Directors, the Coronavirus outbreak is not likely to have a material adverse effect on the financial position and results of the Group.

There are no other events after the balance sheet date that require adjustments to or disclosures in the financial statements.