SKYLINE CLEAN ENERGY FUND 2020

SKYLINE

ANNUAL REPORT TO UNITHOLDERS, DECEMBER 31 2020

Grounded in real estate,
powered by people
and **growing** for the future...

From left to right: **Wayne Byrd**, Chief Financial Officer; **Matt Kennedy**, Associate Director, Skyline Energy; **Tyler Balding**, Director, Business Development, Skyline Clean Energy Asset Management Inc.; **Rob Stein**, President, Skyline Clean Energy Fund; **Martin Castellan**, Co-Founder & Chief Administrative Officer; **R. Jason Ashdown**, Co-Founder & Chief Sustainability Officer; **Jason Castellan**, Co-Founder & Chief Executive Officer.

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OVERVIEW

$106.9MM	$12.49	8.54%
Total Assets per IFRS (As at December 31, 2020)	Current Unit Value (As at April 30, 2021)	Compounded Annual Growth Rate (As at April 30, 2021)

For the year ended December 31, 2020:

15,262,852	$6.14MM	43.3%
kWh of Solar Power Generated	Earnings Before Interest, Tax, Depreciation & Amortization	Net Operating Margin

SCEF solar assets' annual energy production equivalencies(1):

Powered Houses (Homes Energy Use for 1 year)	Barrels of Oil Consumed	Passenger Vehicles (Removing For 1 Year)
1,303	21,173	2,739

(1) Environmental off-set statistics calculated with NRCAN equivalency calculator

AWARDS

Best Managed Companies – Gold Standard Winner 2020

Skyline Group of Companies was recognized as one of Canada's Best Managed Companies, a designation that continues to be the mark of excellence for Canadian-owned and managed companies with revenues over $25 million. Businesses are evaluated on adaptation amid changing market conditions, embracing innovation, and employee engagement.

CFAA 2020 Awards – Winner, Rental Housing Provider of the Year (over 7,500 suites) & Rental Development of the Year (low-rise)

Skyline Living accepted two awards from the Canadian Federation of Apartment Associations (CFAA). Rental Housing Provider of the Year recognizes exceptional leadership in the rental housing industry. Rental Development of the Year recognizes a company that has achieved excellence in the development of a new rental housing project.

Centre Wellington Chamber of Commerce Awards of Excellence 2020 – Winner, Corporate Citizen of the Year

Skyline Group of Companies was awarded Corporate Citizen of the Year from the Centre Wellington Chamber of Commerce. Skyline received the award for its efforts surrounding Skyline Community Hub, a centralized workspace for community support organizations located in Fergus, ON.

Growth List – Winner, 2020

Skyline Group of Companies ranked No. 379 on the 32nd annual Growth List, the definitive ranking of Canada's Fastest-Growing Companies. The 2020 Growth List ranked Canadian businesses on five-year revenue growth, customer service and marketing tactics, innovation, social responsibility, sustainability, and response to COVID-19.

Victoria Real Estate Board Commercial Building Awards – Winner, Commercial-Retail

Skyline Retail REIT won in the category of Commercial-Retail for its Evergreen Centre plaza at 6660 Sooke Road in Sooke, BC. Judging criteria are based on overall exterior design, how the project answers a developmental need within the community, and aspects of the project that promote environmental conservation and sustainability.

FRPO 2020 MAC Awards – Winner, Community Service Award of Excellence

Skyline Group of Companies accepted the Community Service award, which recognizes a company that has gone above and beyond to give back to the communities it operates in. Skyline was judged on its involvement in its communities through volunteer activities, charitable contributions, and other service projects or events.

SKYLINE GROUP OF COMPANIES' SUSTAINABILITY EFFORTS

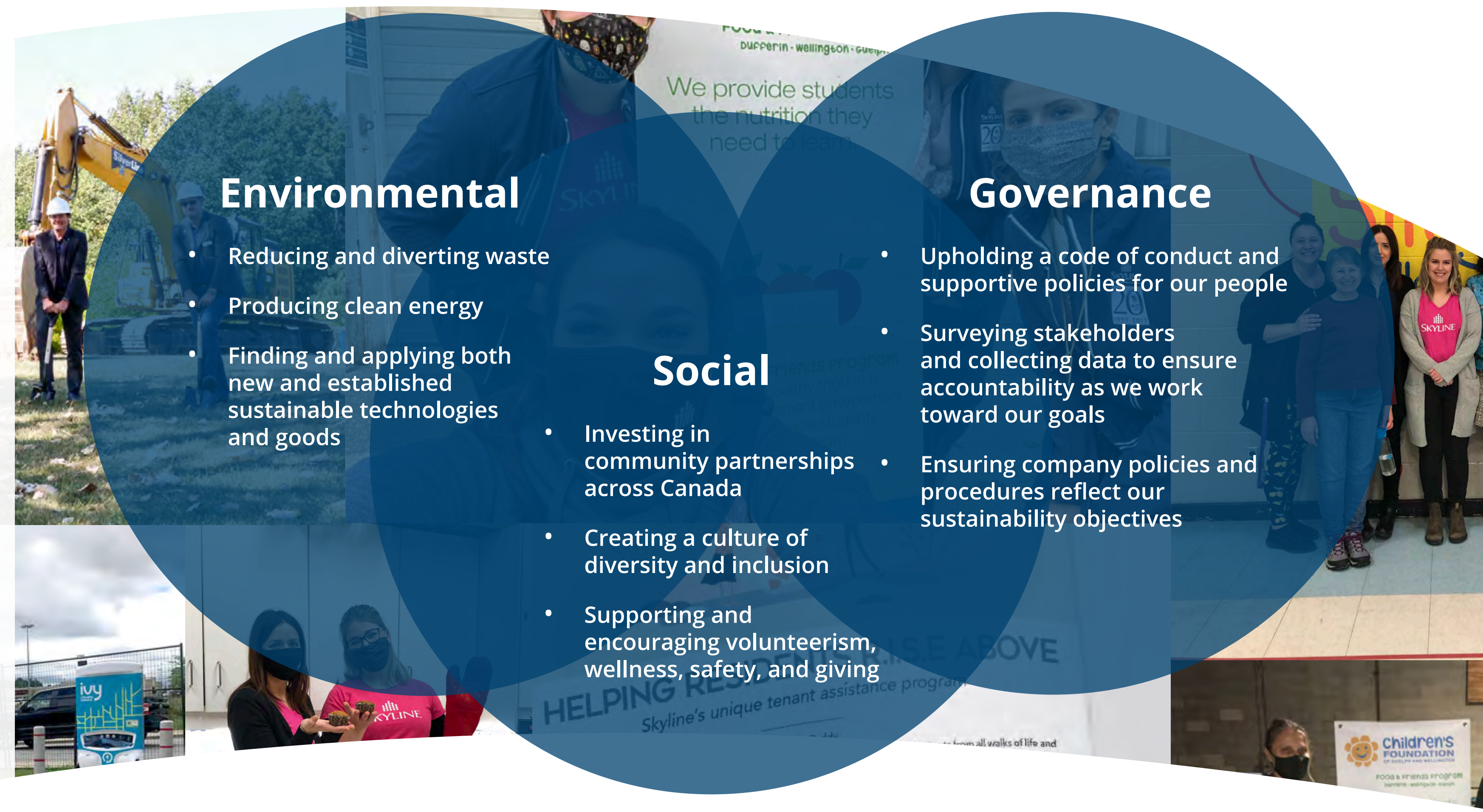
LOOKING BACK

Below are just some highlights of Skyline's sustainability efforts this past year:

- Announced a **new permanent supportive housing project** in partnership with non-profit landlord Kindle Communities and the Guelph Community Health Centre (Guelph CHC), with land valued at **$1M+** donated by Skyline Apartment REIT and construction/development oversight facilitated by SkyDevco Inc.
- **Raised $137,000** for non-profit organizations with programs supporting youth mental health, through our "Fore-Go Golf for Youth Mental Health" video campaign.
- Continued to invest in renovation at **Skyline Community Hub** in Fergus, ON, in preparation for Canadian Mental Health Association Waterloo-Wellington (CMHA WW) and Integrated Youth Services Network (IYSN)'s tenancies in 2021. Skyline has invested more than **$1M** in the Hub to date.
- Re-branded and re-launched Skyline Living's tenant assistance program as R.I.S.E. (Reach, Impact, Support, Elevate) and **provided $61.5K+ in rent relief and grocery gift cards**. Since January 1, 2020, Skyline Living has **saved 311 tenancies** through the program.
- **Launched an internal Skyline Leadership Development Program** for staff, to help develop and empower Skyline's next generation of leaders, as well as a New Manager Training Program for newly promoted leaders, and Masters Training Program for front-line staff.

LOOKING AHEAD

Skyline's focus areas for 2021:



Environmental

- Reducing and diverting waste
- Producing clean energy
- Finding and applying both new and established sustainable technologies and goods

Social

- Investing in community partnerships across Canada
- Creating a culture of diversity and inclusion
- Supporting and encouraging volunteerism, wellness, safety, and giving

Governance

- Upholding a code of conduct and supportive policies for our people
- Surveying stakeholders and collecting data to ensure accountability as we work toward our goals
- Ensuring company policies and procedures reflect our sustainability objectives

Our Sustainability Partners include our tenants, employees, investors, suppliers, and communities.

Together, we're working toward effecting positive change from coast to coast.

View Skyline's 2021 Sustainability Plan at **SkylineGroupOfCompanies.ca/Sustainability**

Our Purpose

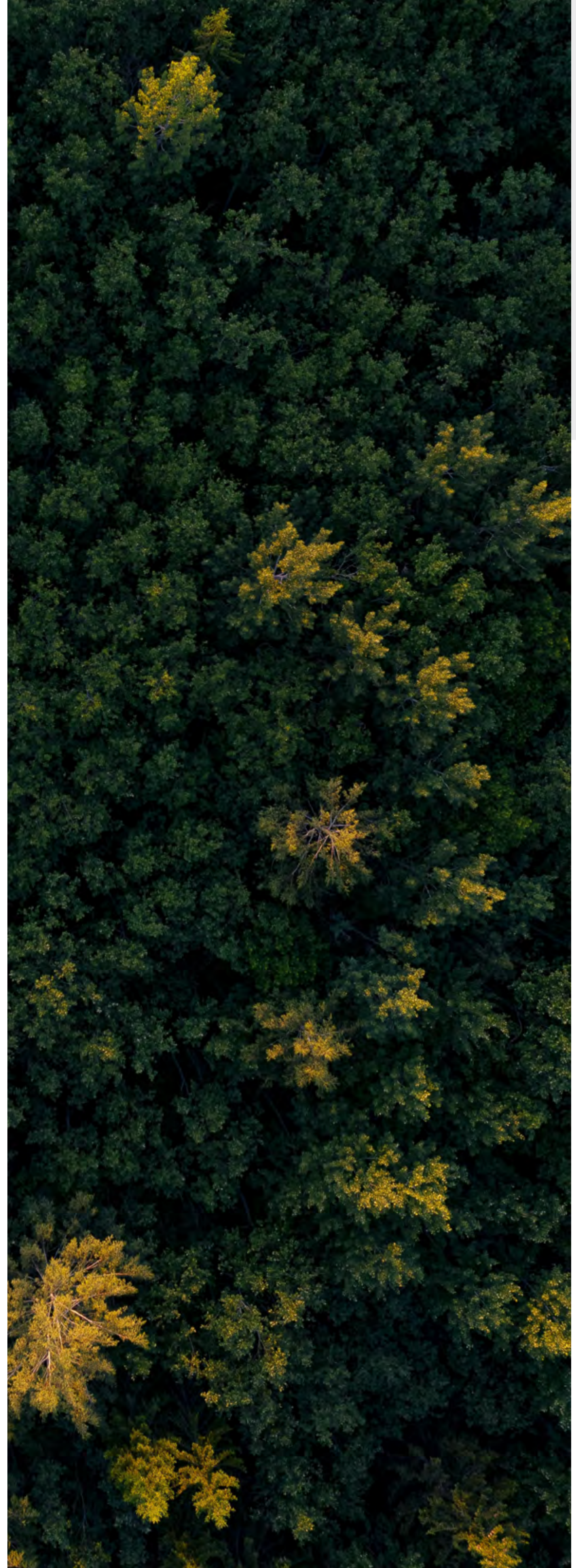
We exist to create meaningful value and an exceptional experience for each of our stakeholders, and to develop strong, supportive communities.

Our PRIDE Values

Professionalism
Respect
Integrity
Drive
Efficiency

Our Mission

We bring passion, energy, and determination to make a positive impact with every interaction.



2020 TRANSACTIONS

Skyline Clean Energy Fund is a privately managed, growth-oriented investment product, focused on renewable and clean energy production — uniting investor capital, green initiatives and historically reliable returns into a growth-oriented equity investment.

CEO ADDRESS TO UNITHOLDERS

In previous Annual Reports, my address to Unitholders has primarily consisted of a recap of the past year for Skyline, followed by a future outlook for the upcoming year. This year has already been well-documented through various daily, weekly, and monthly communications summarizing the resiliency of our Funds . As those communications noted, Skyline's successful performance in 2020 can be credited to our incredibly hard-working and adaptive staff, the deep character of our tenants, the cooperation of our fearless suppliers, and you, our investors, who have been unwavering in your support. Thanks to the efforts of the entire "Skyline network," we have collectively powered through what must have been the most unbelievable year in many of our lives—I can certainly say that was true for me.

Although we hear reports of other countries making great headway in recovery, our situation continues to varying degrees across the provinces—which can only mean the end is near for Canadians. With that in mind, I must now turn my attention to 2021. With well-established, well-positioned, and highly tangible assets held within the Funds, I believe Skyline has a unique opportunity for growth in 2021 and the years to come.

At the time I write this address, lumber prices are up 600% (yes, six times) from April 2020. Likewise, steel is up 160%, and copper 208%. At the same time, we're seeing the prices of corn, soy, vegetables, and other crops at all-time highs, which is reflected in the rising prices of food. We know that these pressures are the simple economics of more money in circulation that is chasing the same "stuff," whether those items or services are "needs" or "wants."

We know first-hand why there is more money in circulation: it is the money our government, and governments around the world, have printed to subsidize those whose income and accessibility to basic needs have been disrupted by business and workplace closures, and by stay-at-home orders. I approach this from an objective standpoint, not a critical one, knowing that many of our tenants were among those deeply affected by these closures. We also believe that Skyline is well-positioned for growth in these circumstances. Our four Funds are comprised of the aforementioned "stuff" that fulfills basic needs. Skyline Apartment REIT supplies living spaces; Skyline Commercial REIT supplies places of employment, essential manufacturing, and last mile logistics; Skyline Retail REIT supplies places to buy essential items such as food and medical supplies; and Skyline Clean Energy Fund supplies electricity generation.

We are witnessing inflationary pressures on the building blocks of the assets within our portfolios—steel, wood, copper, glass, etc.— which is enhancing the values of the assets themselves, most of which were acquired long before this inflation, and at much lower prices than today. That increase in value is supported by higher rents (another result of more money in circulation), which have risen dramatically in major markets, trickling down into secondary and tertiary markets as well. For these reasons, and from time to time, we will continue to look at the opportunity to surface value by selling assets in areas where rents and values have risen faster than others, and redeploying the cash in markets where we believe we will realize the same benefits – which may result in confirming the value created is real and our strategy is sound. At the end of the day, this is the same simple "sell high, buy low" strategy that we have always enacted with great success.

Although in many aspects of our lives it seems like everything has changed, I can say that very little has changed in terms of how we fundamentally operate at Skyline. We continue to evolve into a more and more dynamic company as situations and times change, but all for the better. As cash becomes diluted due to government deficits being funded by money printing, we aim to buy, own, and operate, on your behalf, more of the same "stuff" that has proven to be historically stable and resilient through the many black swan events we have endured over the decades. We found ourselves in the midst of one of those events in 2020 and continue through it today, but with our Fund strategy, we had already braced ourselves for the battle. We have come out the other side bigger, better, and stronger to the benefit of all Skyline stakeholders, including you, our valued investors. Thank you for your support of Skyline.

Jason Castellan
Co-Founder & Chief Executive Officer
Skyline Group of Companies

From left to right: **Jason Castellan,** Co-Founder & Chief Executive Officer; **Wayne Byrd,** Chief Financial Officer; **R. Jason Ashdown,** Co-Founder & Chief Sustainability Officer; **Martin Castellan,** Co-Founder & Chief Administrative Officer.

PRESIDENT'S REPORT

2020 was a year of unprecedented disruption. Not only have we faced a worldwide pandemic paired with much economic uncertainty, we have also experienced significant shifts in the way we socialize, work, and live our day-to-day lives in order to accommodate these changes.

The events of 2020 have also reinforced the importance of what we do at Skyline Clean Energy Fund (SCEF). Canada's clean energy industry—and, in turn, SCEF—provides critical infrastructure that powers our healthcare systems, our workplaces, and our homes. The assets within SCEF provide clean, renewable power that is, and will likely continue to be vital to the communities in which we operate.

In these extraordinary times, SCEF's management team remains committed to its long-term strategy of acquiring clean energy assets that have a predictable source of revenue and generate strong, stable cash flows. Management seeks assets withcash flows that are supported by solid contracts with creditworthy counterparts and are well-diversified in terms of both geography and asset maturity.

I am pleased to report that SCEF has not only proven resilient through 2020, but enjoyed another year of significant growth. Since its inception in 2018, SCEF has significantly increased Total Assets Under Management ("TAUM") year-over-year and is on a trajectory to accomplish this goal again by year-end 2021.

SCEF purchased 26 new assets in 2020, increasing its TAUM from $86.5MM at year-end 2019 to $142.0M at year-end 2020. We anticipate that with the additional assets purchased in 2020, SCEF will generate approximately $17.6M in revenue in 2021 (note that this estimate includes expected ownership in revenue from assets classified as Joint Ventures under IFRS) while preventing the emission of approximately 7,788 metric tons of carbon dioxide (CO2), which is equivalent to removing 2,739 cars off the road or powering 1,303 homes' energy use for one year. These statistics[1] continue to fuel our passion for generating clean and renewable energy while protecting the environment for future generations.

Our strategies to focus on re-investing all cash flows from SCEF into new accretive opportunities, and to enhance our operating systems for optimal power production and reliability, proved successful in 2020. All assets in the portfolio performed well in 2020, allowing SCEF to surpass its budgeted revenue by more than 3 percent. As a result of successful performance, SCEF's Unit Value grew month-over-month throughout the past year, from $11.29 at December 1, 2019 to $12.14 at December 1, 2020. As at year-end 2020, the 1-Year return was 7.53%, while SCEF's annualized return since inception (May 3, 2018) was 7.79%.

SCEF's management team remains committed to its long-term strategy of acquiring clean energy assets that have a predictable source of revenue and generate strong, stable cash flows.

In 2021, we see a tremendous opportunity to shape how energy is produced and delivered to our communities. SCEF will continue to acquire assets that generate clean electricity and are in close proximity to where the power is being consumed. We will look to continue our growth in the energy space through the exploration of opportunities with Battery Energy Storage Systems (BESS). These systems store the power on site and send it to the electricity grid when it is needed the most. They are also known to reduce power waste, create backup power for the grid, and ultimately reduce the cost of consumer hydro bills.

[1] *Environmental off-set statistics calculated with NRCAN equivalency calculator*

In addition to BESS, we will also be looking at potential investment in biogas facilities; biogas is a type of clean energy production that solves both waste and power generation problems. We believe investing in these new asset classes will both diversify and provide multiple, predictable revenue streams for SCEF's portfolio.

Capital investment is central to executing our strategy. Over the past three years, we have accepted $73.5MM from investors and have either deployed or are working to deploy these dollars on clean energy infrastructure. By investing in renewable energy projects, we believe we are building a sustainable energy future that is affordable, reliable, and clean andunitholder capital is being used on the front lines to combat climate change in a meaningful way. We intend to disrupt and transform the electrical and waste infrastructure in Canada, while delivering on our commitment to Unitholders to maximize Unit Value growth. In doing so, we believe we will not only be making an economic impact, but also providing a benefit to the environment and to the quality of life of future generations.

As we continue to work through the unprecedented and historic challenges that were introduced last year, I believe we can look back on 2020 not only as a year in which we first encountered those challenges, but a year in which Skyline Clean Energy Fund truly proved its resiliency. We remain focused on acquiring clean energy assets that generate clean and reliable energy for our communities, while delivering significant Unitholder value. In our view, clean energy infrastructure will be front and centre in Canada's economic recovery plan, and I believe that SCEF is well-positioned to play a substantial role in shaping Canada's clean energy landscape for the future.

On behalf of Skyline Clean Energy Fund's management team, we consider it a privilege to manage your investment. Thank you for your continued support!

Rob Stein
President,
Skyline Clean Energy Fund

SENIOR MANAGEMENT

Jason Castellan
Co-Founder &
Chief Executive Officer,
Skyline Group of
Companies

Martin Castellan
Co-Founder &
Chief Administrative
Officer, Skyline Group of
Companies

R. Jason Ashdown
Co-Founder &
Chief Sustainability Officer,
Skyline Group of
Companies

Wayne Byrd, CPA, CMA
Chief Financial Officer,
Skyline Group of
Companies

Rob Stein
President,
Skyline Clean Energy
Asset Management Inc

Krish Vadivale
Vice President,
Finance
Skyline Group
of Companies

Karyn Sales
General Counsel,
Skyline Group
of Companies

TRUSTEES

Jason Castellan

With over 25 years of hands-on experience, Jason's combination of expertise, knowledge, and passion for the clean energy and real estate investment management business has served him well as the CEO for Skyline Group of Companies since its inception in 1999. Jason's thirst for growth and success are insatiable. His primary loyalty is always to his investors. Meeting and speaking with investors are the aspect of his job that he loves the most.

Mr. Castellan also sits on the Board of Trustees of Skyline Apartment REIT, Skyline Retail REIT and Skyline Commercial REIT.

Wayne Byrd

Wayne is dedicated to the responsible financial performance of Skyline Group of Companies and all its associated assets. With over 25 years in private sector finance, Wayne's proven business experience and insight make him an integral leader within Skyline Group of Companies as it vigorously pursues its vision for growth. Wayne's financial expertise and commitment to Skyline Group of Companies' vision result in a balanced approach to managing fiscal obligations and operational responsibility. His unique blend of analytical and leadership skills is fundamental to leading Skyline Group of Companies' operations and growth beyond the numbers.

Mr. Byrd also sits on the Board of Trustees of Skyline Retail REIT.

Mike Bonneveld

Mike Bonneveld is the Vice President of Skyline Asset Management Incorporated ("SAMI"). He leads the Skyline Acquisitions Team, and is responsible for sourcing all new acquisitions and dispositions, property due diligence, and closing investment transactions for Skyline Apartment REIT, Skyline Commercial REIT, and Skyline Retail REIT. Mike has over 25 years of real estate experience. He has worked with a number of Canadian investment banks in the field of real estate corporate finance, as well as public real estate companies running acquisitions. He is focused on the continued growth and expansion of the REITs' real estate portfolios throughout both its existing communities and quality acquisitions. Mike holds an Honours BA in Urban Development from the University of Western Ontario, and is a registered Real Estate Agent in Ontario.

Deborah Whale - Independent Trustee

A seasoned ambassador of Ontario's clean energy and agriculture sectors, having served on the Boards of Directors of the Ontario Power Authority (OPA) and the Independent Electricity System Operator (IESO), as well as on the Finance Committees of Farm Credit Canada, IESO, and the Grand River Agricultural Society.

Deborah Whale's clean energy expertise extends to the installation of biodigesters and solar net metering systems for farm and residential use. Inducted into the Ontario Agricultural Hall of Fame in 2016, Deborah has also been designated an Honourary Professional Agrologist (2011) by the Ontario Institute of Agrology, and an Honourary Doctor of Laws (2017) by the University of Guelph.

FINANCIAL REPORTING

Forward-Looking Disclaimer

The following Management's Discussion and Analysis ("**MD&A**") of the results of operations and conditions for the year ended December 31, 2020, should be read in conjunction with Skyline Clean Energy Fund's (the "**Fund**" or "**SCEF**") audited consolidated financial statements. Certain statements in this MD&A could be considered forward-looking information within the meaning of applicable securities legislation. Forward-looking information is based on a number of assumptions and is subject to a number of risks and uncertainties, many of which are beyond the Fund's control, which could cause actual results to differ materially from those disclosed in or implied by such forward-looking information. These risks and uncertainties include, but are not limited to, general and local economic and business conditions, energy market volatility, changing regulations, our ability to refinance maturing debt, our ability to source and complete accretive acquisitions, and interest rates.

The information in this MD&A is based on information available to Management as of April 30, 2021, except where otherwise noted. The Fund does not undertake to update any such forward-looking information whether as a result of new information, future events or otherwise.

In some instances, forward-looking information can be identified by the use of terms such as "may", "should", "expect", "will", "anticipate", "believe", "intend", "estimate", "predict", "potentially", "starting", "beginning", "begun", "moving", "continue", or other similar expressions concerning matters that are not historical facts. Forward-looking statements in this MD&A include, but are not limited to, statements related to acquisitions or dispositions, development activities, future maintenance expenditures, financing and the availability of financing, tenant incentives, and occupancy levels.

Non-IFRS Measures

The Fund releases audited consolidated annual financial statements in accordance with International Financial Reporting Standards ("**IFRS**"). In this MD&A, as a complement to results provided in accordance with IFRS, the Fund also discloses and discusses certain financial measures not recognized under IFRS and that do not have standard meanings prescribed by IFRS. These include adjusted earnings before interest, income taxes, depreciation and amortization ("**adjusted EBITDA**"), and applicable per unit amounts (collectively, the "**Non-IFRS Measures**").

These Non-IFRS Measures are further defined and discussed in the "Key Performance Indicators" section of this MD&A. Since EBITDA and per unit amounts are not measures recognized under IFRS, they may not be comparable to similarly titled measures reported by other issuers. The Fund has presented the Non-IFRS measures because Management believes these Non-IFRS measures are relevant measures of the ability of the Fund to earn revenue and to evaluate the Fund's performance. A reconciliation of the Non-IFRS measures is provided in the "EBITDA" section. The Non-IFRS measures should not be construed as alternatives to net income (loss) or cash flows from operating activities determined in accordance with IFRS as indicators of the Fund's performance or the sustainability of our distributions.

MD&A Overview

This MD&A focuses on key areas from the consolidated financial statements and pertains to major known risks and uncertainties relating to the clean energy industry, in general, and the Fund's business, in particular. This discussion should not be considered all-inclusive as it excludes changes that may occur in general economic, political, and environmental conditions. Additionally, other elements may or may not occur, which could affect the organization in the future. To ensure that the reader is obtaining the best overall perspective, this discussion should be read in conjunction with the material contained in the audited consolidated financial statements for the year ended December 31, 2020, along with all other information regarding the Fund publicly posted by the Fund or its affiliates. It is not our intent to reproduce information that is located in these other reported documents, but rather to highlight some of the key points and refer you to these documents for more detailed information.

Business Overview

The Fund is an unincorporated, open-ended investment trust created by a declaration of trust made as of May 3, 2018 (the "**Declaration of Trust**" or "**DOT**") and governed by the laws of the Province of Ontario and the federal laws of Canada applicable therein. The Fund earns income from investments in a diversified portfolio of clean energy assets located in Canada.

Management Strategy

As Manager of the Fund; Skyline Clean Energy Asset Management Inc. (the "**Asset Manager**") implements its unique values and proprietary strategies as it fulfills its responsibilities. The Fund's mandate is clear and focused on the following strategies:

- **Enhancement of the Fund's Clean Energy Asset Portfolio.** The Asset Manager will focus its acquisition strategy on good quality clean energy assets in strong markets across North America, and will use the strength of its extensive market relationships to obtain more competitive financing, construction and maintenance services, and higher quality assets. The Asset Manager's goal is to build a strong and growth-oriented clean energy portfolio, enhancing overall portfolio incomes by diversifying the asset type and geography of the assets purchased.

- **Growth Potential.** The Asset Manager believes that clean energy assets offer an attractive investment opportunity with significant growth potential. The ability to acquire good quality, well located assets, with a focus on long-term government contracts, will allow the Asset Manager to potentially enhance the underlying portfolio's cash flow and investor returns. The Asset Manager will also look to acquire clean energy assets in markets where the Asset Manager has existing platforms to build off of existing market relationships to capitalize on local economies of scale. As the Fund grows through the acquisition of new clean energy assets and the issuance of additional Units, as a result the Fund will likely increase the stability of its income stream.

- **Maintenance and Repair Programs.** Management is fundamentally driven by efficiencies and cost-effective programs that are accretive to the Fund's short-term and long-term value proposition. Management has positioned the Fund to take full advantage of efficiency programs and capital investments that will enhance the overall value of the portfolio. Furthermore, various operations and maintenance agreements are in place between the Fund and a related party corporation (the "**Solar Asset Operator**"). The Solar Asset Operator is responsible for providing routine preventative and corrective maintenance for SCEF's solar assets in order to ensure that the solar assets are operating efficiently and at their full production capacity.

- **Detailed Financial Reporting.** Management utilizes sophisticated financial tools to maximize the Fund's income and to measure the effectiveness of cost control and other efficiency programs. Management distributes in-depth financial reporting to those involved and who have a direct impact on the financial success and control of those particular incomes and expenses.

- **Strategic Debt Management.** The Asset Manager works diligently to seek out financing opportunities to optimize the Fund's leveraged returns. Attention to staggered loan maturities and financing terms, within maximum leverage amounts, set out in the Declaration of Trust, ensures that the Fund's exposure to fluctuating interest rates over the short and long term are both minimized and utilized to the greatest benefit.

- **Communications.** Skyline Wealth Management Inc. (the "**Wealth Manager**") delivers current and relevant information to prospective and existing Unitholders in order to keep them informed and engaged. Ongoing communications occur through regular mass email updates, online postings to the website and quarterly newsletters that are included with Unitholders' quarterly statements. Wealth Manager communications cover relevant topics as they relate to the Fund, including; new acquisitions and dispositions, existing property repositioning, special investor events and general corporate news.

Key Performance Indicators

To meet its objectives and to evaluate the success of its strategies, the Fund uses several key operating and performance indicators:

- **Net Operating Income ("NOI").** This is defined as operating revenues less direct operating expenses, and is a key measure of operating performance. It is a key non-International Financial Reporting Standards ("**IFRS**") financial measure of the operating performance of the Fund. For the year ended December 31, 2020, the Fund's NOI margin was 43.3% (2019 – 43.4%).

- **Adjusted Earnings Before Interest, Taxes, Depreciation, and Amortization ("EBITDA").** This is calculated as the Fund's net income (loss) in accordance with IFRS adjusted for non-cash items, including the amortization of solar assets, net finance costs, and other adjustments as appropriate. Management believes adjusted EBITDA is a meaningful measure of SCEF's operating performance because it excludes certain items included in the calculation of net income (loss) that may not be appropriate determinants of long-term operating performance. For the year ended December 31, 2020, the Fund's EBITDA was $6,141 (2019 - $3,798).

- **Total Assets Under Management ("TAUM").** Total assets under management is calculated as the total assets on the Fund's statement of financial position, with joint venture assets otherwise reported on a net asset basis by way of International Financial Reporting Standard 11 – Joint Arrangements ("IFRS 11"), being instead reflected as if the proportionately owned assets and liabilities were consolidated into the Fund's total assets and total liabilities separately rather than on a net basis (i.e. accounted for if "joint control" was established under IFRS 11).

- **Active Portfolio Management.** Management is targeting both stabilized and distressed clean energy assets offering accretive returns generated through stable cash flows in strong energy markets. The Fund's Asset Manager aims to implement margin enhancement initiatives, manage system performance and improve system optimization to increase cash flows. By maximizing the performance, each asset increases in value, leading to equity growth and the acquisitions of new assets.

- **Financing.** Management is continually managing and planning its financing strategies for the portfolio. This ensures that the portfolio is well-positioned to mitigate interest rate uncertainty as well as to responsibly ladder the maturities of the portfolio's mortgages over the long term.

- **Loan to Value ("LTV").** The Portfolio is regularly evaluated based upon key leverage ratios, comprised of total indebtedness against solar assets, and total indebtedness against total assets (inclusive of non-solar assets). The Declaration of Trust requires that the total indebtedness against total assets ratio not exceed 85%, and at the close of 2020, that ratio was 55.31% (2019 – 37.93%).

Goals And Objectives Of The Fund

In accordance with the Declaration of Trust, the goals and objectives of the Fund are:

i. To provide Unitholders with a growing investment opportunity in a diversified portfolio of income-producing clean energy assets located in North America;

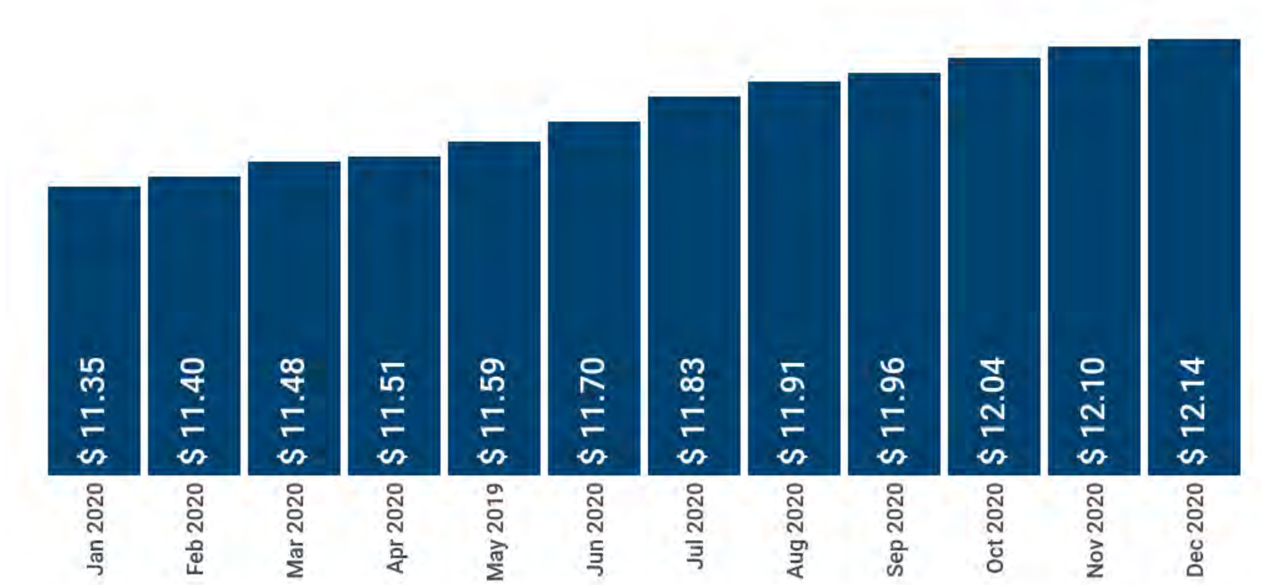
ii. To enhance operating income; and

iii. To maximize unit value through the ongoing management of the Fund's assets, through the future acquisition, repositioning and disposition of assets.

2020 Highlights

- Raised $9.8MM in investor equity during 2020, while growing the value per SCEF unit to $12.14 at December 31, 2020 which resulted in a 1-year annual return of 7.53%.
- Purchased 26 assets, adding $72.8MM to TAUM. These assets generated 1,496,965 kWh during the Fund's 2020 ownership period, resulting in an additional $0.8MM solar income generated for the 2020 year.
- The Fund doubled annual solar production during the year ended December 31, 2020, by generating 8,608,660 more kilowatts per hour when compared to 2019; increasing solar income by $3.0MM
- Excluding non-controlling interests, generated $1.39 in EBITDA Per Unit

Financial Highlights **($ thousands, except where noted)**	**2020**	**2019**
Income	$7,205	$3,886
Direct operating expenses	4,085	2,200
Net operating income ("NOI")	**$3,120**	**$1,686**
Net (loss) income	**$(2,199)**	**$616**
Earnings before interest, tax, depreciation and amortization ("EBITDA")	**$6,141**	**$3,798**
Weighted average units outstanding	**4,410,135**	**2,793,991**
Per Unit:		
EBITDA attributable to unitholders	**$1.39**	**$1.36**



SCEF's 2020 Unit Value Growth

Solar Asset Portfolio

At December 31, 2020, through active portfolio management; the portfolio consisted of 62 solar assets and 3 investments located throughout Ontario. With a total portfolio size of 34.37 megawatts direct current (MW DC), the Fund's solar assets are expected to generate over 36,879 megawatt hours annually. The Fund continues to look at further expanding and enhancing the portfolio in markets across Canada.

Through its active asset management strategies and proactive capital investment programs, the Fund strives to achieve the highest possible solar income in accordance with the weather conditions.

Management also strives, through a focused, hands-on approach to its business, to achieve solar generation production that is in line with, or higher than, market conditions in each of the geographical regions in which the Fund operates while enhancing the overall efficiency of its solar assets.

Regional Solar Energy Production

		2020 Solar Generation				2019 Solar Generation		
City	Region	Asset Size (in kW DC)	Solar Generation (in KwH)	Solar Income ($ thousands)	Increase (Decrease) in Solar Income ($ thousands)	Asset Size (in kW DC)	Solar Generation (in KwH)	Solar Income ($ thousands)
Acton	West Ontario	588	10,637	$4	$4	-	-	-
Ajax	Central East Ontario	105	2,867	2	2	-	-	-
Belle River	South West Ontario	298	376,077	123	4	298	360,711	119
Brampton	West Ontario	604	7,341	5	5	-	-	-
Brantford	Mid West Ontario	784	452,134	450	447	632	4,655	3
Brockville	East Ontario	298	322,131	106	(6)	298	341,174	112
Cache Bay	North Ontario	298	292,363	97	8	298	269,649	89
Chatham	South West Ontario	1,003	996,337	315	23	825	923,634	292
Dundalk	North West Ontario	299	343,629	113	2	299	336,933	111
Earlton	East Ontario	298	286,287	94	7	298	265,651	87
Ingersoll	Mid West Ontario	600	744,408	157	14	600	679,419	143
Kearney	North Ontario	298	267,942	88	4	298	254,010	84
Leamington	South West Ontario	153	2,476	1	1	-	-	-
Listowel	North West Ontario	537	517,319	191	89	537	311,500	102
London	Mid West Ontario	1,295	26,303	14	14	-	-	-
Loyalist	Central East Ontario	299	235,623	103	91	299	26,028	12

(table continued on next page)

Regional Solar Energy Production (continued)

		2020 Solar Generation				2019 Solar Generation		
City	Region	Asset Size (in kW DC)	Solar Generation (in KwH)	Solar Income ($ thousands)	Increase (Decrease) in Solar Income ($ thousands)	Asset Size (in kW DC)	Solar Generation (in KwH)	Solar Income ($ thousands)
McDonalds Corners	East Ontario	298	271,570	89	(13)	298	309,723	102
Mississauga	West Ontario	137	1,284	1	1	-	-	-
Murillo	North Ontario	298	338,806	112	12	298	302,559	100
Newburgh	Central East Ontario	298	335,986	111	(2)	298	344,711	113
North York	West Ontario	225	250,064	135	9	225	232,881	126
Oldcastle	South West Ontario	299	377,884	125	13	299	341,136	112
Ottawa	East Ontario	896	754,552	278	98	896	548,415	180
Pontypool	Central East Ontario	298	324,684	107	(4)	298	336,931	111
Renfrew	East Ontario	299	308,696	102	3	299	300,053	99
Strathroy	Mid West Ontario	2,372	1,404,254	758	758	-	-	-
Sturgeon Falls	North Ontario	298	269,704	89	3	298	262,332	86
Tecumseh	South West Ontario	299	382,310	125	5	299	364,049	120
Teeswater	North West Ontario	134	10,064	7	7	-	-	-
Thomasburg	Central East Ontario	298	319,706	105	(10)	298	349,664	115
Tilbury	South West Ontario	600	725,749	229	9	600	695,531	220
Tillsonburg	Mid West Ontario	1,449	17,567	12	12	-	-	-
Vaughan	West Ontario	1,502	1,716,556	1,111	1,103	1,502	12,273	8
Wallaceburg	South West Ontario	995	1,161,502	367	36	995	1,046,542	331
Waterford	Mid West Ontario	597	739,222	246	30	597	663,056	216
West Nipissing	North Ontario	298	321,846	106	12	298	284,783	94
Whitby	Central East Ontario	397	339,593	242	240	298	2,389	2
Windsor	South West Ontario	493	7,379	4	4	-	-	-

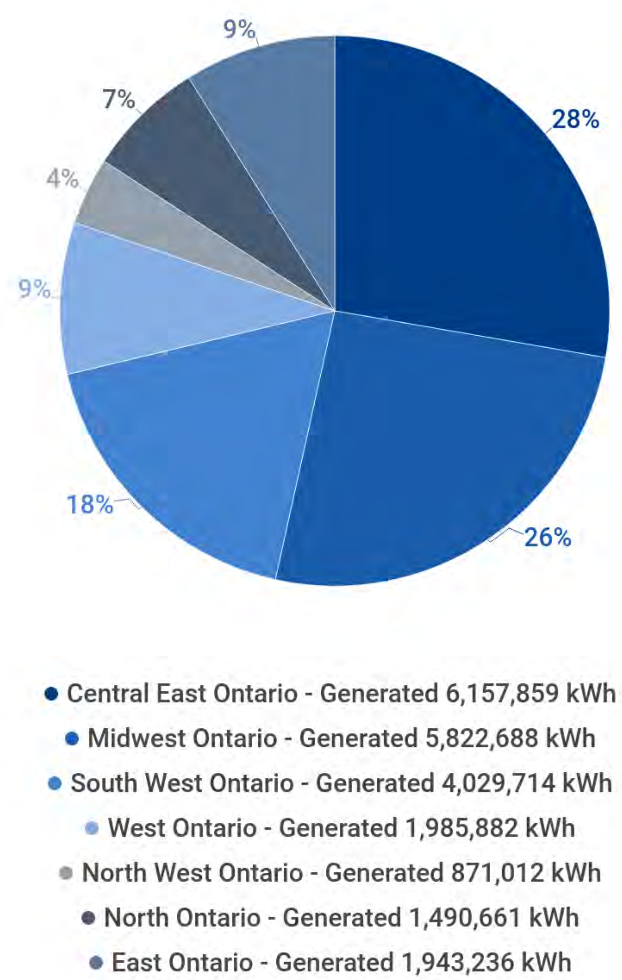
(table continued on next page)

Regional Solar Energy Production (continued)

City	Region	2020 Solar Generation: Asset Size (in kW DC)	Solar Generation (in KwH)	Solar Income ($ thousands)	Increase (Decrease) in Solar Income ($ thousands)	2019 Solar Generation: Asset Size (in kW DC)	Solar Generation (in KwH)	Solar Income ($ thousands)
Total - Solar Assets		**20,537**	**15,262,852**	**$6,324**	**$3,035**	**12,778**	**10,170,392**	**$3,289**
Napanee (1)	Central East Ontario	4,540	4,599,400	N/A	N/A	4,540	3,522,000	N/A
Simcoe (1)	Mid West Ontario	9,290	2,438,800	N/A	N/A	-	-	-
Total - portfolio		**34,367**	**22,301,052**	**$6,324**	**$3,035**	**17,318**	**13,692,392**	**$3,289**

(1) The Fund holds a 50% interest in SunE Sky First Light LP, which owns a solar asset located in Napanee, Ontario. It also holds a 50% interest in both SunE Sky 13th Sideroad LP and SunE Sky Ryerse LP, which each own a solar asset located in Simcoe, Ontario. These 50% interests are all accounted for as investments in joint ventures, and therefore the Fund records its share of net earnings from SunE Sky First Light LP, SunE Sky 13th Sideroad LP, and SunE Sky Ryerse LP, rather than the gross solar income and operating expenses. The above asset size and generation amounts have been reported at 50% of each limited partnerships' total solar asset size and generation to reflect the Fund's 50% ownership.

Regional Solar Production during the year ended December 31, 2020



Acquisitions

Acquisitions completed during the year ended December 31, 2020
($ thousands, except where noted)

Asset Name	Vine Fresh	Blackrock	Falconer	NSNW	TOTAL
Purchase Date	01-Jun-20	11-Sep-20	23-Oct-20	14-Dec-20	
Size of Portfolio (Kw DC)	2,372	9,290	134	5,253	17,049
Number of Assets	1	2	1	22	26
Province	Ontario	Ontario	Ontario	Ontario	
Region	Mid West	Mid West	North West	Mid West, Central East, South West, and West Ontario	
Total Assets Under Management Acquired (1)	**$9,951**	**$26,411**	**$523**	**$35,936**	**$72,821**
Total Net Assets Acquired	$9,951	$2,865	$523	$35,936	$49,275

(1) The Fund acquired a 50% interest in SunE Sky 13th Sideroad LP ("13th Sideroad") and SunE Sky Ryerse LP ("Ryerse") (together, the "Blackrock Portfolio"), which is accounted for as an investment in a joint venture. Therefore, upon acquisition, the Fund recorded its Blackrock Portfolio investment value as 50% of the net assets of 13th Sideroad and Ryerse. Included in the net asset value was $26.4MM of total assets, therefore for analysis purposes, the Asset Manager includes this $26.4MM in the TAUM.

2020 Operating Highlights

Operational Highlights **($ thousands, except where noted)**	**2020**	**% (1)**	**2019**	**% (1)**
Income				
Solar income	$6,324	87.8%	$3,289	84.6%
Other income	590	8.2%	310	8.0%
Interest income	291	4.0%	287	7.4%
Total income	**$7,205**	**100.0%**	**$3,886**	**100.0%**
Direct operating expenses				
Utilities	$120	1.7%	$50	1.3%
Insurance	159	2.2%	83	2.1%
Roof lease	-	0.0%	1	0.0%
Amortization	3,466	48.1%	1,883	48.5%
Operations and maintenance fees	163	2.3%	86	2.2%
Management fees	72	1.0%	-	0.0%
Property tax	1	0.0%	-	0.0%
Royalty expense	11	0.2%	9	0.2%
Other direct operating expenses	93	1.3%	88	2.3%
Total direct operating expenses	**$4,085**	**56.7%**	**$2,200**	**56.6%**
Net operating income ("NOI")	**$3,120**	**43.3%**	**$1,686**	**43.4%**

(1) As a percentage of total income

Regional Highlights

Regional Location of Solar Assets **($ thousands, except where noted)**	**2020**		**2019**	
	EBITDA	**%**	**EBITDA**	**%**
South West Ontario	$1,148	20%	$1,077	33%
Mid West Ontario	1,729	31%	363	11%
West Ontario	948	17%	317	10%
North West Ontario	289	5%	183	6%
North Ontario	412	7%	397	12%
East Ontario	550	10%	492	15%
Central East Ontario	587	10%	397	12%
Total EBITDA generated from solar assets	**$5,663**	**100%**	**$3,226**	**100%**
Less: Corporate-level activity and EBITDA adjustments	**478**		**572**	
Total consolidated EBITDA	**$6,141**		**$3,798**	

Financial Results

A reconciliation of IFRS comprehensive income to EBITDA is as follows:

($ thousands, except where noted)	2020	2019
Profit & Loss		
Income	$7,205	$3,886
Direct operating expenses	(4,085)	(2,200)
Net operating income	**$3,120**	**$1,686**
Share of net earnings from investments	$240	$507
Financing costs	(1,972)	(447)
Administrative expenses	(345)	(119)
Asset management fees	(135)	(128)
Property management fees	(79)	-
Wealth management fees	(185)	(93)
Fair value loss on investments	(830)	(623)
Unrealized loss on swap agreements	(2,013)	(167)
(Loss) Income and comprehensive (loss) income for the year	**$(2,199)**	**$616**
Net (loss) income attributable to:		
Unitholders	$(2,140)	$678
Non-controlling interests	(59)	(62)
(Loss) Income and comprehensive (loss) income for the year	**$(2,199)**	**$616**
Non-cash add-backs:		
Amortization	$3,466	$1,883
Fair value loss on investments	830	623
Unrealized loss on swap agreements	2,013	167
Financing costs	1,972	447
Elimination of non-controlling interests	59	62
Earnings before interest, tax, depreciation and amortization	**$6,141**	**$3,798**

Changes in SCEF’s financial position are summarized as follows:

($ thousands, except where noted)	December 31, 2020	December 31, 2019
Assets		
Solar equipment and structures	$50,734	$24,032
Solar contracts	25,305	17,233
Prepaid leases	1,478	1,570
Right-of-use assets	7,887	3,261
Investments in joint ventures	4,512	1,557
Loans receivable	765	610
Due from related party	1,546	13,686
Inventory	3,998	-
Other assets	405	125
Accounts receivable	1,260	494
Restricted cash	2,738	1,005
Cash	6,226	9,152
Total assets	**$106,854**	**$72,725**
Liabilities and unitholders' equity		
Loans payable	$48,646	24,168
Interest rate swap agreements	2,662	167
Lease liability	7,796	3,251
Decommissioning liability	882	-
Due to related parties	3	107
Accounts payable and accrued liabilities	3,167	325
Total liabilities	63,156	28,018
Unitholders' equity	41,047	42,426
Non-controlling interests	2,651	2,281
Total equity	43,698	44,707
Total liabilities and unitholders' equity	**$106,854**	**$72,725**

Solar Assets

The Fund's solar assets are comprised of solar equipment and structures, solar contracts, prepaid leases, and right-of-use assets (with corresponding lease liabilities) as disclosed in SCEF's consolidated Financial Statements for the year ended December 31, 2020.

Under International Financial Reporting Standards ("IFRS"), the solar equipment and structures are accounted for under the cost model as prescribed by International Accounting Standard ("IAS") 16 – Property, Plant and Equipment ("IAS 16"). These assets are recorded at cost, net of accumulated depreciation.

Under International Financial Reporting Standards ("IFRS"), the solar contracts are accounted for under the cost model as prescribed by International Accounting Standard ("IAS") 38 – Intangible Assets ("IAS 38"). These assets are recorded at cost, net of accumulated depreciation.

The Fund's prepaid leases and right-of-use assets are accounted for under IFRS 16 – Leases ("IFRS 16") and are amortized on a straight-line basis over the length of the related lease agreements. Right-of-use assets are recorded with a corresponding lease liability at the date that the leased asset is available for the Fund.

Changes in the carrying amounts of the solar assets are summarized as follows:

($ thousands, except where noted)	Opening balance at January 1, 2020	Additions through purchase of assets	Additions through capital expenditures	Amortization	Interest expense and lease payments	Closing balance at December 31, 2020
Solar equipment and structures	$24,032	$28,174	$335	$(1,807)	$-	$50,734
Prepaid leases	1,570	-	-	(92)	-	1,478
Right-of-use assets	3,261	4,852	-	(226)	-	7,887
Solar contracts	17,233	8,739	674	(1,341)	-	25,305
Lease liabilities	(3,251)	(4,852)	-	-	307	(7,796)
Total	**$42,845**	**$36,913**	**$1,009**	**$(3,466)**	**$307**	**$77,608**

($ thousands, except where noted)	Opening balance at January 1, 2019	Additions through purchase of assets	Additions through capital expenditures	Amortization	Interest expense and lease payments	Closing balance at December 31, 2019
Solar equipment and structures	$17,892	$6,904	$374	$(1,138)	$-	$24,032
Prepaid leases	1,661	-	-	(91)	-	1,570
Right-of-use assets	-	3,368	-	(107)	-	3,261
Solar contracts	8,938	8,623	219	(547)	-	17,233
Lease liabilities	-	(3,368)	-	-	117	(3,251)
Total	**$28,491**	**$15,527**	**$593**	**$(1,883)**	**$117**	**$42,845**

Fair Value of Assets

As at December 31, 2020 the Funds' net asset value ("NAV") under IFRS can be summarized as follows:

($ thousands, except where noted)

Portfolio Name	Solar Asset Value Under IFRS	Total Debt Under IFRS	Allocation of Other Assets, Net of Liabilities Under IFRS	Unitholders Equity under IFRS per Portfolio	Adjustments for Non-controlling Interests on Consolidation	NAV Under IFRS, Adjusted for SCEF's Ownership on Consolidation
SPOC	$16,887	$14,053	$1,006	$3,840	$-	$3,840
MPI	8,975	380	535	9,130	(1,142)	7,988
Panasonic	3,857	-	230	4,087	(868)	3,219
First Light	-	-	1,649	1,649	-	1,649
Hodgson	1,098	-	65	1,163	-	1,163
Ozz	12,895	8,943	769	4,721	-	4,721
Falconer	500	-	30	530	-	530
Vine Fresh	9,879	5,063	589	5,405	-	5,405
Black rock	-	-	2,863	2,863	-	2,863
NSNW	31,313	22,869	1,866	10,310	(641)	9,669
Total	**$85,404**	**$51,308**	**$9,602**	**$43,698**	**$(2,651)**	**$41,047**

As at December 31, 2020 the Funds' fair value of its assets can be summarized as follows:

($ thousands, except where noted)

Portfolio Name	Forecasted Annualized Net Cashflow	Weighted Average Contract Term (in Years)[1]	Present Value of Annualized Cash Flow[2]	Debt Allocated for the Fund's Ownership %	Allocation of Other Realizable Assets, Net of Realizable Liabilities	NAV per Portfolio
SPOC	$26,327	13.0	$16,995	$14,053	$2,828	$5,770
MPI	14,614	15.8	9,421	380	1,568	10,609
Panasonic	4,255	15.2	2,826	-	470	3,296
First Light	1,248	8.8	900	-	150	1,050
Hodgson	1,652	13.6	1,126	-	187	1,313
Ozz	19,522	13.8	13,162	8,943	2,190	6,409
Falconer	923	12.7	658	-	110	768
Vine Fresh	14,781	11.8	10,296	5,063	1,713	6,946
Black rock	7,305	9.9	4,483	-	746	5,229
NSNW	33,952	11.8	22,863	16,037	3,805	10,631
Total	**$124,579**	**12.6**	**$82,730**	**$44,476**	**$13,767**	**$52,021**

(1) Weighted by annual revenue
(2) Discounted using a weighted average cost of capital of 6.28%

Capital Expenditures

In general, the Fund is purchasing assets at substantially less than current replacement costs and is committed to increasing the value of these assets by investing in capital expenditure initiatives and other programs in order to improve the overall quality of the portfolio and ultimately to sustain and expand the portfolio's future solar income-producing potential over its expected life span.

In correlation with industry peers, the Fund has two types of capital expenditures: maintenance capital expenditures and stabilizing and value-enhancing capital expenditures. The main difference between these two types of capital expenditures is whether the costs incurred are to maintain existing cash flows, or to achieve the longer-term goal of producing enhanced cash flows and unitholder returns.

Stabilizing and value-enhancing capital expenditures are made with the intention of increasing the productivity of the portfolio. They improve the economic life span and value of the assets and are mainly long-term in nature. The timing of these expenditures varies according to Management's capital plans, and they are funded with mortgage advances, refinancing, and equity issuances.

During 2020, capital expenditures were minimal as Management focused primarily on acquiring and assessing its initial solar asset portfolios. Management is committed to the ongoing future maintenance and enhancement of the Fund's portfolio and a 2021 capital budget is in place for the upcoming fiscal year.

Capital Structure

"Capital" is defined as the aggregate of debt and unitholders' equity. Management's objectives with respect to capital is to maintain its ongoing ability to meet its debt repayment obligations, and to ensure there are sufficient funds available to meet the capital requirements of the portfolio.

The Fund's Declaration of Trust permits the maximum amount of total debt to be 85% of the Fund's total assets. Under IFRS reporting, Management still continues to evaluate LTV ratios on both a market value basis and a traditional historical cost basis, whereby historical cost is defined as the acquisition cost of the properties plus the capital improvements expended thereon.

The total capital of the Fund as at December 31, 2020 is summarized in the following chart:

As at December 31, ($ thousands, except where noted)	2020	2019
Total solar assets[1]	**$85,404**	**$46,096**
Non-solar assets	**21,450**	**26,629**
Total assets	**$106,854**	**$72,725**
Loan payable	48,646	24,168
Interest rate swap agreements	2,662	167
Lease liability	7,796	3,251
Total debt	**$59,104**	**$27,586**
Unitholders' equity	41,047	42,426
Non-controlling interests	2,651	2,281
Total capital	**$103,687**	**$72,400**
Total debt to total assets	**55.31%**	**37.93%**
Total debt to solar assets	**69.21%**	**59.84%**

(1) Includes solar equipment and structures, prepaid leases, right-of-use assets and solar contracts.

Loans Payable ($ thousands, except where noted)	Future minimum principal payments	% of total loans
2021	$2,789	5.7%
2022	2,914	6.0%
2023	3,029	6.2%
2024	3,126	6.4%
2025	3,236	6.7%
Thereafter	33,552	69.0%
Total loans payable as at December 31, 2020	**$48,646**	**100.0%**

Investment Summary

During the year ended December 31, 2020, the Fund received net proceeds of $0.9MM through new investments, net of redemptions.

During the year ended December 31, 2020, Management purchased $8.2MM units for redemption at 100%.

SCEF Unitholders - Investment Activity ($ thousands, except where noted)	2020		2019	
	Number of Units	Amount ($)	Number of Units	Amount ($)
SCEF units outstanding, beginning of year	**4,291,679**	**$45,313**	**1,453,372**	**$14,127**
Proceeds from units issued	842,731	9,838	2,923,165	32,096
Redemption of units	(754,087)	(8,872)	(84,858)	(910)
SCEF units outstanding, end of year	**4,380,323**	**$46,279**	**4,291,679**	**$45,313**
Weighted average SCEF units outstanding	**4,410,135**		**2,793,991**	

	Number of Investors	Amount ($)	Number of Investors	Amount ($)
Number of new investors	**29**	**$2,441**	**167**	**$29,894**
Number of repeat investors	**21**	**$7,397**	**24**	**$2,202**
Number of redemptions	**26**	**$(8,872)**	**6**	**$(910)**
New investment average ($)		$84		$179
Repeat investment average ($)		$352		$92
Redemption average ($)		$(341)		$(152)

Non-Controlling Interests

During the year ended December 31, 2020, the balance of non-controlling interests consisted of:

($ thousands, except where noted)	2020	2019
Opening balance at beginning of year	$2,281	$1,333
Net loss attributable to non-controlling interests	(59)	(62)
Distributions to non-controlling interests	(238)	(47)
Non-controlling interests' ownership of net identifiable assets acquired	667	1,057
Closing balance at end of year	**$2,651**	**$2,281**

Unitholder Taxation

Each SCEF unit represents an undivided beneficial interest in distributions by the Fund, whether of net income, net realized capital gains or other amounts, and, in the event of a liquidation, dissolution, winding-up or other termination of the Fund, in the net assets of the Fund remaining after satisfaction of all liabilities. The distribution entitlement of each SCEF unit is intended to and will be derived from the same sources.

The Declaration of Trust provides that the Fund may distribute to unitholders as determined by the Trustees in their discretion for each calendar month or other calendar period selected by the Trustees.

It is the current intention of the Trustees that, until such time as the Trustees determine otherwise, any distributions received by the Fund from Skyline Clean Energy Limited Partnership ("SCELP") will be reinvested so that additional clean energy assets may be acquired by SCELP. As a result, it is anticipated that the payment of distributions from the Fund to its unitholders, for the time being, will be made by the issuance of additional SCEF units or fractions thereof having a fair market value as determined by the trustees equal to the amount of the taxable distribution amount for the relevant taxation year.

Unitholders will be taxed on net income of the Fund, which is paid or payable to them whether it is paid or payable in cash or by issuance of additional SCEF units to the extent that the Fund deducts such amounts in computing its income. As a result, unitholders may be required to pay tax on such amounts, although no cash was received from the fund.

During the year ended December 31, 2020, there were no distributions paid to unitholders, and no net income was paid or payable. Therefore there was no tax impact to SCEF unitholders for fiscal 2020.

Related Party Transactions

The executive officers of the Fund do not receive direct salary compensation from the Fund. Rather, Skyline Clean Energy General Partner Inc. ("**SCEGPI**"), as General Partner of SCELP of the Limited Partnership, is entitled to distributions under the limited partnership agreement ("**GP Sharing**"). Additionally, the executive officers receive compensation from the related management companies that service the Fund and SCELP ("Management Services").

GP Sharing

Distributions accrued as at December 31, 2020 are as follows:

($ thousands, except where noted)	2020	2019
General Partner sharing on net income	$-	$32
Total General Partner distribution payable	**$-**	**$32**

Distributions under the GP Sharing arrangement occur when SCEF's net income, excluding depreciation, for a fiscal year is greater than 5% of the weighted average retained earnings for such fiscal year. This variance is shared at a ratio of 20% to the general partner and 80% to the LP. A provision for the future distributions payable to SCEGPI has not been recorded since the timing and amount of the distributions payable cannot be reasonably estimated. At December 31, 2020, there were no distributions payable to SCEGPI.

Management Services

Fees incurred for the year ended December 31, 2020 are as follows:

($ thousands, except where noted)	2020	2019
Asset management fees	$135	$128
Property management fees	79	-
Acquisition fees	360	-
Wealth management and equity raise fees	388	810
Legal and administrative fees	253	42
Operations and maintenance fees	163	86
Total management fees	**$1,378**	**$1,066**

SCEF has an asset management agreement with Skyline Clean Energy Asset Management Inc. (the "**Asset Manager**"), which provides for the payment of an annual asset management fee to the Asset Manager during the term in an amount equal to 2% of the gross revenues of the solar assets, which will be calculated and payable monthly, a property management fee that varies from $2 per kW DC to $5 per kW DC, plus an annual flat fee of $1 to $3 per asset, and an acquisition fee calculated as 1% of the asset value acquired. Under the asset management agreement, the Asset Manager is responsible for employment expenses of its personnel, rent, and other office expenses of the Asset Manager.

SCEF has a wealth management agreement with Skyline Wealth Management Inc. (the "**Wealth Manager**") that provides for the payment of a wealth management fee, payable monthly, equal to 1/12 of 0.3% of the Fund's equity under management (calculated as the product of the outstanding SCEF units multiplied by the then-market value of one SCEF unit). During 2020, the Wealth Manager was entitled to an equity raise fee equal to a maximum of 2% on the capital raised in offerings of SCEF units, subject to adjustment. Effective January 1, 2021 the Wealth Manager's equity raise fee is equal to a maximum of 1% capital raised in offerings of SCEF units, subject to adjustment. Under the Wealth Management Agreement, the Wealth Manager is responsible for employment expenses of its personnel, rent, and other office expenses of the Wealth Manager in connection with providing services to the Fund under the Wealth Management Agreement.

SCEF has an arrangement with Skyline Asset Management Inc. ("**SAMI**") under which it pays fees for access to legal management and administrative services. Subject to the receipt of the applicable fees, SAMI is responsible for employment expenses of its personnel, rent and other office expenses.

SCEF has agreements with Anvil Crawler Development Corp. (the "**Solar Asset Operator**"), which provides for the payment of operations and maintenance services for the solar assets. Under these agreements, the O&M Provider is responsible for employment expenses of its personnel, rent, and other office expenses of the O&M Provider.

Risks And Uncertanties

The Fund must adhere to specific operating and investment guidelines as set out in the Declaration of Trust. These may have a material adverse effect on the Fund's ability to deliver electricity to its various counterparties. Guidelines are established to limit to the best extent possible the risks and uncertainties that exist, in turn, which could negatively impact the Fund's financial position and operations.

COVID-19 Coronavirus Pandemic

The COVID-19 coronavirus pandemic may adversely affect trade and local, national or global economies, and could result in a general or acute decline in economic activity in the markets in which Skyline Clean Energy Fund operates.

The fluctuation in interest rates or other financial market volatility may adversely affect SCEF's ability to finance indebtedness on terms that are as favourable as the terms of existing indebtedness, which may negatively impact SCEF's performance, or may adversely affect the ability of the Fund to complete acquisitions on financially desirable terms.

The extent to which COVID-19 impacts SCEF will depend on future developments, which are highly uncertain and cannot be predicted, including new information which may emerge concerning the severity of COVID-19 and actions taken to contain COVID-19 or its impact, among others. If the outbreak of COVID-19 and related developments lead to a prolonged or significant impact on global, national or local markets or economic growth, SCEF's cash flows, financial condition or results of operations and its ability to raise additional financing may be materially and adversely affected. Further, the COVID-19 coronavirus pandemic may cause disruptions to SCEF's business and operational plans. These disruptions may severely impact SCEF's ability to carry out its business plans for 2021.

Energy Market Volatility

While the Fund's clean energy assets are currently secured with fixed-rate, long-term, government contracts, the Fund may, from time to time, invest in clean energy assets that are in markets that may have exposure, either directly or indirectly, to a wholesale market price for energy. Wholesale market prices are impacted by a number of factors including: the price of fuel (e.g. natural gas) that is used to generate electricity; the distribution of electricity generation and excess generation capacity relative to load in a particular market; the cost of controlling emissions of pollution, including the cost of emitting CO2 (specifically to other market participants); the structure of the electricity markets; and the weather conditions that impact electrical load.

Changing Regulation

Assets in the clean energy market are often subject to extensive regulation by various government agencies and regulatory bodies. As legal requirements commonly change and are the subject of varying interpretation and discretion, the Fund may be unable to predict the ultimate cost of compliance with these requirements or their long¬term effects on operations. Any new law, rule or regulation may require additional unforeseen expenditures to achieve or maintain compliance or could negatively impact the Fund's ability to generate and deliver energy. Also, operations that are not currently regulated may become subject to regulation which could ultimately result in additional cost to the Fund's business model.

Contract Non-renewal

The Fund proposes to hold multiple fixed-rate, long-term contracts to generate and sell energy. Alongside these contracts are long-term lease agreements to the facilities on which certain clean energy assets are housed. The Fund generally expects that such contracts will be renewed; however, if the Fund is not granted such renewal rights, or if such renewal rights are subject to conditions, which would result in additional costs, or would impose additional restrictions to income (e.g., a cap on energy production), the profitability and operational activity of the Fund could be negatively impacted.

Equipment Failure

The Fund's clean energy assets may not sustain continued levels of performance because of the risk of equipment failure due to, among other factors, wear and tear, design error, operator error, latent defect, or early obsolescence, all or any of which could have materially adverse effects to the Fund's financial position and operations.

Infrastructure Inaccessibility

The Fund's ability to sell electricity is reliant on the availability of, and access to, the various transmission systems used to deliver power to the delivery points that will be stipulated by the Fund's energy fulfillment contracts. The absence of this availability and access to infrastructure, or the operational failure of existing transmission systems, may have a material adverse effect on the Fund's ability to deliver electricity to its various counterparties, which could, in turn, negatively impact the Fund's financial position and operations.

No Assurance of Achieving Investment Objectives

There is no assurance the Fund will be able to achieve its investment objectives or be able to preserve capital. There is no assurance that the Fund's portfolio of clean energy assets will earn any return. An investment in the Fund is appropriate only for investors who have the capacity to absorb a loss of some or all of their investment and who can withstand the effect of distributions not being paid in any period or at all.

Health, Safety, Security and Environmental

The ownership and operation of the Fund's clean energy assets carries inherent risks related to health, safety, security, and the environment, including the risk of government imposed orders to remedy unsafe conditions. The Fund could be exposed to potential penalties and civil liability if health, safety, security, and environmental laws are contravened.

Asset Impairment due to Changing Technologies

There exist other competing technologies for clean energy production, and while many of these still rely on subsidies to compete with conventional energy generation, research and development activities will aid such technologies in reducing production cost. In such an event, those technologies may compete directly or indirectly with the Fund for favourable energy fulfillment contracts, which may in turn have an adverse effect on the Fund's long-term financial position and operations.

Interest Rates

It is anticipated that the market price for the SCEF units at any given time may be affected by the level of interest rates prevailing at that time. A rise in interest rates may have a negative effect on the market price of the SCEF units.

Risk of Changes to Government Incentives

Development of new clean energy sources and the overall growth of the clean energy industry has recently been supported by provincial and/or national policies and incentives. Some of the Fund's projects may benefit from such incentives. The attractiveness of clean energy to purchasers of clean energy assets, as well as the economic return available to project sponsors, is often enhanced by such incentives. There is a risk that regulations that provide incentives for clean energy could change or expire in a manner that adversely impacts the market for renewables generally. Any such changes may impact the competitiveness of clean energy generally and the economic value of clean energy projects in particular.

Adverse Changes to the Availability of Investment Opportunities

The Fund's strategy for building value for its unitholders is to seek out and acquire or develop high-quality clean energy assets and businesses that generate sustainable, growing cash flows, with the objective of achieving appropriate risk-adjusted returns over the long term. However, no certainty can be provided that the Fund will be able to find sufficient investment opportunities and complete transactions that meet the desired investment criteria. As of the date of this report, the Fund's main competitor in respect to the investment in solar energy assets is Grasshopper Solar, a Canadian solar energy company focused on the acquisition, development, engineering, procurement, construction, and long-term ownership of solar projects. Competition for assets may grow significantly, and competition from other well-capitalized investors or companies may significantly increase the purchase price of desired investments, which may inhibit the Fund's ability to compete for future acquisitions.

Access to Capital

The clean energy industry is highly capital intensive. The Fund will require access to capital to maintain its clean energy assets, as well as to fund its growth. There is no assurance that capital will be available when needed or on favourable terms.

Unitholder Liability

Because of uncertainties in the law relating to investment trusts, there is a risk, which is considered by counsel to be remote in the circumstance, that a Unitholder could be held personally liable for obligations of the Fund (to the extent that claims are not satisfied by the Fund) in respect of contracts which the Fund enters into and for certain liabilities arising other than out of contract, including claims in tort, claims for taxes, and possibly certain other statutory liabilities. The Trustees intend to cause the Fund's operations to be conducted in such a way as to minimize any such risk including by obtaining appropriate insurance and, where feasible, attempting to have every material written contract or commitment of the Fund contain an express disavowal of liability against Unitholders.

Dependence on Key Personnel

The management of the Fund depends on the services of certain key personnel. The end of employment of any of these key personnel could have a material adverse effect on the Fund.

Concentration and Composition of the Portfolio

The Fund will primarily invest in clean energy assets, although the Fund may also hold clean energy-related investments and some cash and cash equivalents. Given the concentration of clean energy assets, the Fund will be more susceptible to adverse economic or regulatory occurrences affecting clean energy assets than investment vehicles such as investment funds that hold a diversified portfolio of securities. Investments in clean energy assets are relatively illiquid. Such illiquidity will tend to limit the Fund's ability to vary its portfolio of clean energy assets promptly in response to changing economic or investment conditions.

The investment objectives and investment restrictions of the Fund permit the Fund to invest in a broad spectrum of clean energy assets. Therefore, the composition of the Fund's asset, may vary widely from time to time. As a result, the returns generated by the Fund's clean energy assets may change as the portfolio of assets changes.

Competition

The Fund will experience competition in all aspects of its business, including price competition. If price competition increases, the Fund may not be able to raise the capital it needs in response to a rising cost of funds. Price-cutting or discounting by competitors may reduce profits. This could have a material adverse effect on the Fund's business, financial condition, and results of operations.

Additionally, the ability of the Fund to make investments in accordance with its investment objectives and investment strategies depends, upon the availability of suitable investments and the amount of funds available to make such investments.

Litigation Risk

SCELP may, from time to time, become involved in legal proceedings in the course of its business. The costs of litigation and settlement can be substantial, and there is no assurance that such costs will be recovered in whole or at all. The unfavourable resolution of any legal proceedings could have an adverse effect on the Fund's and its financial position and results of operations that could be material.

General Economic Conditions

There are economic trends and factors that are beyond the Fund's control. Such trends and factors include adverse changes in the conditions of the clean energy market, changes in the conditions of the broader energy market and the conditions of the domestic or global economy generally.

It is not possible for the Fund to accurately predict economic fluctuations and the impact of such fluctuations on the Fund's performance.

Impact of Climate Change, Natural Disasters, and Other Events

Various events, including climate change, natural disasters, extreme weather conditions, war, and terrorism, may cause a significant decline in the value of the Fund's assets, thereby having a material adverse effect on the Fund's business, financial condition, and results of operations.

Potential Conflicts of Interest

The Fund may be subject to various conflicts of interest because of the fact that the trustees and senior officers of the Fund and certain senior officers of the Asset Manager and the Wealth Manager are engaged in a wide range of other business activities. The Fund may become involved in transactions which conflict with the interests of the foregoing.

The trustees may, from time to time, deal with persons, firms, institutions, or corporations with which the Fund may be dealing, or which may be seeking investments similar to those desired by the Fund. The interests of these persons could conflict with those of the Fund. In addition, from time to time, these persons may be competing with the Fund for available investment opportunities.

The Declaration of Trust contains "conflicts of interest" provisions requiring trustees to disclose material interests in material contracts and transactions and to refrain from voting thereon.

Tax Related Risks

There can be no assurance that income tax laws and the treatment of mutual fund trusts will not be changed in a manner which adversely affects the Fund or the SCEF unitholders.

If the Fund fails or ceases to qualify as a mutual fund trust for purposes of the Tax Act, the tax consequences described under Item 6 "Income Tax Consequences and RRSP Eligibility" would in some respects be materially and adversely different. Such adverse differences would include that if the Fund did not qualify as a mutual fund trust throughout a taxation year, it would be subject to a special tax under Part XII.2 of the Tax Act for such taxation year to the extent that it has designated income (which includes income from real property and income from businesses carried on in Canada) to an investor which is a designated beneficiary (which includes non-resident persons and certain tax-exempt persons).

If investments in the Fund become publicly listed or traded, there can be no assurances that the Fund will not be subject to the SIFT Rules, as described under "Income Tax Consequences and RRSP Eligibility – SIFT Rules", at that time.

The Fund or its subsidiaries may be reassessed for taxes from time to time. Such reassessments together with associated interest and penalties could adversely affect the Fund.

Unitholders will be taxable on net income of the Fund, which is paid or payable to them in cash or by issuance of additional SCEF units to the extent that the Fund deducts such amounts in computing its income. As a result, unitholders may be required to pay tax on such amounts although, no cash was received from the Fund.

Since the net income of the Fund may be distributed in any given month, a purchaser of a unit may become taxable on a portion of the net income of the Fund accrued or realized by the Fund in a month before the time the unit was purchased but which was not paid or made payable to SCEF unitholders until the end of the month and after the time the unit was purchased. A similar result may apply on an annual basis in respect of a portion of capital gains accrued or realized in a year before the time the unit was purchased, but which is paid or made payable to SCEF unitholders at year-end and after the time the unit was purchased.

The Loss Restriction Event Rules could potentially apply to the Fund if a person (or group of persons) was to acquire more than 50% of the fair market value of the units.

Dilution

The number of units that the Fund is authorized to issue is unlimited. The trustees have the discretion to issue additional units in other circumstances, pursuant to the Fund's various incentive plans. Any issuance of additional units may have a dilutive effect on the holders of units.

Liquidity

An investment in SCEF units is an illiquid investment. There is currently no market through which SCEF units may be sold, and redemptions are subject to restrictions imposed in the Declaration of Trust and applicable securities regulation. The Fund is not a "reporting issuer" in any jurisdiction, and a prospectus has not qualified the issuance of SCEF units. Accordingly, investors will be unable to sell their SCEF units, subject to some limited exceptions.

Financing

The Fund may utilize debt financing, and will be subject to the risks associated with debt financing, including the risk that the Fund may be unable to make interest or principal payments or meet loan covenants, the risk that defaults under a loan could result in cross defaults or other lender rights or remedies under other loans, and the risk that existing indebtedness may not be able to be refinanced or that the terms of such refinancing may not be as favourable as the terms of existing indebtedness.

Nature of SCEF Units

SCEF units are not the same as shares of a corporation. As a result, SCEF unitholders will not have the statutory rights and remedies normally associated with share ownership, such as the right to bring "oppression" or "derivative" actions.

SCEF units are not "deposits" within the meaning of the Canada Deposit Insurance Corporation Act and are not insured under the provisions of that act or any other legislation. Furthermore, the Fund is not a trust company and, accordingly, it is not registered under any trust and loan company legislation as it does not carry on or intend to carry on the business of a trust company.

Unexpected Costs or Liabilities Related to Acquisitions

A risk associated with acquisitions is that there may be an undisclosed or unknown liability concerning an acquired asset, and the Fund may not be indemnified for some or all of these liabilities. Following an acquisition, the Fund may discover that it has acquired undisclosed liabilities, which may be material. The due diligence procedures performed by the Asset Manager are designed to address this risk. The Asset Manager will perform what it believes to be an appropriate level of investigation in connection with the acquisition of clean energy assets by the Fund and seeks through contract to ensure that risks lie with the appropriate party.

Cybersecurity Risk

The efficient operation of the Fund's business is dependent on computer hardware and software systems. Information systems are vulnerable to cybersecurity incidents. A cybersecurity incident is considered to be any material adverse event that threatens the confidentiality, integrity or availability of the Fund's information resources. A cybersecurity incident is an intentional attack or an unintentional event including, but not limited to, malicious software, attempts to gain unauthorized access to data or information systems, and other electronic security breaches that could lead to disruptions in critical systems, unauthorized release of confidential or otherwise protected information and corruption of data. The Fund's primary risks that could directly result from the occurrence of a cyber incident include operational interruption, damage to its reputation, the disclosure of confidential information including personally identifiable information, potential liability to third parties, loss of revenue, additional regulatory scrutiny and fines, as well as litigation and other costs and expenses. The Fund takes data privacy and protection seriously and has implemented processes, procedures, and controls to help mitigate these risks. Access to personal data is controlled through physical security and IT security mechanisms. For information stored with or processed by third parties, the Fund undertakes due diligence prior to working with them and uses contractual means to ensure compliance to standards set by the Fund. Additionally, the Fund monitors and assesses risks surrounding collection, usage, storage, protection, and retention/ destruction practices of personal data. These measures, as well as its increased awareness of a risk of a cyber incident, do not guarantee that its financial results will not be negatively impacted by such an incident.

Redemptions

The entitlement of SCEF unitholders to receive cash in respect of SCEF units tendered for redemption is subject to a monthly limit. Where the monthly limit is exceeded, a portion of the redemption amount to which the unitholder would otherwise be entitled shall be paid and satisfied in cash and, subject to receipt of all necessary regulatory

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approvals, the remainder shall be paid and satisfied by way of issuance to the SCEF unitholder of a trust note in accordance with the Declaration of Trust.

Critical Accounting Estimates

Preparing the consolidated financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and reported amounts of revenue and expenses during the reporting period. Actual outcomes could differ from these estimates. These financial statements include estimates, which, by their nature, are uncertain. The impact of such estimates is pervasive throughout the financial statements and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the period in which the estimates are revised, and the revision affects both current and future periods.

Significant estimates and assumptions include the fair values assigned to solar contracts. Valuation of these solar contracts is one of the principal estimates and uncertainties of these financial statements.

Additional information on the significant estimates, judgments, and assumptions that have the most significant effect on the recognition and measurement of assets, liabilities, income, and expenses are discussed in Note 3 in the audited annual consolidated financial statements for the period ended December 31, 2020.

Subsequent Events

Subsequent to December 31, 2020, SCEF issued 2,203,295 units for an aggregate value of $27,340 and 8,796 units were redeemed for an aggregate value of $109.

The following unit price changes occurred subsequent to year end:

Effective Date	**Unit Price**
January 1, 2021	**$12.25**
February 1, 2021	**$12.30**
March 1, 2021	**$12.40**
April 1, 2021	**$12.49**

SCEF Unitholders - 2021 Investment Activity (to date) **($ thousands, except where noted)**	**January 1, 2021 to April 30, 2021**	
	Number of Units	**Amount ($)**
SCEF units outstanding, January 1, 2021	**4,380,323**	**$46,279**
Proceeds from units issued	2,203,295	27,340
Redemption of units	(8,796)	(109)
SCEF units outstanding, April 31, 2021	**6,574,822**	**$73,510**

On February 16, 2021, two of the six energy storage systems held in inventory were sold to a third party. The energy storage systems were sold for proceeds of $1.0MM, equivalent to the historical cost.

On April 12, 2021, Anvil Crawler Development Corp repaid the $1.5MM promissory note owing to the Fund. The promissory note was issued during the year ended December 31, 2020, and accrued interest of 9% payable to SCEF.

Subsequent to December 31, 2020, SCEF paid $2.5MM to purchase convertible debentures. These debentures are convertible any time after September 1, 2021 at a conversion price of $10.00 per Class A share, being the ratio of 100 Class A shares per $1.0MM of principal amount of debentures.

SKYLINE CLEAN ENERGY FUND

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2020

SKYLINE CLEAN ENERGY FUND

INDEX TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2020

Chartered Professional Accountants

INDEPENDENT AUDITOR'S REPORT

To the Unitholders of: Skyline Clean Energy Fund

Opinion

We have audited the accompanying financial statements of Skyline Clean Energy Fund, which comprise the consolidated statement of financial position as at December 31, 2020 and December 31, 2019 and the consolidated statements of changes in unitholders' equity, (loss) income and comprehensive (loss) income and cash flows for the years then ended and notes to the consolidated financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of Skyline Clean Energy Fund as at December 31, 2020 and December 31, 2019 and the results of its operations and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Basis of Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of Skyline Clean Energy Fund in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, 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.

Other Matter

As part of our audit of the consolidated financial statements of Skyline Clean Energy Fund for the year ended December 31, 2020, we also audited the adjustments described in Note 30 that were applied to restate the financial statements for the year ended December 31, 2019. In our opinion, such adjustments are appropriate and have been properly applied.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing Skyline Clean Energy Fund's ability to continue as a going concern, disclosing, as applicable, matters related to a going concern and using the going concern basis of accounting unless management either intends to liquidate Skyline Clean Energy Fund or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing Skyline Clean Energy Fund's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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 Canadian generally accepted auditing standards 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 consolidated financial statements.

GUELPH OFFICE 197 HANLON CREEK BLVD, UNIT 103, GUELPH, ON, N1C 0A1 • TEL: 519-822-9933 • FAX: 519-822-9212 • rlb.ca

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Skyline Clean Energy Fund's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on Skyline Clean Energy Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause Skyline Clean Energy Fund to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

RLB LLP

Guelph, Ontario
March 24, 2021

Chartered Professional Accountants
Licensed Public Accountants

SKYLINE CLEAN ENERGY FUND

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT DECEMBER 31, 2020

(in thousands of Canadian dollars)

	2020	2019	2018
ASSETS			
Solar equipment and structures (notes 6, 7)	$ 50,734	$ 24,032	$ 17,892
Solar contracts (notes 6, 8)	25,305	17,233	8,938
Prepaid leases (notes 6, 9)	1,478	1,570	1,661
Right-of-use assets (notes 6, 10)	7,887	3,261	0
Investments in joint ventures (notes 6, 11)	4,512	1,557	0
Loans receivable (note 12)	765	610	568
Due from related party (note 20)	1,546	13,686	0
Deposit on future acquisition	0	0	50
Inventory (note 13)	3,998	0	0
Other assets (note 14)	405	125	0
Accounts receivable (note 15)	1,260	494	146
Restricted cash (note 16)	2,738	1,005	0
Cash	6,226	9,152	2,513
	$ 106,854	$ 72,725	$ 31,768
LIABILITIES AND UNITHOLDERS' EQUITY			
Loans payable (notes 6, 17)	$ 48,646	$ 24,168	$ 281
Interest rate swap agreements (notes 6, 18)	2,662	167	0
Lease liability (notes 6, 19)	7,796	3,251	0
Decommissioning liability (notes 6, 22)	882	0	0
Due to related parties (note 20)	3	107	17,458
Accounts payable and accrued liabilities (note 21)	3,167	325	324
	63,156	28,018	18,063
Unitholders' equity (page 6)	41,047	42,426	12,372
Non-controlling interests (page 6) (note 28)	2,651	2,281	1,333
	43,698	44,707	13,705
	$ 106,854	$ 72,725	$ 31,768

Trustee

Trustee

See notes to the consolidated financial statements

SKYLINE CLEAN ENERGY FUND

CONSOLIDATED STATEMENT OF CHANGES IN UNITHOLDERS' EQUITY

FOR THE YEAR ENDED DECEMBER 31, 2020

(in thousands of Canadian dollars)

	Unitholders Equity	Non-Controlling Interests	Total
OPENING BALANCE - January 1, 2020	$ 42,426	$ 2,281	$ 44,707
Proceeds from units issued (note 29)	9,838	0	9,838
Issuance costs (notes 20, 29)	(205)	0	(205)
Loss and comprehensive loss for the year	(2,140)	(59)	(2,199)
Distribution to non-controlling interest (note 28)	0	(238)	(238)
Non-controlling interests assumed (notes 6, 28)	0	667	667
Redemptions (note 29)	(8,872)	0	(8,872)
CLOSING BALANCE - December 31, 2020	$ 41,047	$ 2,651	$ 43,698
OPENING BALANCE - January 1, 2019 (notes 30, 31)	$ 12,372	$ 1,333	$ 13,705
Proceeds from units issued (note 29)	32,096	0	32,096
Issuance costs (notes 20, 29)	(753)	0	(753)
Income and comprehensive income for the period (notes 30, 31)	678	(62)	616
Distribution to non-controlling interest (note 28)	0	(47)	(47)
Non-controlling interests ownership of solar assets acquired (note 28)	(1,057)	1,057	0
Redemptions (note 29)	(910)	0	(910)
CLOSING BALANCE - December 31, 2019	$ 42,426	$ 2,281	$ 44,707
OPENING BALANCE - May 3, 2018	$ 0	$ 0	$ 0
Proceeds from units issued (note 29)	14,446	0	14,446
Issuance costs (notes 20, 29)	(223)	0	(223)
Income and comprehensive income for the period (notes 30, 31)	(168)	(9)	(177)
Distribution to non-controlling interest (note 28)	0	(22)	(22)
Non-controlling interests ownership of solar assets acquired (note 28)	(1,364)	1,364	0
Redemptions (note 29)	(319)	0	(319)
CLOSING BALANCE - December 31, 2018	$ 12,372	$ 1,333	$ 13,705

See notes to the consolidated financial statements

SKYLINE CLEAN ENERGY FUND

CONSOLIDATED STATEMENT OF (LOSS) INCOME AND COMPREHENSIVE (LOSS) INCOME

FOR THE YEAR ENDED DECEMBER 31, 2020

(in thousands of Canadian dollars)

	2020	2019	2018
INCOME			
Solar income	$ 6,324	$ 3,289	$ 772
Other income (note 6)	590	310	171
Interest income (note 20)	291	287	55
	7,205	3,886	998
DIRECT OPERATING EXPENSES			
Utilities	120	50	14
Insurance	159	83	21
Roof lease	0	1	8
Amortization (notes 7, 8, 9, 10)	3,466	1,883	479
Operations and maintenance fees (note 20)	163	86	0
Management fees	72	0	0
Property tax	1	0	0
Royalty expense	11	9	4
Other direct operating expenses	93	88	0
	4,085	2,200	526
NET OPERATING INCOME	3,120	1,686	472
OTHER EXPENSES (INCOME)			
Share of net earnings from investments (note 11)	(240)	(507)	0
Financing costs (note 23)	1,972	447	408
Administrative expenses	345	119	200
Asset management fees (note 20)	135	128	15
Property management fees (note 20)	79	0	0
Wealth management fees (note 20)	185	93	26
	2,476	280	649
INCOME (LOSS) BEFORE UNDERNOTED	644	1,406	(177)
Fair value loss on investments (note 11)	(830)	(623)	0
Unrealized loss on swap agreements (note 18)	(2,013)	(167)	0
	(2,843)	(790)	0
(LOSS) INCOME AND COMPREHENSIVE (LOSS) INCOME for the year	$ (2,199)	$ 616	$ (177)
Net (loss) income attributable to:			
Unitholders	$ (2,140)	$ 678	$ (168)
Non-controlling interests (note 28)	(59)	(62)	(9)
Net (loss) income and comprehensive (loss) income	$ (2,199)	$ 616	$ (177)

See notes to the consolidated financial statements

SKYLINE CLEAN ENERGY FUND

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2020

(in thousands of Canadian dollars)

	2020	2019	2018
CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES			
(Loss) income and comprehensive (loss) income for the year	$ (2,199)	$ 616	$ (177)
Items not requiring an outlay of cash:			
Amortization (notes 7, 8, 9, 10)	3,466	1,883	479
Amortization of financing costs (note 23)	31	6	0
Accretion on decommissioning liability (note 23)	1	0	0
Financing costs in operations (note 23)	1,941	441	408
Fair value loss on investments (note 11)	830	623	0
Unrealized loss on swap agreements (note 18)	388	167	0
Interest rate swap payments (note 18)	(74)	0	0
	4,384	3,736	710
Changes in non-cash working capital			
Accounts receivable	(766)	(348)	(146)
Deposits	0	50	(50)
Inventory	(3,998)	0	0
Other assets	(280)	(125)	0
Accounts payable and accrued liabilities	2,842	1	324
	2,182	3,314	838
CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES			
Due to/from related parties (note 20)	12,036	(31,037)	17,458
Loan proceeds, net of repayments (note 17)	24,399	23,830	0
Accrued interest on loan payable (note 17)	48	51	36
Interest rate swap agreements (note 18)	2,181	0	0
Interest paid on debt (note 23)	(1,263)	(316)	(408)
Distribution paid to general partner (note 23)	(464)	(32)	0
Lease payments made on lease liability (note 19)	(521)	(210)	0
Restricted cash (note 16)	(1,733)	(1,005)	0
Proceeds from units issued (page 6)	9,838	32,096	14,446
Redemptions (page 6)	(8,872)	(910)	(319)
Issuance costs (note 20) (page 6)	(205)	(753)	(223)
Distribution to non-controlling interest (note 28)	(238)	(47)	(22)
Non-controlling interest assumed with acquisition (note 6)	667	0	0
Principal payment received on loan receivable (note 12)	59	47	22
	35,932	21,714	30,990

See notes to the consolidated financial statements

SKYLINE CLEAN ENERGY FUND

CONSOLIDATED STATEMENT OF CASH FLOWS (continued)

FOR THE YEAR ENDED DECEMBER 31, 2020

(in thousands of Canadian dollars)

	2020	**2019**	**2018**
CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES			
Acquired solar assets (note 6)	(36,913)	(15,527)	(28,449)
Additions to solar assets (notes 7, 8)	(1,009)	(593)	(521)
Decommissioning liability (note 22)	881	0	0
Loan payable assumed on solar acquisition	0	0	245
Loan receivable assumed on solar asset acquisition	0	0	(535)
Acquired investments in joint ventures (note 11)	(2,865)	(1,050)	0
Share of net earnings from joint ventures (note 11)	(240)	(507)	0
Distribution from investments in joint ventures (note 11)	150	0	0
Additions to investments in joint ventures (note 11)	(830)	(623)	0
Loan receivable issued (note 12)	(130)	0	0
Interest on loans receivable (note 12)	(84)	(89)	(55)
	(41,040)	(18,389)	(29,315)
NET (DECREASE) INCREASE IN CASH	(2,926)	6,639	2,513
CASH, beginning of year	9,152	2,513	0
CASH, end of year	$ 6,226	$ 9,152	$ 2,513

See notes to the consolidated financial statements

1. NATURE OF BUSINESS

Skyline Clean Energy Fund (“SCEF”) is an unincorporated, open ended mutual fund trust established under the laws of the Province of Ontario that was created pursuant to a Declaration of Trust dated May 3, 2018.

Skyline Clean Energy Limited Partnership (“SCELP”) was created on May 3, 2018 as a limited partnership under the laws of the Province of Ontario. The general partner is Skyline Clean Energy GP Inc. and the majority limited partner is SCEF.

SCEF is domiciled in Ontario, Canada. The address of SCEF's registered office and its principal place of business is 5 Douglas Street, Suite 301, Guelph, Ontario, N1H 2S8.

2. BASIS OF PRESENTATION

(a) STATEMENT OF COMPLIANCE

The consolidated financial statements of SCEF for the year ended December 31, 2020 are prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

The preparation of consolidated financial statements in accordance with IFRS requires the use of certain critical accounting estimates. It also requires Management to exercise judgment in applying SCEF's accounting policies.

The consolidated financial statements are presented in accordance with International Accounting Standard "IAS" 1 - Presentation of Financial Statements. SCEF has elected to present the Statement of Income and Comprehensive Income in one statement.

The consolidated financial statements for the year ended December 31, 2020 were approved for issue by the Board of Trustees on March 24, 2021.

(b) BASIS OF MEASUREMENT

The consolidated financial statements have been prepared on a historical cost basis, as modified by the revaluation of certain financial instruments, as set out in the relevant accounting policies.

(c) FUNCTIONAL CURRENCY AND PRESENTATION

The consolidated financial statements are presented in Canadian dollars, which is also SCEF's functional currency.

SCEF presents its consolidated statement of financial position based on the liquidity method, where all assets and liabilities are presented in the ascending order of liquidity.

2. BASIS OF PRESENTATION (continued)

(d) USE OF ESTIMATES

The preparation of these consolidated financial statements requires SCEF to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements and reported amounts of revenue and expenses during the reporting period. Actual outcomes could differ from these estimates. These consolidated financial statements include estimates, which, by their nature, are uncertain. The impact of such estimates is pervasive throughout the consolidated financial statements and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the period in which the estimates are revised and the revision affects both current and future periods.

Significant estimates and assumptions include the useful life of solar equipment, structures and solar contracts, the valuation of right-to-use assets and lease liabilities and the valuation of the decommissioning liability and accrued liabilities.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with IFRS and include the following significant accounting policies (and any changes thereto):

Accounting standards implemented in 2020

On January 1, 2020, SCEF adopted the revised Conceptual Framework. In March 2018 the IASB issued the revised Conceptual Framework for Financial Reporting (Conceptual Framework). Definitions of financial statement elements were updated, and a new disclosure and presentation section was added. There was no material impact from the adoption of this revised Conceptual Framework.

On January 1, 2020, SCEF adopted the following amendments to IAS 1 - Presentation of Financial Statements ("IAS 1") and IAS 8 - Accounting Policies, Changes in Accounting Estimates and Errors ("IAS 8"). The IASB issued Definition of Material (Amendments to IAS 1 and IAS 8) in October 2018. The amendments clarify the definition of “material” and provide guidance to improve consistency for the application of materiality. The amended definition includes the concept of “obscuring” material information and clarifies that materiality is assessed for primary users of general purpose financial statements about a specific reporting entity. There was no material impact from the adoption of these amendments.

On January 1, 2020, SCEF adopted the following amendments to IFRS 3 - Business Combinations ("IFRS 3"). In October 2018 the IASB issued Definition of a Business (Amendments to IFRS 3). The amendments provide guidance to help companies determine if an acquisition is of a business or a group of assets. The amendments confirm that an acquired set of activities and assets must include both an input and a process that contribute to the ability to create outputs but clarify that the process must be substantive. The amendments also introduce an optional concentration test that facilitates determination of whether a company has acquired a business. There was no material impact from the adoption of these amendments.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Significant accounting policies

(a) SOLAR CONTRACTS

The solar contracts give SCEF the ability to participate in the Feed-In Tariff ("FIT") program which allows it to sell electricity generated from its solar equipment to the Local Distribution Company ("LDC"). The solar assets meet the definition of an intangible asset under IAS 38 Intangible assets ("IAS 38"). The solar contracts are accounted for under the cost model of IAS 38 and are recorded at cost, net of accumulated amortization and/or impairment losses, if any. In accordance with IFRS 15 Revenue from contracts with customers, amortization is recorded on a straight-line basis at rates designed to amortize the cost of solar contracts over the length of the contracts.

(b) PREPAID LEASES

The prepaid leases are agreements that allow SCEF to lease the land from a landlord, to build a structure upon which solar equipment and structures can be installed for the purposes of generating income. The prepaid leases are amortized straight-line over the length of the lease agreement.

(c) LEASES

Under IFRS 16, leases are recognized as a right-of-use asset with a corresponding liability at the date of which the leased asset is available for use by SCEF. Each lease payment is allocated between the lease liability and financing costs. The financing cost is charged to the Statement of (Loss) Income and Comprehensive (Loss) Income over the lease term to produce a constant periodic rate of interest on the remaining balance of the liability for each reporting period. The right-of-use asset is depreciated over the term of the lease agreement on a straight-line basis.

(d) DECOMMISSIONING LIABILITY

A decommissioning liability is recognized at the best estimate of the expenditure required to settle the present obligation at the statement of financial position date when the liability for a decommissioning liability is incurred and a reasonable estimate of the obligation is determinable. The best estimate of the decommissioning liability is the present value of the amount SCEF would rationally pay to settle the obligation, or transfer it to a third party, at the statement of financial position date.

When a liability is recognized, a corresponding decommissioning cost is capitalized to the carrying amount of the related asset. The decommissioning cost is amortized over the estimated useful life of the related asset.

SCEF recognizes changes to the liability due to the passage of time in operating expenses, as accretion. Changes due to passage of time are calculated by applying an interest method of allocation using the discount rate used in the original calculation of the decommissioning liability. SCEF recognizes changes to the liability arising from revisions to the timing, amount of expected undiscounted cash flows or discount rate as an increase or decrease to the carrying amounts of the decommissioning liability and the related decommissioning capitalized cost.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(e) REVENUE RECOGNITION

Under IFRS 15, solar income is recognized over time as the related electricity is delivered. SCEF's solar equipment generates electricity, which is then sold to the LDC at fixed rates as per the Ontario Power Authority ("OPA") or Independent Electricity System Operator ("IESO") contracts, on a per kilowatt basis. This solar income is recognized at the fixed rate paid by the LDC at the time the electricity is transferred to the LDC.

Each of SCEF's solar contracts contain a distinct performance obligation for the delivery of electricity. Determining what goods or services promised to the customer constitute a distinct performance obligation requires significant judgment. SCEF considered all goods and services promised in its solar contracts and determined that, while certain promises do have stand-alone value to the customer, they are not distinct in the context of the contract. SCEF views each kilowatt hour (kWh) of electricity delivered to be a series of distinct goods that are substantially the same and have the same pattern of transfer to the customer as measured using an output method. The amount that SCEF has a right to bill the customer reflects the pattern of transfer and value of the completed performance to the customer. As a result, SCEF applies the “right to invoice” practical expedient under IFRS 15 to measure and recognize revenue.

(f) SOLAR EQUIPMENT

Solar equipment is utilized to earn solar income and is accounted for using the cost model as prescribed under IAS 16 – Property, Plant and Equipment (“IAS 16”). The equipment is recorded at cost, net of accumulated amortization and/or impairment losses, if any. The cost of solar equipment includes the cost of replacing part of the solar equipment and borrowing costs for long term construction projects, if the recognition criteria are met.

Amortization is recorded on a straight-line basis at rates designed to amortize the cost of solar equipment over its estimated useful life.

(g) STRUCTURES

Structures are used to mount and house the solar equipment that are utilized to generate solar income. The structures are accounted for using the cost model as prescribed under IAS 16. The structures are recorded at cost, net of accumulated depreciation and/or impairment losses, if any. The cost of the structures includes the cost of replacing part of the solar equipment and borrowing costs for long term construction projects, if the recognition criteria are met.

Amortization is recorded on a straight-line basis at rates designed to amortize the cost of the structures over their estimated useful lives.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(h) FINANCIAL INSTRUMENTS

SCEF's financial instruments and their respective classification and measurement characteristics, are as follows:

Asset/Liability	Classification/Measurement
Cash	Amortized cost
Restricted cash	Amortized cost
Accounts receivable	Amortized cost
Loans receivable	Amortized cost
Accounts payable and accrued liabilities	Amortized cost
Loans payable	Amortized cost
Lease liability	Amortized cost

Financial Assets

Financial assets are classified at initial recognition, as either financial assets at fair value through profit or loss ("FVTPL") or amortized cost. Financial assets that give rise to specified payments of principal and interest are carried at amortized cost when they are held to collect contractual cash flows. All other financial assets are carried at FVTPL. When financial assets are recognized initially, they are measured at fair value, plus directly attributable transaction costs for those financial assets not subsequently measured at fair value.

SCEF’s financial assets are derecognized only when the contractual rights to the cash flows from the financial asset expire or substantially all of the risks and rewards of ownership are transferred.

SCEF’s financial assets that are classified as amortized cost include cash, restricted cash, accounts receivable. and loans receivable. They are initially recognized at fair value and subsequently measured at amortized cost less provision for impairment.

Provision for impairment is made based on the simplified expected credit loss ("ECL") model. Under the simplified ECL model, SCEF estimates lifetime expected losses for its receivables at each statement of financial position date based on available information. To measure the expected losses, amounts receivable are grouped based on days past due. The results of the simplified ECL model are used to reduce the carrying amount of the financial asset through an allowance account, and the changes in the measurement of the allowance account are recognized through the profit and loss. Bad debt write-offs occur when SCEF determines collection is not possible. If, in a subsequent period, the impairment loss decreases and the decrease can be related objectively to an event occurring in the subsequent period, the impairment loss is reversed to no more than its previous carrying amount by adjusting the allowance. The reversal is recognized through profit and loss. Impaired receivables are derecognized when they become uncollectible.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(h) FINANCIAL INSTRUMENTS (continued)

Financial Liabilities
Financial liabilities are classified at initial recognition as either financial liabilities at fair value through profit and loss or amortized cost, as appropriate. A financial liability is derecognized when the obligation under the liability is discharged, cancelled or expires.

SCEF's financial liabilities classified as amortized cost include accounts payable and accrued liabilities, loans payable and lease liability. These financial liabilities are measured initially at fair value and subsequently at amortized cost. The fair value of a non-interest bearing liability is its discounted payment amount. If the due date of the liability is less than one year, discounting is omitted.

(i) INCOME TAXES

SCEF qualifies as a mutual fund trust pursuant to the Income Tax Act. Under current legislation, a mutual fund trust is entitled to deduct distributions of taxable income such that it is not liable to pay income taxes provided its taxable income is fully distributed to unitholders. SCEF intends to continue to qualify as a mutual fund trust and to make distributions not less than the amount necessary to ensure that SCEF will not be liable to pay income taxes. Accordingly, no provision for income taxes has been made.

(j) FAIR VALUE MEASUREMENT

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date under current market conditions. In estimating the fair value of an asset or a liability, SCEF considers the characteristics of the asset or liability that market participants would take into account when pricing the asset or liability at the measurement date.

Assets and liabilities measured at fair value in the statement of financial position are categorized by level according to the significance of the inputs used in making the measurements. The levels of inputs are defined as follows:

Level 1 inputs
Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.

Level 2 inputs
Inputs other than quoted prices (included within Level 1) that are observable for the asset or the liability, either directly or indirectly.

Level 3 inputs
Unobservable inputs for the asset or liability.

SCEF's policy is to recognize transfers out of fair value hierarchy levels as of the date of the event or change in circumstances that caused the transfer.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(k) JOINT ARRANGEMENTS

In accordance with IFRS 11 – Joint Arrangements (“IFRS 11”), the Fund has investments over which the Fund has joint control and whereby the parties that share joint control have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

Investments in joint ventures are accounted using the equity method. Under the equity method, the investment is initially recorded at cost and adjusted by the Fund’s share of the post-acquisition net earnings and changes in the net assets of the joint venture.

(l) INVENTORY

Inventory includes energy storage systems that are held for sale by SCEF and are carried at the lesser of cost and net realizable value.

4. STANDARDS ISSUED BUT NOT YET EFFECTIVE

The standards and interpretations that are issued, but not yet effective, up to the date of issuance of SCEF’s financial statements are disclosed below. SCEF intends to adopt these standards, if applicable, when they become effective.

IAS 1 - In January 2020, the IASB issued an amendment to IAS 1 - Presentation of financial statements which will be effective for years beginning on or after January 1, 2023. The amended standard will update the definition of a liability and the classification of liabilities between current and non-current.

IAS 16 - In May 2020, the IASB issued an amendment to IAS 16 - Property, Plant and Equipment which will be effective for years beginning on or after January 1, 2022. The amended standard will update the elements of the cost of property, plant and equipment as it refers to the costs of testing whether the asset is functioning properly and disclosures surrounding this.

IAS 37 - In May 2020, the IASB issued an amendment to IAS 37 - Provisions, contingent liabilities and contingent assets which will be effective for years beginning on or after January 1, 2022. The amended standard will be updated to include a definition of the costs associated with fulfilling the obligations of an onerous contract.

IFRS 9 - In May 2020, the IASB issued an amendment to IFRS 9 - Financial Instruments which will be effective for years beginning on or after January 1, 2022. The amended standard will update the definition of what constitutes substantially different when referring to the exchange of debt instruments.

IFRS 28 - In May 2020, the IASB issued an amendment to IFRS 28 - Investments in Associates and Joint Ventures which will be effective for years beginning on or after January 1, 2022. The amended standard will update the equity method procedures for recognizing the sale or contribution of assets between an investor and its associate or joint venture.

SCEF does not expect any significant impact as a result of these amendments.

5. PRINCIPLES OF CONSOLIDATION

The consolidated financial statements comprise the consolidated financial statements of Skyline Clean Energy Fund and its subsidiary, SCELP.

Subsidiaries are entities over which Skyline Clean Energy Fund has control, where control is defined as the power to govern financial and operating policies of an entity so as to obtain benefit from its activities. Subsidiaries are fully consolidated from the date control is transferred to Skyline Clean Energy Fund, and are de-consolidated from the date control ceases. Intercompany transactions between subsidiaries are eliminated on consolidation. All subsidiaries have a reporting date of December 31.

6. ACQUISITIONS

The following assets were acquired during the year. The results of the acquisitions are included in these consolidated financial statements from the date of acquisition:

Vine Fresh Acquisition - On June 1, 2020 SCEF acquired 60 Class A common shares, 100 Class B common shares and 60 Class C common shares in Vine Fresh Produce Limited. Vine Fresh Produce Limited owns one solar asset, which is comprised of solar equipment, a right-of-use asset, and a solar contract.

Blackrock Acquisition - On September 11, 2020, SCEF acquired 50 Class A units of SunE Sky 13th Sideroad LP and 50 common shares of SunE Sky GP 13th Sideroad Ltd. as well as 50 Class A units of SunE Sky Ryerse LP and 50 common shares of SunE Sky GP Ryerse Ltd. SunE Sky 13th Sideroad LP and SunE Sky Ryerse LP own one solar power generating unit each.

Falconer Acquisition - On October 23, 2020 SCEF acquired the beneficial interest in one solar asset. The solar asset is comprised of solar equipment and a solar contract.

NSNW Acquisition - On December 14, 2020, SCEF acquired 300 common shares in NSNW Solar Holdco 1 Inc. NSNW Solar Holdco 1 Inc. indirectly owns, through its subsidiaries, a 49.05% ownership interest in N&G LP, an 85% ownership interest in Nautilus Eagle Lake Solar I Limited Partnership, and a 100% ownership interest in each of 261 Tillson Limited Partnership, 301 Tillson Limited Partnership, 500 Highway #3 Limited Partnership, ASI SPE 108 Inc., and ASI SPE 111 Inc. These subsidiaries own a total of twenty-two solar assets, which are comprised of solar equipment, right-of-use assets and solar contracts.

(in thousands of Canadian dollars, except per unit amounts)

6. ACQUISITIONS (continued)

The following table contains details of SCEF's 2020 and 2019 acquisitions:

	2020	2019
Net assets acquired:		
Right-of-use assets	$ 4,852	$ 3,005
Solar equipment	28,174	6,904
Solar contracts	8,739	8,623
Class A units	2,862	1,050
Common shares	3	0
Restricted cash	0	574
Debt assumed:		
Loan payable	(28,061)	(9,221)
Deferred financing costs	2,048	0
Interest rate swap agreements	(2,181)	0
Decommissioning liability	(881)	0
Due to related parties	(421)	0
Non-controlling interests assumed	(667)	0
Net working capital:	4,645	(355)
Total identifiable net assets	$ 19,112	$ 10,580
Consideration paid, funded by:		
Lease liability	$ 4,852	$ 3,005
Tax holdback	1,496	0
Cash on hand	12,764	7,575
Total consideration paid	$ 19,112	$ 10,580

7. SOLAR EQUIPMENT AND STRUCTURES

Changes to the carrying amounts of the solar equipment and structures presented in the statement of financial position are summarized as follows:

	2020	2019
Opening balance	$ 24,032	$ 17,892
Additions through purchase of assets (note 6)	28,174	6,904
Additions through capital expenditures	335	374
Amortization	(1,807)	(1,138)
Closing balance	$ 50,734	$ 24,032

(in thousands of Canadian dollars, except per unit amounts)

8. SOLAR CONTRACTS

Changes to the carrying amounts of the solar contracts presented in the statement of financial position are summarized as follows:

	2020	**2019** (note 30)	**2018** (note 30)
Opening balance	$ 17,233	$ 8,938	$ 0
Additions through purchase of assets (note 6)	8,739	8,623	8,579
Additions through capital expenditures	674	219	518
Amortization	(1,341)	(547)	(159)
Closing balance	$ 25,305	$ 17,233	$ 8,938

9. PREPAID LEASES

Changes to the carrying amounts of the prepaid leases presented in the statement of financial position are summarized as follows:

	2020	**2019**
Opening balance	$ 1,570	$ 1,661
Amortization	(92)	(91)
Closing balance	$ 1,478	$ 1,570

10. RIGHT-OF-USE ASSETS

Changes to the carrying amounts of the right-of-use assets presented in the statement of financial position are summarized as follows:

	2020	**2019**
Opening balance	$ 3,261	$ 0
Adjustment due to application of IFRS 16 (note 3)	0	363
Additions (note 6)	4,852	3,005
Amortization	(226)	(107)
Closing balance	$ 7,887	$ 3,261

(in thousands of Canadian dollars, except per unit amounts)

11. INVESTMENTS IN JOINT VENTURES

On December 31, 2020, SCEF has invested in 50% ownership of three joint ventures (2019 - one) which hold solar assets.

Changes to the aggregate carrying value of SCEF's investment is summarized as follows:

	2020	2019
Opening balance	$ 1,557	$ 0
Additions through purchase of Class A units (note 6)	2,862	1,050
Additions through purchase of common shares (note 6)	3	0
Additions through transaction costs expenditures	830	623
Share of net earnings	240	507
Distributions	(150)	0
Fair value loss	(830)	(623)
Closing balance	$ 4,512	$ 1,557

12. LOANS RECEIVABLE

On June 12, 2020, SCEF issued a $130 loan receivable to a third party to provide financial assistance to replace a prior loan. The loan bears interest at an annual rate of 4% and is payable in full by May 31, 2021.

On January 28, 2019, SCEF issued a $137 loan receivable to a third party in order for the third party to carry out its proposal to develop and install a renewable gas project. SCEF is in the process of negotiating the purchase of limited partnership units in the third party. The loan bears interest at an annual rate of 10% and was repaid in full on September 5, 2019.

On August 20, 2018, as part of the MPI Acquisition (note 6), SCEF assumed a $535 loan receivable from the non-controlling interest of 601 Canarctic Solar LP (note 28). The non-controlling interest is required to make annual blended payments of $91 to SCEF starting in 2019, with interest charged at 15.54%. The loan will be fully repaid by 2035.

Changes to the carrying amount of the loan receivable presented in the consolidated statement of financial position can be summarized as follows:

	2020	2019
Opening balance	$ 610	$ 568
Issued in connection with acquisition	130	137
Interest receivable	84	89
Loan repayment	0	(137)
Distribution payable to non-controlling interest, applied to principal balance of loan receivable (note 28)	(59)	(47)
Closing balance	$ 765	$ 610

13. INVENTORY

As at December 31, 2020 SCEF owned six energy storage systems, the total historical cost of which was $3,998. Subsequent to year end, two of the six energy storage systems with a historical cost of $1,026 were sold for proceeds of $1,026.

(in thousands of Canadian dollars, except per unit amounts)

14. OTHER ASSETS

The components of other assets are as follows:

	2020	2019
Prepaid expenses	$ 161	$ 39
Pre-acquisition costs	2	0
Capital reserve	242	86
Balance at the end of the year	$ 405	$ 125

15. ACCOUNTS RECEIVABLE

The components of accounts receivable are as follows:

	2020	2019
Solar income receivable	$ 605	$ 379
HST receivable	353	0
Other receivable	302	115
Balance at the end of the year	$ 1,260	$ 494

16. RESTRICTED CASH

On December 4, 2020, in connection with the Vine Fresh Equitable Bank Loan financing (note 17), SCEF established two reserve accounts. The debt service reserve acts as additional assurance to the lender that all quarterly repayments will be made in accordance with the credit agreement, as the lender can direct withdrawals for any debt payment shortfalls from the debt service reserve account. Similarly, the lender can direct withdrawals from the major maintenance reserve to be applied towards rehabilitation, replacement, maintenance or repairs to the secured solar assets.

On December 14, 2020 in connection with the NSNW Acquisition (note 6), SCEF held back a portion of the NSNW Acquisition purchase price as security for the purposes of satisfying the vendors' indemnification obligations regarding the potential Canada Revenue Agency ("CRA") requirement to remit withholding tax. In the event that a remittance is required, SCEF will utilize the tax holdback to remit any amounts owing to the CRA.

On December 23, 2020, in connection with the Ozz Acquisition (note 6) and PNC Loan financing (note 17), SCEF assumed six debt reserve accounts. The debt service reserve acts as additional assurance to the lender that all quarterly repayments will be made in accordance with the credit agreement, as the lender can direct withdrawals for any debt payment shortfalls from the debt service reserve account.

On August 23, 2019, in connection with the Equitable Bank Loan financing (note 17), SCEF established two reserve accounts. The debt service reserve acts as additional assurance to the lender that all quarterly repayments will be made in accordance with the credit agreement, as the lender can direct withdrawals for any debt payment shortfalls from the debt service reserve account. Similarly, the lender can direct withdrawals from the major maintenance reserve to be applied towards rehabilitation, replacement, maintenance or repairs to the secured solar assets.

(in thousands of Canadian dollars, except per unit amounts)

16. RESTRICTED CASH (continued)

The components of restricted cash are as follows:

	2020	**2019**
Debt service reserve	$ 1,024	$ 879
Major maintenance reserve	218	126
Tax holdback	1,496	0
Balance at the end of the year	$ 2,738	$ 1,005

17. LOANS PAYABLE

On June 1, 2020, as part of the Vine Fresh acquisition (note 6), SCEF assumed a $5,270 loan payable to the Royal Bank of Canada that is secured by one solar asset (the “RBC Loan”). On December 4, 2020, SCEF refinanced its existing RBC Loan with a $5,594 loan payable to Equitable Bank that is secured by one solar asset (the “Vine Fresh Equitable Bank Loan”). The loan bears an interest rate of 3.827% and matures on March 4, 2033. The agreement with Equitable Bank requires that SCEF maintain a debt service coverage ratio of 1.68:1. SCEF is in compliance with this covenant as at December 31, 2020.

On December 14, 2020, in connection with the NSNW Acquisition (note 6), SCEF assumed a loan payable to Rabobank. The loan totals $22,791 and is secured by twenty-two solar assets (the “NSNW Loan”). The NSNW Loan matures in 2026 and bears interest at the Canadian Dollar Offered Rate ("CDOR") plus 2.375% per annum, repayable in blended semi-annual payments. The NSNW Loan requires a debt service reserve, which is funded by a debt service reserve line of credit. This line of credit is undrawn as at December 31, 2020 and the annual interest of 2.625% is charged on the unused balance.

On August 23, 2019, SCEF obtained a $14,933 loan payable to Equitable Bank that is secured by eighteen solar assets (the “Equitable Bank Loan”). The loan bears an interest rate of 4.058% and matures in September 2036. The agreement with Equitable Bank requires that SCEF maintain a debt service coverage ratio of 1.35:1. SCEF is in compliance with this covenant as at December 31, 2020.

On December 23, 2019, in connection with the Ozz Acquisition, SCEF assumed six loans payable to PNC Bank. These loans total $9,221 and are secured by six solar assets (the “PNC Bank Loan”). Four loans have interest rate swap agreements (note 18) and bear interest at the CDOR plus 3.07%. One loan has an interest rate swap agreement (note 18) and bears interest at the CDOR plus 3.35%. One loan has a fixed interest at rate of 5.45%. All six loans mature in 2030.

On August 20, 2018, as part of the MPI Acquisition, SCEF assumed a $245 loan payable to the general partner of the non-controlling interest of SPN LP 2 (note 28) through its ownership of SPN LP 2 (the "SFN loan"). No payments are due until 2022, with interest accruing at 15% annually. Commencing in 2022, SCEF is required to make annual blended payments of $47, with interest charged at 7% annually, to the general partner of the non-controlling interest.

(in thousands of Canadian dollars, except per unit amounts)

17. LOANS PAYABLE (continued)

Future minimum principal payments on these debt obligations are as follows:

2021	$ 2,789
2022	2,914
2023	3,029
2024	3,126
2025	3,236
Thereafter	33,552
	$ 48,646

Changes to the carrying amount of the loan payable presented in the consolidated statement of financial position can be summarized as follows:

	2020	2019
Balance at the beginning of the year	$ 24,168	$ 281
Proceeds from new debt	33,655	24,154
Repayment of existing debt	(6,630)	(100)
Change in deferred financing costs	(2,626)	(224)
Total changes from financing cash flows	24,399	23,830
Amortization of financing costs (note 23)	31	6
Interest expense included in operations (note 23)	1,240	263
Interest and financing costs paid	(1,192)	(212)
Total liability-related charges	79	57
Balance at end of the year	$ 48,646	$ 24,168

18. INTEREST RATE SWAP AGREEMENTS

SCEF has entered into various interest rate swap agreements to limit its interest rate exposure from floating to fixed for the terms of certain mortgages. The interest rate swap agreements expire co-terminously upon the maturity of the corresponding mortgages. The notional principal amount of the outstanding interest rate swap agreements at December 31, 2020 was $28,712 (2019 - $6,231). The fair value of the interest rate swap agreements as determined by the financial institution is reflected on the consolidated statement of financial position.

	2020	2019
Balance at the beginning of the year	$ 167	$ 0
Additions (note 6)	2,181	0
Change in fair value of interest rate swap agreements	314	167
Balance at end of the year	$ 2,662	$ 167

(in thousands of Canadian dollars, except per unit amounts)

18. INTEREST RATE SWAP AGREEMENTS (continued)

During the year ended December 31, 2020, the loss on the interest rate swap agreements was comprised of the following:

	2020	2019
Interest rate swap payments	$ 74	$ 0
Unrealized loss on interest rate swap agreement acquired in connection with the NSNW Acquisition (note 6)	1,625	0
Change in fair value of interest rate swap agreements	314	167
Balance at end of the year	$ 2,013	$ 167

19. LEASE LIABILITY

Changes to the carrying amount of the lease liability presented in the consolidated statement of financial position can be summarized as follows:

	2020	2019
Balance at the beginning of the year	$ 3,251	$ 0
Adjustment due to the application of IFRS 16 (note 3)	0	363
Additions	4,852	3,005
Interest expense (note 23)	214	93
Lease payments	(521)	(210)
Balance at end of the year	$ 7,796	$ 3,251

SCEF incurs lease payments related to agreements that allow SCEF to lease the land from a landlord, to build a structure upon which solar equipment and structures can be installed for the purposes of generating income. SCEF has recognized a lease liability in relation to all lease agreements measured at the present value of the remaining lease payments.

The following table details the undiscounted cash flows and contractual maturities of SCEF's lease liability as at December 31, 2020:

2021	$ 887
2022	887
2023	887
2024	887
2025	883
Thereafter	8,382
Balance at end of the year	$ 12,813

20. RELATED PARTY TRANSACTIONS

Due from related party

During the year ended December 31, 2019, SCEF issued a short-term loan to Skyline Apartment Real Estate Investment Trust ("APT REIT"), an entity that is controlled by a person or persons that qualify as a related person under IAS 24. This short-term loan bears 6% interest and includes a 1% commitment fee. This short-term loan was repaid subsequent to year end in February 2020.

(in thousands of Canadian dollars, except per unit amounts)

20. RELATED PARTY TRANSACTIONS (continued)

During the year ended December 31, 2020, SCEF issued a promissory note to Anvil Crawler Development Corp ("ACDC"), an entity that is controlled by a person or persons that qualify as a related person under IAS 24. This promissory note bears 9% interest and is payable on demand.

The balance at year end consists of the following:

	2020	2019
Short-term loan issued	$ 0	$ 13,500
Accrued interest income on short-term loan	0	51
Commitment fee on short-term loan	0	135
Promissory note issued	1,500	0
Accrued interest on promissory note	46	0
Balance at end of the year	$ 1,546	$ 13,686

Due to related parties
Amounts due to related parties are unsecured, non-interest bearing and have no set terms of repayment. All of these entities are controlled by a person or persons that qualify as a related person under IAS 24. The balance consists of the following:

	2020	2019
Due to Skyline Clean Energy Asset Management Inc.	$ 3	$ 9
Due to Skyline Wealth Management Inc.	0	12
Due to Skyline Clean Energy General Partner Inc.	0	32
Anvil Crawler Development Inc., promissory note payable interest free	0	54
Balance at the end of the year	$ 3	$ 107

Asset management fees
SCEF has an asset management agreement with Skyline Clean Energy Asset Management Inc. ("SCEAMI"), an entity that is controlled by a person or persons that qualify as a related person under IAS 24. Fees payable under the asset management agreement are 2% of gross revenue, a property management fee that varies from $2 per kW DC to $5 per kW DC, plus an annual flat fee of $1 to $3 per asset, and an acquisition fee calculated as 1% of the asset value acquired. For the year ended December 31, 2020, SCEF incurred $135 in asset management fees (2019 - $128), $79 in property management fees (2019 - $nil) and $360 in acquisition fees (2019 - $nil).

Wealth management fees
SCEF has a wealth management agreement with Skyline Wealth Management Inc. ("SWMI"), an entity that is controlled by a person or persons that qualify as a related person under IAS 24. Fees payable under the wealth management agreement include wealth management fees of 0.3% of unitholders' equity, and equity raise fees of 2% of proceeds on units issued and redeemed during the year. For the year ended December 31, 2020, SCEF incurred $185 in wealth management fees and $203 in equity raise fees (2019 - $93 and $717 respectively).

(in thousands of Canadian dollars, except per unit amounts)

20. RELATED PARTY TRANSACTIONS (continued)

Legal and administrative fees

The Fund has an agreement with Skyline Asset Management Inc. ("SAMI"), an entity that is controlled by a person or persons that qualify as a related person under IAS 24, to provide legal and administrative services. For the year ended December 31, 2020, the Fund incurred $253 in legal and administrative fees (2019 - $42).

Operations and maintenance fees

SCEF has an agreement with Anvil Crawler Development Corp., an entity that is controlled by a person or persons that qualify as a related person under IAS 24, to provide operations and maintenance services for the solar assets. For the year ended December 31, 2020, SCEF incurred $163 in operations and maintenance fees (2019 - $86)

Distribution to partners

Skyline Clean Energy General Partner Incorporated ("SCEGPI") is the general partner of SCEF and is entitled to distributions under the limited partnership agreement. This occurs when the Fund's net income, excluding depreciation, for a fiscal year is greater than 5% of the weighted average retained earnings for such fiscal year. This surplus is shared at a ratio of 20% to the general partner and 80% to the limited partner. A provision for the future distributions payable to SCEGPI has not been recorded since the timing and amount of the distributions payable cannot be reasonably estimated. For the year ended December 31, 2020, there were distributions payable of $nil owing to SCEGPI (2019 - $32)

21. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

The components of accounts payable and accrued liabilities are as follows:

	2020	2019
Tax holdback (note 16)	$ 1,496	$ 0
Operating accruals	1,182	253
HST payable	0	17
Distribution payable to non-controlling interest (note 28)	179	0
Other	310	55
Balance at the end of the year	$ 3,167	$ 325

22. DECOMMISSIONING LIABILITY

SCEF is contractually obligated to dismantle and remove the twenty-two solar assets acquired in connection with the NSNW Acquisition at the end of the 20-year FIT contracts. Upon initial recognition of the decommissioning liability, a corresponding amount was capitalized as a decommissioning cost and added to the carrying value of solar equipment.

The components of the decommissioning liability are as follows:

	2020	2019
Decommissioning liability acquired	$ 881	$ 0
Accretion	1	0
Balance at the end of the year	$ 882	$ 0

(in thousands of Canadian dollars, except per unit amounts)

23. FINANCING COSTS

During the year ended December 31, 2020 and December 31, 2019, SCEF paid the following financing costs:

	2020	2019
Interest on loans payable (note 17)	$ 1,240	$ 263
Interest on lease liability (note 19)	214	93
Amortization of deferred financing costs (note 17)	31	6
Arrears interest paid on HST remittances	0	25
Assessment fees for solar assets to be financed	0	24
Distribution to general partner (note 20)	464	32
Bank charges	23	4
	$ 1,972	$ 447

24. FAIR VALUE MEASUREMENT

Assets and liabilities measured at fair value

The fair value hierarchy of assets and liabilities measured at fair value on a recurring basis in the statement of financial position is as follows:

As at	December 31, 2020			December 31, 2019		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
Liabilities						
Interest rate swap agreements	$ 0	$ 2,662	$ 0	$ 0	$ 167	$ 0

Transfers between levels in the fair value hierarchy are recognized on the date of the event or change in circumstances that caused the transfer. For solar contracts measured at fair value as at December 31, 2020 and December 31, 2019, there were no transfers between Level 1, Level 2 and Level 3 assets.

Financial assets and liabilities carried at amortized cost

The fair values of SCEF's cash, restricted cash, accounts receivable, loans receivable and accounts payable and accrued liabilities approximate their carrying amounts due to the relatively short periods to maturity of these financial instruments.

The fair value of loans payable and lease liability have been determined by discounting the cash flows of these financial obligations using year end market rates for debt of similar terms and credit risks. The fair value of the loans payable and lease liability approximate their carrying amounts.

25. FINANCIAL RISK MANAGEMENT

Financial risks are risks arising from the financial instruments to which SCEF is exposed during or at the end of the reporting period. Financial risk comprises market risk, credit risk and liquidity risk. SCEF considers real estate risk as a financial risk as well, even though investment property is not classified as a financial instrument.

(in thousands of Canadian dollars, except per unit amounts)

25. FINANCIAL RISK MANAGEMENT (continued)

Risk management is carried out by Management and the Board of Trustees of SCEF. Management identifies and evaluates financial risks and the Board provides oversight on overall risk management, including specific areas such as interest rate risk, liquidity and investing policies.

Key financial risk management reports are produced on a monthly basis and key indicators are reviewed by Management and the Board of Trustees of SCEF.

i) <u>Market risk</u>

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. SCEF's market risks arise from open positions in interest bearing assets and liabilities, to the extent that these are exposed to market fluctuations.

a. <u>Interest rate risk</u>

SCEF is exposed to interest rate risk arising from its fixed rate loans payable. As fixed rate debt matures, SCEF will be further exposed to cash flow risk.

b. <u>Price risk</u>

SCEF has no significant exposure to price risk with respect to financial instruments as it does not hold any equity securities or commodities.

c. <u>Foreign exchange risk</u>

SCEF is not subject to foreign exchange risk. All of its financial instruments are denominated in Canadian dollars.

ii) <u>Liquidity risk</u>

Liquidity risk management entails maintaining sufficient cash and credit facilities available to close out market positions. SCEF ensures flexibility in funding by keeping committed credit lines available, and raising capital from partners when needed. SCEF's liquidity position is monitored on a regular basis by Management.

Financial liabilities and their maturities are as follows:

December 31, 2020	On demand	Less than one year	One to five years	More than five years	**Total**
Loans payable	$ 0	$ 0	$ 0	$ 48,646	$ 48,646
Interest rate swap agreements	0	0	0	2,662	2,662
Lease liability	0	0	0	7,796	7,796
Decommissioning liability	0	0	0	882	882
Accounts payable and accrued liabilities	0	3,167	0	0	3,167
	$ 0	$ 3,167	$ 0	$ 59,986	$ 63,153

(in thousands of Canadian dollars, except per unit amounts)

25. FINANCIAL RISK MANAGEMENT (continued)

iii) Liquidity risk (continued)

December 31, 2019	On demand	Less than one year	One to five years	More than five years	**Total**
Loans payable	$ 0	$ 0	$ 0	$ 24,168	$ 24,168
Interest rate swap agreements	0	0	0	167	167
Lease liability	0	0	0	3,251	3,251
Accounts payable and accrued liabilities	0	325	0	0	325
	$ 0	$ 325	$ 0	$ 27,586	$ 27,911

26. CAPITAL RISK MANAGEMENT

SCEF’s objectives when managing capital are to safeguard the entity’s ability to continue as a going concern in order to provide returns for partners, and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, SCEF has the ability to adjust the amount of distributions paid to partners, return capital to partners, issue additional units, refinance existing debt or sell investment property to reduce debt.

SCEF monitors capital primarily using a loan to value ratio, which is calculated as the amount of outstanding debt divided by the valuation of the assets within the portfolio. As of December 31, 2020, the loan to value ratio was 69% (2019 - 60%).

27. SEGMENTED DISCLOSURE

All of SCEF's assets and liabilities are in, and its revenues are derived from, Canadian solar assets. SCEF's solar assets are, therefore, considered by Management to have similar economic characteristics. Thus, SCEF has one reportable segment for disclosure purposes.

(in thousands of Canadian dollars, except per unit amounts)

28. NON-CONTROLLING INTERESTS

The components of non-controlling interests are as follows:

	2020	2019 (note 30)	2018 (note 30)
Balance at the beginning of the year	$ 2,281	$ 1,333	$ 0
14.9985% of SPN LP 2 net identifiable assets acquired	0	0	1,135
50.9% of 601 Canarctic Solar LP net identifiable assets acquired	0	0	229
50.1% of CK Solar Projects LP net identifiable assets acquired (note 6)	0	1,057	0
50.9% of N&G LP net identifiable assets acquired (note 6)	566	0	0
15% of Nautilus Eagle Lake Solar I LP net identifiable assets acquired (note 6)	101	0	0
Total net identifiable assets allocated to non-controlling interests	2,948	2,390	1,364
14.9985% of SPN LP 2 net loss	(64)	(63)	(23)
50.9% of 601 Canarctic Solar LP net income	23	19	14
50.1% of CK Solar Projects LP net income (loss)	8	(18)	0
50.9% of N&G LP net loss	(31)	0	0
15% of Nautilus Eagle Lake Solar I LP net income	5	0	0
Total net (loss) income allocated to non-controlling interest	(59)	(62)	(9)
Distribution to 601 Canarctic Solar LP non-controlling interest	(59)	(47)	(22)
Distribution to CK Solar Projects LP non-controlling interest	(179)	0	0
Balance at the end of the year	$ 2,651	$ 2,281	$ 1,333

(in thousands of Canadian dollars, except per unit amounts)

29. UNITHOLDERS' EQUITY

SCEF is authorized to issue an unlimited number of units. Each unit represents an undivided beneficial interest in the distributions of SCEF, whether of net income, net realized capital gains or other amounts, and in the event of a liquidation, dissolution, winding-up or other termination of SCEF, in the net assets of SCEF remaining after satisfaction of all liabilities. As at December 31, 2020 the price per unit for newly issued units and units to be redeemed was $12.14 (December 31, 2019 - $11.29). The units issued and outstanding are as follows:

	2020	**2019**
Units outstanding, beginning of year	4,291,679	1,453,372
Units issued	842,731	2,923,165
Redemptions during the year	(754,087)	(84,858)
Units outstanding, end of year	4,380,323	4,291,679

30. RESTATEMENT OF PRIOR YEARS

In 2018 and 2019, it was determined that solar contracts met the definition of financial instruments as prescribed by IFRS 9 – Financial Instruments ("IFRS 9") and were measured at fair value through profit or loss. In 2020, it was determined that the solar contracts did not meet the definition of financial instruments under IFRS 9 and would more correctly be classified as intangible assets under IAS 38, to be amortized on a straight-line basis over the period of the contract. Due to this change, the fiscal years 2018 and 2019 have been restated to show the application of this policy. The effects on prior year statements are as follows:

Financial statement line item	**2018**	**2019**
Solar Contracts	$1,306 decrease	$1,482 increase
Unitholders’ equity	$989 decrease	$1,310 increase
Non-controlling interests	$317 decrease	$172 increase
Amortization expense	$159 increase	$547 increase
Fair value gain/loss	$1,147 decrease	$2,029 increase

(in thousands of Canadian dollars, except per unit amounts)

31. COMPARATIVE FIGURES

Certain figures presented for comparative purposes have been reclassified to conform to the current year's presentation. The deferred financing costs have been reclassified and offset against loans payable. In addition, the interest rate swap agreements have been reclassified from loans payable to appear separately on the consolidated statement of financial position. This has been reflected on the consolidated statement of financial position and in the notes to the consolidated financial statements.

32. IMPACT OF COVID-19

On March 11, 2020, the World Health Organization declared the outbreak of COVID-19 was a global pandemic which has resulted in the federal and provincial governments enacting a series of public health and emergency measures to combat the spread of the virus thus impacting business operations both nationally and internationally. This may impact the timing and amounts realized on SCEF's cash flows and assets.

33. SUBSEQUENT EVENTS

Subsequent to December 31, 2020, SCEF issued 927,644 trust units for an aggregate value of $11,457 and 4,381 trust units were redeemed for an aggregate value of $54.

The following unit price changes occurred subsequent to December 31, 2020:

Effective Date	Unit Price
January 1, 2021	$12.25
February 1, 2021	$12.30
March 1, 2021	$12.40

On February 16, 2021, two of the six energy storage systems held in inventory were sold to a third party. The energy storage systems were sold for proceeds of $1,026, equivalent to the historical cost.

Subsequent to December 31, 2020, SCEF paid $2,500 to purchase convertible debentures. These debentures are convertible anytime after September 1, 2021 at a conversion price of $10.00 per Class A share, being the ratio of 100 Class A shares per $1,000 of principal amount of debentures.


SKYLINE