



NextEnergy Solar Fund Limited

**NEXTEENERGY**  
**SOLAR FUND**

Annual Report and Financial Statements  
for the period ended 31st March 2015

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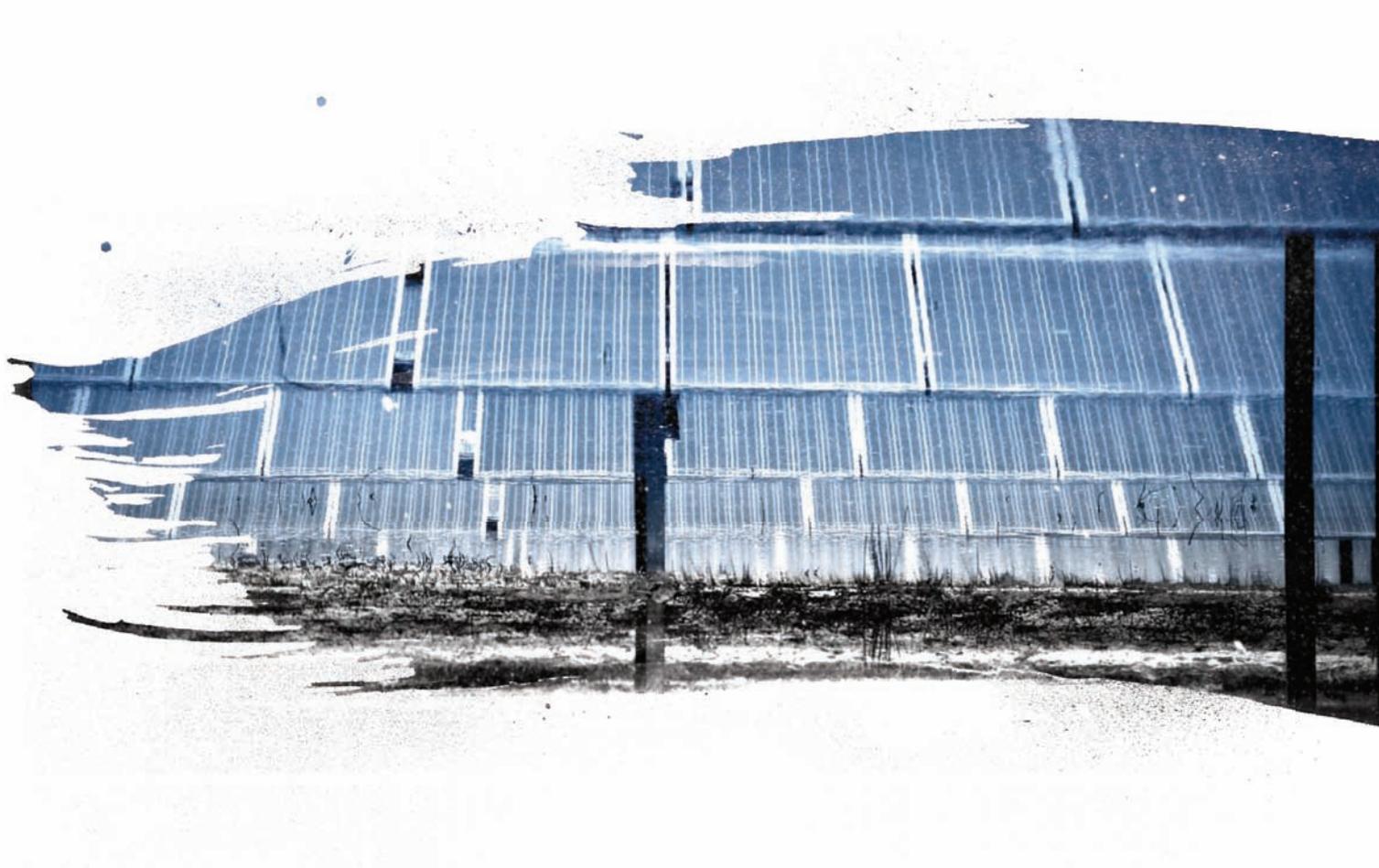
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# Highlights

- Investment portfolio as at 16 June 2015 (the "Date of Preparation" of this annual report) of 16 solar Photovoltaic ("PV") plants for a total of **c.217MW** installed capacity in operation, subsequently expanded to **c.235MW** through two new acquisitions
- Energy generated from the portfolio amounted to **23.2GWh** (higher than budgeted by 4.8%) and revenues higher than budgeted by 1.9%
- Successful completion of IPO and three further capital raisings for total proceeds of **£246.6m**
- Ability to issue a further **95.25m shares** under the current Placing Programme open until November 2015
- Net Assets grew from £85.6m to **£248.4m**, a **290% increase across** the period. NAV per share increased from 100p to 103.3p over the period
- Reported profit for the period was £8.5m and **earnings per share of 9.13p**
- First interim dividend of 2.625p per share for the period to September 2014 paid in December 2014, second interim dividend for the period ended 31 March 2015 of 2.625p, **achieving target of 5.25p** for the first year
- **Targeting a 6.25p dividend** distribution for the year ended 31 March 2016
- Revolving Credit Facility of £31.5m secured and in the process of being increased, in conjunction with additional short-term financings
- Strong pipeline of **over 200MW** short-term acquisition targets and further opportunities under consideration



# Corporate Summary

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NextEnergy Solar Fund Limited (the "Company") is a closed-ended investment company limited by shares, registered and incorporated in Guernsey under the Companies (Guernsey) Law, 2008, as amended, on 20 December 2013, with registration number 57739.

The Company is a Registered Closed-ended Collective Investment Scheme regulated by the Guernsey Financial Services Commissions (the "GFSC") pursuant to the Protection of Investors (Bailiwick of Guernsey) Law 1987, as amended.

The Company's 240,350,000 shares in issue are admitted to the premium listing segment of the Official List of the UKLA and are traded on the London Stock Exchange's main market for listed securities under the ticker "NESF".

The Company makes its investments through NextEnergy Solar Holdings Limited (the "UK HoldCo") and underlying Special Purpose Vehicles ("SPVs") which are ultimately wholly-owned by the Company. The UK HoldCo was registered and incorporated in England and Wales under the Companies Act, 2006, as amended, on 24 March 2014, with registration number 08956168. The Company controls the investment policy of each of the UK HoldCo and its wholly-owned SPVs to ensure that each will act in a manner consistent with the investment policy of the Company.

The Investment Manager during the period was NextEnergy Capital IM Limited (the "Investment Manager"), a company incorporated in Guernsey with registered number 57740 licensed under the Protection of Investors (Bailiwick of Guernsey) Law, 1987, as amended (the "POI Law") and regulated by the GFSC. The Investment Manager has appointed NextEnergy Capital Limited (the "Investment Adviser"), a company incorporated in England and Wales on 23 October 2006 with registered number 05975223, to provide investment advice, pursuant to an Investment Advisory Agreement.

NextEnergy Capital IM Limited and NextEnergy Capital Limited are members of the NextEnergy Capital Group, a specialist investment and operating asset manager focused on the solar energy sector, with a 40-strong team of which 20 are focused on the UK solar market. Through its operating asset management division, WiseEnergy, the NextEnergy Capital Group manages and monitors over 1,200 solar power plants (comprising an installed capacity of approximately 1.5GWp and an estimated £3.0 billion asset value) for a client base which includes leading European banks and equity investors (including private equity funds, listed funds and institutional investors).

# Chairman's Statement



Patrick Firth    Kevin Lyon    Vic Holmes

## Introduction

I am pleased to report an impressive performance for the maiden financial period to 31 March 2015.

Following the Company's initial public offering on the London Stock Exchange on 25 April 2014, we have achieved the principal objectives we set ourselves for our first period of existence. These objectives centred on capital deployment, investment track record, payment of dividends to shareholders, operational and financial performance, and growth in the Company's net asset value.

## Capital Raising and Portfolio Growth

NextEnergy Solar Fund Limited (the "Company" or "NESF") completed four capital raisings during the period: its IPO of 85.6m new shares in April, a second issue of 91.0m new shares in November, a placing of 4.0m new shares in December and a further issue of 59.8m new shares in February. The total shares in issue thus increased from 85.6m at the IPO to 240.4m at the period end. This near tripling of shares in issue is testament to the quality of the offering and the progress made by the Company and the NextEnergy Capital Group.

The Company experienced a particularly active investment period in deploying the capital raised. At the Date of Preparation of this annual report, we had announced 16 separate acquisitions, of which six were fully completed by period-end. The capital committed to these investments amounted to approximately £252m, representing 102% of the total equity raised to date.

In addition to the Company's equity, the UK Holding Company, previously defined as UK HoldCo on (page 2), a wholly-owned subsidiary of NESF, secured a two-year revolving credit facility of up to £31.5m in September, providing the Company with further financial flexibility to grow our portfolio, and is in the process of increasing it further in conjunction with additional short-term debt financing transactions.

Our portfolio of solar power plants has grown rapidly since the IPO, reaching 217MW at the 16 sites, all of which are operational. The Investment Manager and its affiliates ensured orderly acquisition processes were achieved and the assets built for us were of the requisite construction quality.

## Portfolio Performance, Valuation and Financial Results

Based on the Investment Manager's analysis of the individual investments, our assets were acquired at attractive prices compared to the market and our portfolio's operating and financial performance was ahead of budget for the period ended 31 March 2015. Energy generated from the portfolio amounted to 23.2GWh, 4.8% over forecasts at acquisition of the individual assets. Total revenues generated by the operating assets were also 1.9% over initial forecasts, despite lower than expected revenues from the sale of electricity. Overall, operating costs were largely in line with expectations across the portfolio.

The Company's net assets grew from £85.6m on 25 April 2014 to £248.4m on 31 March 2015, an almost three-fold increase. The Company's net asset value per share increased from 100p to 103.3p over the period, having paid a dividend of 2.625p per share in December. The reported profit for the same period was £8.5m and the earnings per share was 9.13p.

## Dividends

We achieved our objective of paying our first interim dividend of 2.625p per share during December, and expect to pay our second dividend of the same amount in July 2015. The yearly dividend to be paid out is the target we set ourselves at the outset of the period. The Company is targeting a 6.25p dividend distribution for the year ending 31 March 2016, which is expected to be paid in the form of two interim dividend payments.

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## Corporate Governance Activities and Board

During the Company's first period as a listed entity the Board and its Audit Committee were particularly active. The Board met 31 times while the Audit Committee met four times. The Board considered a multitude of issues over the course of the period, the majority being in relation to capital raising on behalf of the Company, including NextEnergy Capital Group and its affiliates, both from a qualitative perspective as well as ensuring appropriate cost levels.

## Risk Management

The Board maintains oversight of the various risks to the Company and its business. These risks include broader macroeconomic developments, the evolution of the UK energy markets and solar sector as well as risks pertaining to its individual assets and the counterparties we deal with throughout the period.

Our objective is to ensure risks are identified and understood and that mitigating action is taken when necessary. We believe the Company's risk controls and management protocols are very strong.

## Outlook

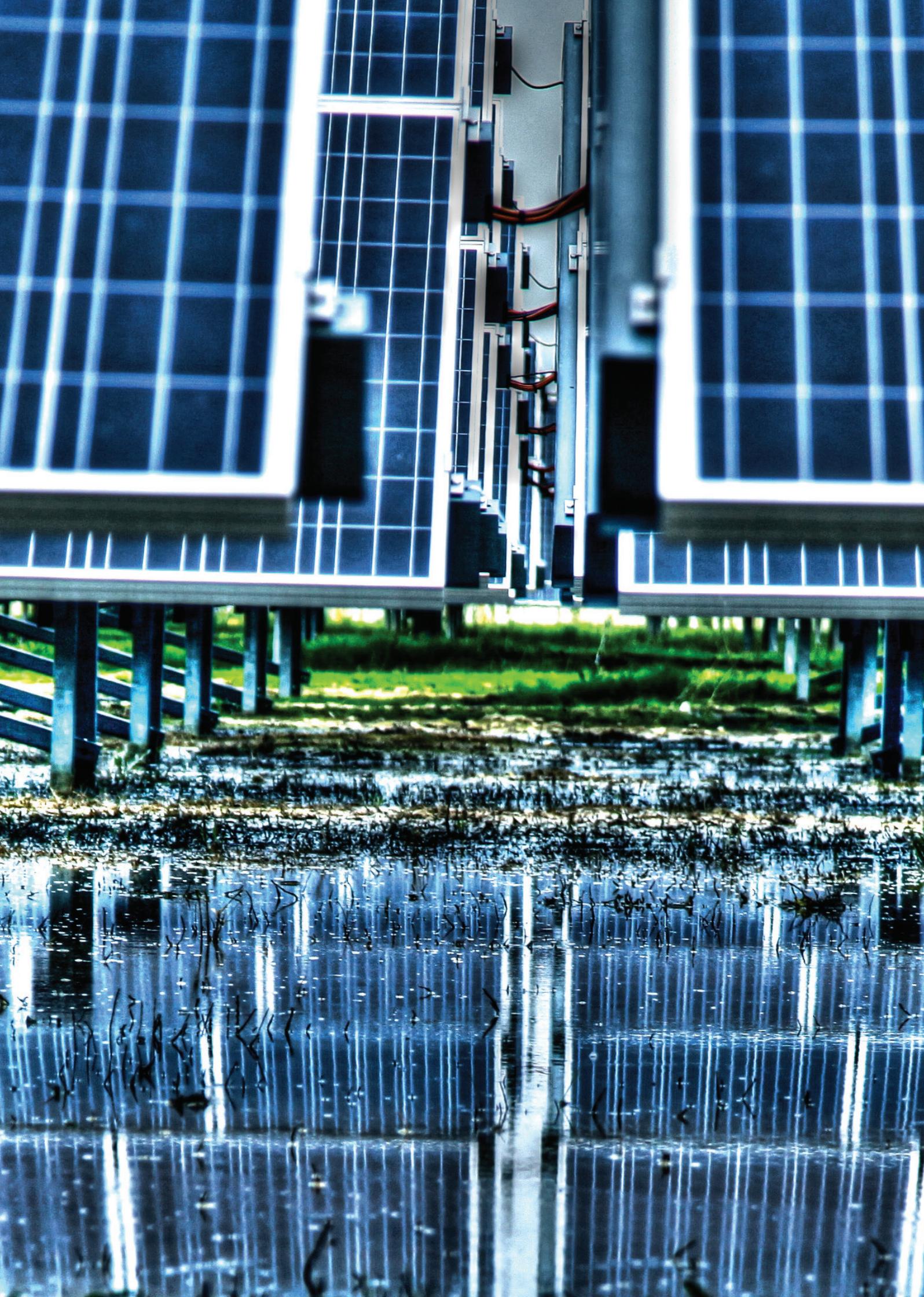
The Company aims to achieve further incremental growth in the coming financial year. The UK solar industry is a fast developing sector illustrated by our active pipeline of acquisition opportunities, and we expect further market growth in the following periods. The Investment Manager has identified a pipeline of over 200MW of short-term acquisition targets and is actively progressing further opportunities.

In parallel, the equity and debt markets continue to be supportive of our Company and the broader framework remains positive for our sector. We will continue to pursue capital raisings, both equity and debt, to finance the growth of our portfolio.

Further focus will be dedicated to maximising the financial, technical and operational performance of our existing solar power plants and those we acquire in the future. This performance will drive the future valuation of our portfolio.

The Board is very pleased with the Company's overall performance to date and we are currently confident of achieving our dividend target of 6.25p per share for the following financial year to 31 March 2016.

Kevin Lyon  
Chairman of the Board of Directors



# Strategic Report

## Solar Energy within Renewable Energy Context

Renewable energy is defined as energy sourced from theoretically inexhaustible sources and not derived from fossil or nuclear fuels. The principal renewable generation sources include solar, wind, geothermal, hydro and biomass.

The Company believes that, within renewable energy, solar represents the most attractive risk-adjusted investment opportunity. The low variability of solar irradiation over the long-term, low on-going operating costs and low capital expenditure requirements post-construction compare favourably with the characteristics of other clean energy technologies.

In the first period of operation, the Company has made a contribution to the reduction of greenhouse gas emissions into the Earth's atmosphere. The amount of CO<sub>2</sub> emissions avoided by the Company's plants amounts to c.11,615 tonnes. This amount is expected to increase as its portfolio achieves a full year of operation and further projects are acquired in due course.

## Market Growth

During 2013, for the first time more clean energy generation capacity (including nuclear) was added globally to the electricity grid than power plants that burn fossil fuels. 143GW of renewable plants were commissioned compared to 141GW of hydrocarbon-consuming power stations. In 2015, clean energy is forecast to account for 164GW of new global generation capacity compared with 110GW of fossil fuel-fired capacity. This trend is expected to continue, with renewable energy increasing its share of energy produced as well as of new capacity added to the global grid.

The transition to cleaner energy is driven and defined by important considerations, including the need to address climate change, emissions of greenhouse gases into the Earth's atmosphere, the relative rapidity in the construction of renewable energy plants, concerns on reliance of hydrocarbon sourcing and imports, the relative ease of constructing distributed clean

generation plant as well as the rapidly declining unit investment cost of renewable energy installations.

Developed countries and economies in transition across the globe continue to embrace renewable energy as a key energy source to satisfy increased energy demand and replace obsolete power generation plants.

During 2014, the UK added c.4.5GW of renewable energy generation capacity. Of this total, solar power accounted for c.2.4GW of renewable energy generation capacity bringing the total installed solar capacity to c.5.3GW as at 31 December 2014. The UK solar market is expected to continue its growth trajectory, and in addition the Department of Energy and Climate Change ("DECC") envisages a potential installed capacity of 20GW by 2020.

## Investment Objectives and Policy

The Company's investment objective, by investing in the UK solar sector, is to provide investors with a low-volatility, sustainable and attractive dividend that increases in line with RPI over the long-term. In addition, the Company seeks to provide investors with an element of capital growth through the reinvestment of net cash in excess of the dividends distributed to investors.

The Company's investment policy is designed to achieve the investment objective, and is centred on investing in a diversified portfolio of operating solar power plants located in the UK.

The Company primarily acquires utility-scale ground-based solar plants but also may acquire rooftop installations on a selective basis. The Company typically seeks to acquire sole ownership of individual projects, but may enter into joint ventures or acquire majority stakes in projects where it is in its interest to do so. However, where the Company acquires a stake less than 100%, it will secure controlling shareholder rights through shareholder and other agreements. Investments will be undertaken either by way of equity or a mix of equity and shareholder loans.

The assets acquired are expected to generate stable cash flows over their operational lifespan and the

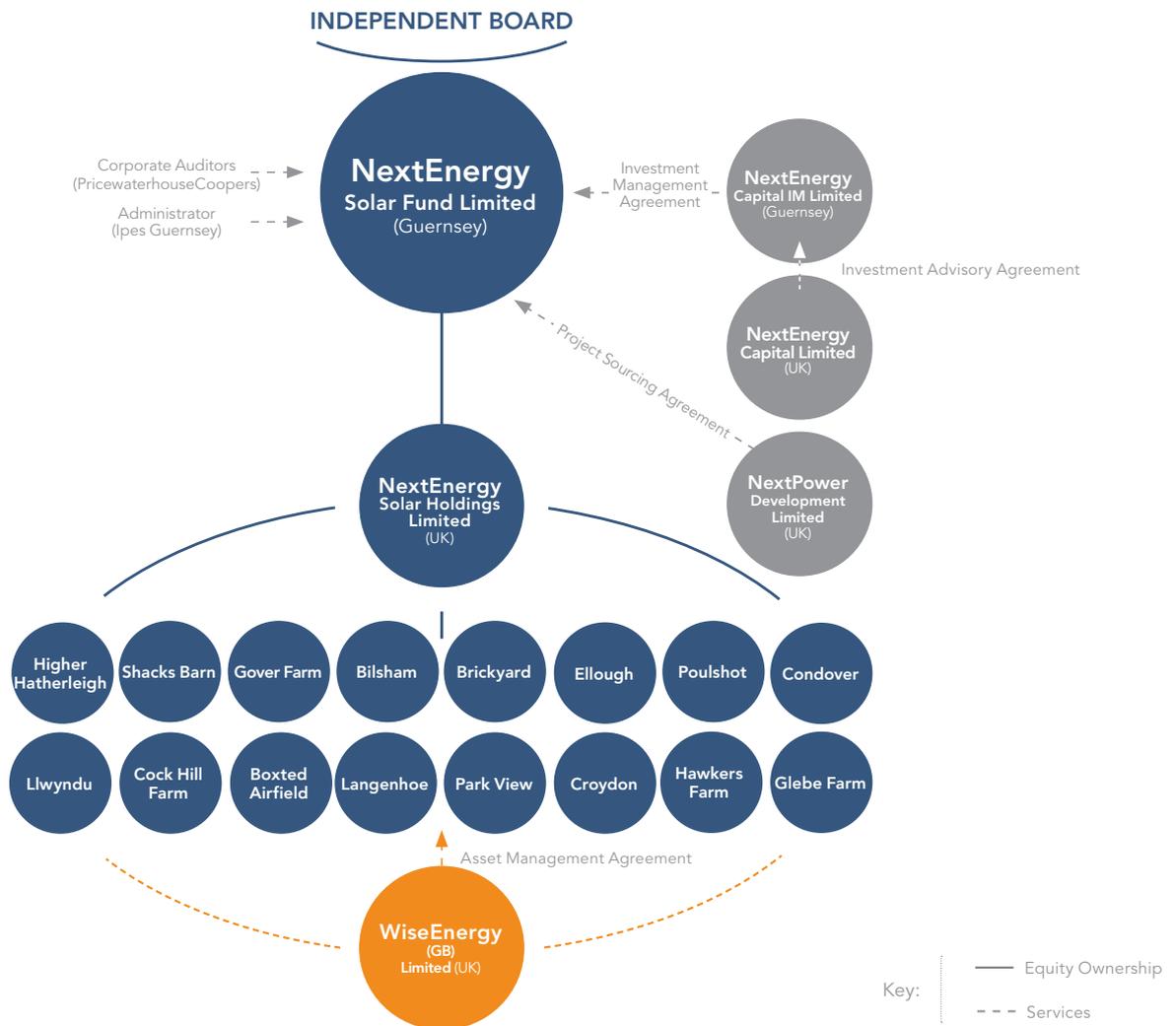
Company will focus on optimising their technical and financial performance while aiming to extend their lifespan.

The Company has a 31 March financial year-end and announces interim results in November and full year results in June. The updated NAV is published within its quarterly fact sheet and in the course of capital raising programmes and other key events during the financial year.

### Corporate Group Structure

The Company is a Guernsey registered close-ended investment entity with shares listed on the premium segment of the London Stock Exchange. The Company’s Board comprises three independent Directors.

The group structure showing the main legal entities, management structure and contractual relationships is set out in the following chart.



## The Company's Board and Committees

The Company's Board of Directors comprises three independent, non-executive directors (details on pages 45 to 47). The Board's role is to manage and monitor the Company in accordance with its terms of reference. The Board monitors the Company's adherence to its investment policy, the operational and financial performance of the Company and its underlying assets, as well as the performance of the Investment Adviser and other key service providers. In addition, the Board has overall responsibility for the review and approval of the Company's NAV valuations prepared by the Investment Manager and Administrator. It also maintains the risk register, which it monitors and updates on a regular basis. The structure of the Board processes allows the members to test business controls and choice of acquisitions to ensure they meet the strategy driving the long-term dividend target.

The Board meets a minimum of four times a year for regular Board meetings and as necessary for ad hoc meetings driven by the Company's requirements. During the course of the period, the Board met 31 times.

As a result of the current size and structure of the Company, the Board has decided not to establish a Nomination, Remuneration or Management Engagement Committee and undertakes the relevant duties itself.

The Audit Committee, chaired by Patrick Firth, operates within clearly defined terms of reference and comprises all of the Directors, details of whom are noted on pages 45 to 47. It met four times during the period.

## The Investment Manager, Investment Adviser, Developer and Operating Asset Manager

The Company's Investment Manager is NextEnergy Capital IM Limited. The Investment Manager has appointed NextEnergy Capital Limited to act as Investment Adviser in relation to NESF. The Company has also signed a project sourcing agreement with NextPower Development Limited (the "Developer"), another unit of the NextEnergy Capital Group. The relationship has increased the efficiency of our transactional process reflected in the size of the

investment pipeline and is a key driver for delivering dividend growth.

The Company has entered into an asset management framework agreement with the Operating Asset Manager WiseEnergy (GB) Limited, an affiliate of the NextEnergy Capital Group. Under the framework agreement, WiseEnergy (GB) Limited enters into individual asset management contracts with each solar power plant entity acquired by the Company and performs a broad and defined set of asset management activities for each entity. The collective experience of the NextEnergy Capital Group in managing and monitoring solar PV plants best positions the Company to implement efficiencies at both the investment and operating asset level. The technical and operating outperformance of the portfolio to date underlines the benefits of this comprehensive strategic relationship.

The NextEnergy Capital Group is a privately-owned specialist investment and asset manager focused on the solar sector. It was formed in 2007 and has developed a unique track record in the European solar sector. Prior to the IPO of NESF, it had developed, financed, managed the construction and owned 14 solar projects in the UK and Italy. In addition, its asset management activities now cover the management and monitoring of in excess of 1,200 utility-scale solar power plants and approximately 3,000 solar rooftop installations for a total capacity of over 1.5GW on behalf of third-party equity investors and financing banks. Its clients include listed solar funds (in addition to NESF), private equity, family offices, renewable energy specialists and other equity investors as well as some of Europe's leading lenders to and financiers of the solar sector. The estimated value of the assets managed and monitored by NextEnergy Capital Group amounts to c.£3 billion. It has developed proprietary hardware and software products and solutions to facilitate delivery of its services to its client base.

NextEnergy Capital Group's team comprises some 40 professionals focused on the European solar sector. The team has a combined investment track record of 680MW in European solar transactions and had roles in over €100 billion in European energy and infrastructure transactions.

The Company, through its contractual arrangements with the NextEnergy Capital Group, has access to a highly experienced investment team and to a leading asset manager in the European solar sector and expects to leverage this expertise to secure attractive solar power plant acquisitions and achieve best-in-class technical, operational and financial performance from its portfolio of operating plants. The wide range of services provided by the NextEnergy Capital Group

strategically positions the Company to best resolve any potential technical and commercial issues that may impact individual assets and drive best-in-class performance. This ensures that the Company's solar PV plants are operated as efficiently as possible to optimise their technical and financial performances with a view to achieve and exceed the target cash flow yield over their useful life span.

## Activities of the NEC Group for NESF

### Investment Manager NextEnergy Capital IM Limited

- Full discretion to make investments in accordance with investment policy
- Acts as Alternative Investment Fund Manager ("AIFM") of the Company
- Responsible for risk management and portfolio management activities
- Only considers investment proposals advanced by the Investment Adviser
- The Board reviews activity of the Investment Manager to ensure adherence to the Company's investment objective and investment policy
- Reports to the Company's Board comprehensively on all technical, operational and financial issues

### Investment Adviser NextEnergy Capital Limited

- Provides investment advice and recommendations to the Investment Manager
- Identifies, in conjunction with the Developer, investment opportunities for the Company
- Evaluates investment opportunities and co-ordinates external due diligence activities
- Negotiates all project contracts with counterparts
- Prepares investment proposals and provides general advice and recommendations to the Investment Manager concerning the Company's portfolio, financing, strategy, market developments, etc.
- Reviews performance of the Company's portfolio together with the Operating Asset Manager

### Developer NextPower Development Limited

- Sources and presents investment opportunities to the Company and its advisers
- The Company has right of first offer over all suitable projects identified by the Developer
- Identifies projects at all stages (pre-construction, construction and operation)
- Structures and negotiates, in conjunction with the Investment Adviser, project contracts
- Project manages pre-construction and construction phase

### Operating Asset Manager WiseEnergy (GB) Limited

- Assumes asset management of solar power plants upon acquisition
- Provides periodic technical, financial and administrative reports to the Company
- Undertakes periodic site visits on each plant
- Prepares technical and financial analysis of each site to assess and identify improvement potential
- Manages Special Purpose Vehicle's ("SPV") administrative and financial functions and requirements
- Ensures SPV's suppliers perform in accordance with contacts
- Manages unexpected occurrences at plants and ensures prompt response to any asset management requirements of the Company

## Other Key Service Providers

In addition to the Investment Manager, Investment Adviser, Developer and Operating Asset Manager, the Company has the following key service providers:

Name	Role
Ipes (Guernsey) Limited	Administrator and company secretary to the Company
PricewaterhouseCoopers CI LLP	Independent Auditor to the Company
Simmons & Simmons LLP	Legal adviser to the Group as to UK law
Mourant Ozannes	Legal adviser to the Group as to Guernsey law
Cantor Fitzgerald	Broker to the Company
Shore Capital & Corporate Limited	Broker to the Company
Macquarie Bank Limited	Lender to the Group via a Revolving Credit Facility
Macquarie Capital (Europe) Limited	Broker to the Company
MHP	Media and Public Relations
Capita Registrars (Guernsey) Limited	Registrar and receiving agent to the Company

## Investment Outlook

The Company believes the investment outlook for UK solar remains very attractive. It expects to secure investment opportunities from a variety of solar sub-sectors over the course of the 2015/16 financial year. These opportunities are expected to include recently constructed plants accredited under the 1.4 ROC regime, projects to be built under current Feed-in Tariff ("FiT") or ROC regimes, previously constructed projects under the 2.0 and 1.6 ROC regimes as well as portfolios of rooftop installations either already in operation to be constructed over the course of the year.

At the Date of Preparation of this annual report the Investment Manager, together with the Developer, has identified a pipeline of 206MW of short-term acquisition targets and are actively developing further opportunities.

NESF's market standing coupled with the NextEnergy Capital Group's market access will continue to position the Company as a pre-eminent participant in the UK solar market.

Kevin Lyon  
Chairman of the Board of Directors

# Investment Manager's Report

## About NextEnergy Capital

NextEnergy Capital IM Limited (the Investment Manager) and NextEnergy Capital Limited (the Investment Adviser) are both members of the NextEnergy Capital Group. The NextEnergy Capital Group is a specialist investment and operating asset manager focused on the solar energy sector, with a 40-strong team of which 20 are focused on the UK solar market. Through its operating asset management division, WiseEnergy, the NextEnergy Capital Group manages and monitors over 1,200 solar power plants (comprising an installed capacity of approximately 1.5GWp and an estimated £3.0 billion asset value) for a client base which includes leading European banks and equity investors (including private equity funds, listed funds and institutional investors).

## Investment Objective

The Company seeks to provide investors with a sustainable and attractive dividend that increases in line with RPI over the long term. In addition, the Company seeks to provide investors with an element of capital growth through the reinvestment of net cash generated in excess of the target dividend in accordance with the Company's investment policy.

## Investment Policy

The Company intends to achieve its investment objective by investing exclusively in solar PV plants located in the UK.

The Company intends to continue to acquire solar PV plants that are primarily ground-based and utility-scale and which are on sites that may be agricultural, industrial or commercial. The Company may also acquire portfolios of residential or commercial building-integrated installations. The solar PV plants that will be targeted are anticipated to generate stable cash flows over their asset lifespan.

The Company will typically seek to acquire sole ownership of individual solar PV plants through SPVs, but may enter into joint ventures or acquire majority interests, subject, in each case, to the Company

maintaining a controlling interest. Where an interest of less than 100% in a particular solar PV plant is acquired, the Company intends to secure controlling shareholder rights through shareholders' agreements or other legal arrangements. Investments by the Company into solar PV plants may be either by way of equity or a mix of equity and shareholder loans.

The Company has built up a diversified portfolio of solar PV plants and its investment policy contains restrictions to ensure risk diversification. No single investment (or, if an additional stake in an existing investment is acquired, the combined value of both the existing and the additional stake) by the Company in any one solar PV plant will constitute, at the time of investment, more than 30% of the Gross Asset Value. In addition, the four largest solar PV plants will constitute, again, at the time of investment, not more than 75% of the Gross Asset Value.

The Company will, primarily, continue to acquire operating solar PV plants, but may also invest in solar PV plants under development (that is, at the stage of origination, project planning or construction) when acquired. Such assets will constitute (at the time of investment) not more than 10% of the Gross Asset Value in aggregate. As at period end, the Company has not invested directly in solar PV plants under development.

The Company may also agree to forward-fund by way of a secured loan the construction costs of solar PV plants where it retains the right (but not the obligation) to acquire the relevant solar plant once operational. Such forward-funding will not fall within the 10% restriction above but will be restricted to no more than 25% of the Gross Asset Value (at the time such arrangement is entered into) in aggregate and will only be undertaken where supported by appropriate security (which may include financial instruments as well as asset-backed guarantees).

A significant proportion of the Company's income is expected to result from the sale of the entirety of the electricity generated by the solar PV plants within the terms of power purchase agreements ("PPA") to be executed from time to time. These are expected to include the monetisation of renewable obligation

certificates ("ROC"), other regulated benefits and the sale of electricity to energy consumers and energy suppliers. Within this context, the Investment Manager expects to conclude PPAs with creditworthy counterparties at the appropriate time.

The Company will continue to diversify its third party suppliers, service providers and other commercial counterparties, such as developers, engineering and procurement contractors, technical component manufacturers, PPA providers and landlords.

In pursuit of the Company's investment objective, the Company may employ leverage, which will not exceed (at the time the relevant arrangement is entered into) 50% of the Gross Asset Value in aggregate. Such leverage will be deployed for the acquisition of further solar PV plants in accordance with the Company's investment policy. The Company may seek to raise leverage at any of the Special Purpose Vehicle, Holding Company or Investment Company level. There will be a preference for medium- to long-term amortising debt financing.

The Company intends to invest with a view to holding its solar PV plants until the end of their useful life. However, assets may be disposed of or otherwise realised where the Investment Manager determines, in its discretion, that such realisation is in the best interest of the Company. Such circumstances may include (without limitation) disposals for the purposes of realising or preserving value, or of realising cash resources for reinvestment or otherwise. The Company will seek to optimise and extend the lifespan of its assets and may invest in their repowering and/or integration of ancillary technologies (e.g. energy storage) on its solar PV plants to fully utilise grid connections and balance the electricity grid with a view to generating greater revenues. The Company expects to re-invest any cash surplus (arising in excess of that required to meet the Company's dividend target and ongoing operating expenses) in further investments, thereby supporting its long-term net asset value ("NAV").

The Company may invest cash held for working capital purposes and pending investment or distribution in cash or near-cash equivalents, including money market funds. The Company may (but is not obliged to) enter into hedging arrangements in relation to interest rates and/or power prices.

## Portfolio Highlights and Performances

At the Date of Preparation of this annual report, the Company has announced the acquisition of 16 separate solar PV plants for a total investment value of up to c.£252m, representing 102% of the equity proceeds raised to date (including the extension of the Bilsham plant already in operation). The 16 solar PV plants amount to an installed capacity of some 217MWp in operation.

The portfolio grew consistently during the period, with significant activity towards the end of the Company's financial year end which coincided with the deadline imposed to the UK solar industry by the changing legislation on the ROC regime. At 31 March 2015, all of the 16 solar plants acquired by the Company were operational and connected to the grid. The Company had already completed six of the acquisitions earlier in the reporting period and completed a further four acquisitions shortly after 31 March. The remaining six were on track for completion during the first quarter of the financial year ending 31 March 2016. At the Date of Preparation of this annual report, the Company had completed a further two acquisitions and is in the process of completing the remaining four acquisitions.

The NextEnergy Capital Group has been actively involved in monitoring and supervising the construction of all the solar PV plants constructed for the Company during the period. The completion of the acquisitions of each solar PV plant is subject to the completion of certain conditions, mainly set in the interest of the Company, including the plant satisfactorily passing selected strict technical and performance tests. The details of these tests, and whether they refer to the delivery of preliminary, intermediate or final acceptance certificates (or PAC, IAC, FAC as they are known) vary across the portfolio but in general terms these are

required by the Investment Manager to ensure that the Company deploys funds only as and when the target solar PV plants demonstrate the desired level of quality and ability to obtain and exceed the expected technical performances.

Each of the 16 solar PV plants is demonstrating overall satisfactory operational performance. Given the relatively recent commissioning of most of these solar PV plants, the Investment Manager is providing in this report the details of the actual performances vs. expectations for only six of the total 16 solar PV plants, namely those that have been managed and monitored for at least four months and up to a full year. This sub-portfolio of solar PV plants generated a total amount of electricity of 23.2GWh showing an average over-performance of around 4.8% above the expected generation values (despite the solar irradiation being slightly lower than expected in the period by 0.4%) driven by the Company's operating asset management strategy. Total revenues generated by this sub-portfolio

of monitored operating assets were also 1.9% over forecasts at time of acquisition, despite lower than expected revenues from sale of electricity. Overall, operating costs were largely in line with expectations across the portfolio.

## Investment Portfolio

The Investment Manager achieved a high level of diversification on the Company portfolio: the 16 solar PV plants are located across 13 different counties of England and Wales, the largest one represents 16% of the total installed capacity and the four largest solar PV plants represent together 43% of the total installed capacity. In addition the portfolio is diversified across eight non-connected contractors, eight different Tier 1 solar panel manufacturers and five Tier 1 inverter manufacturers, effectively diversifying the Company's key counterparty risks.

Below is a summary of the overall investment portfolio with various relevant breakdown analysis:

Power Plant	Location	Announcement Date	ROC Regime <sup>(1)</sup>	Status <sup>(2)</sup>	Plant Capacity (MWp)	Investment (£m)	% of Equity Proceeds
Higher Hatherleigh	Somerset	01-05-14	1.6	Completed	6.1	7.3	2.9%
Shacks Barn	Northants	09-05-14	2.0	Completed	6.3	8.1	3.3%
Gover Farm	Cornwall	23-06-14	1.4	Completed	9.4	10.7	4.3%
Bilsham	Sussex	03-07-14	1.4	Completed	15.2	18.5	7.5%
Brickyard	Warwickshire	14-07-14	1.4	Completed	3.8	4.0	1.6%
Ellogh	Suffolk	28-07-14	1.6	Completed	14.9	19.6	7.9%
Poulshot	Wiltshire	09-09-14	1.4	Completed	14.5	15.6	6.3%
Condover	Shropshire	29-10-14	1.4	Completed	10.2	11.7	4.8%
Llwyndu	Ceredigion	22-12-14	1.4	Operational	8.0	9.4	3.8%
Cock Hill Farm	Wiltshire	22-12-14	1.4	Operational	20.0	23.3	9.5%
Boxted	Essex	31-12-14	1.4	Completed	18.8	20.5	8.3%
Langenhoe	Essex	12-03-15	1.4	Completed	21.2	22.9	9.3%
Park View	Devon	19-03-15	1.4	Operational	6.5	7.5	3.0%
Croydon	Cambridgeshire	27-03-15	1.4	Completed	16.5	17.8	7.2%
Hawkers Farm <sup>(3)</sup>	Somerset	13-04-15	1.4	Operational	11.7	14.2	5.8%
Glebe Farm <sup>(3)</sup>	Bedfordshire	13-04-15	1.4	Completed	33.7	40.5	16.4%
<b>Total</b>					<b>216.8</b>	<b>251.6</b>	<b>102.0%</b>

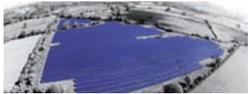
(1) An explanation of ROC Regime is available at [www.ofgem.gov.uk/environmental-programmes/renewables-obligation-ro](http://www.ofgem.gov.uk/environmental-programmes/renewables-obligation-ro)

(2) As at the Date of Preparation of this annual report.

(3) Denotes solar PV plants that have been acquired by the developer before 31 March 2015 for novation to NESF

### Investment Portfolio: Geographical Locations

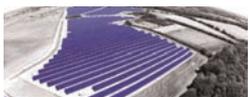
1 Higher Hatherleigh  
6.1MWp



2 Shacks Barn  
6.3MWp



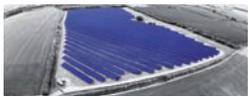
3 Gover Farm  
9.4MWp



4 Bilsham  
15.2MWp



5 Brickyard  
3.8MWp



6 Ellough  
14.9MWp



7 Poulshot  
14.5MWp



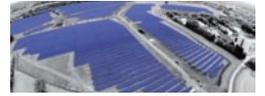
8 Condover  
10.2MWp



9 Llwyndu  
8.0MWp



10 Cock Hill Farm  
20.0MWp



11 Boxted Airfield  
18.8MWp



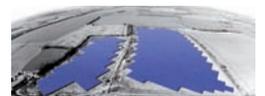
12 Langenhoe  
21.2MWp



13 Park View  
6.5MWp



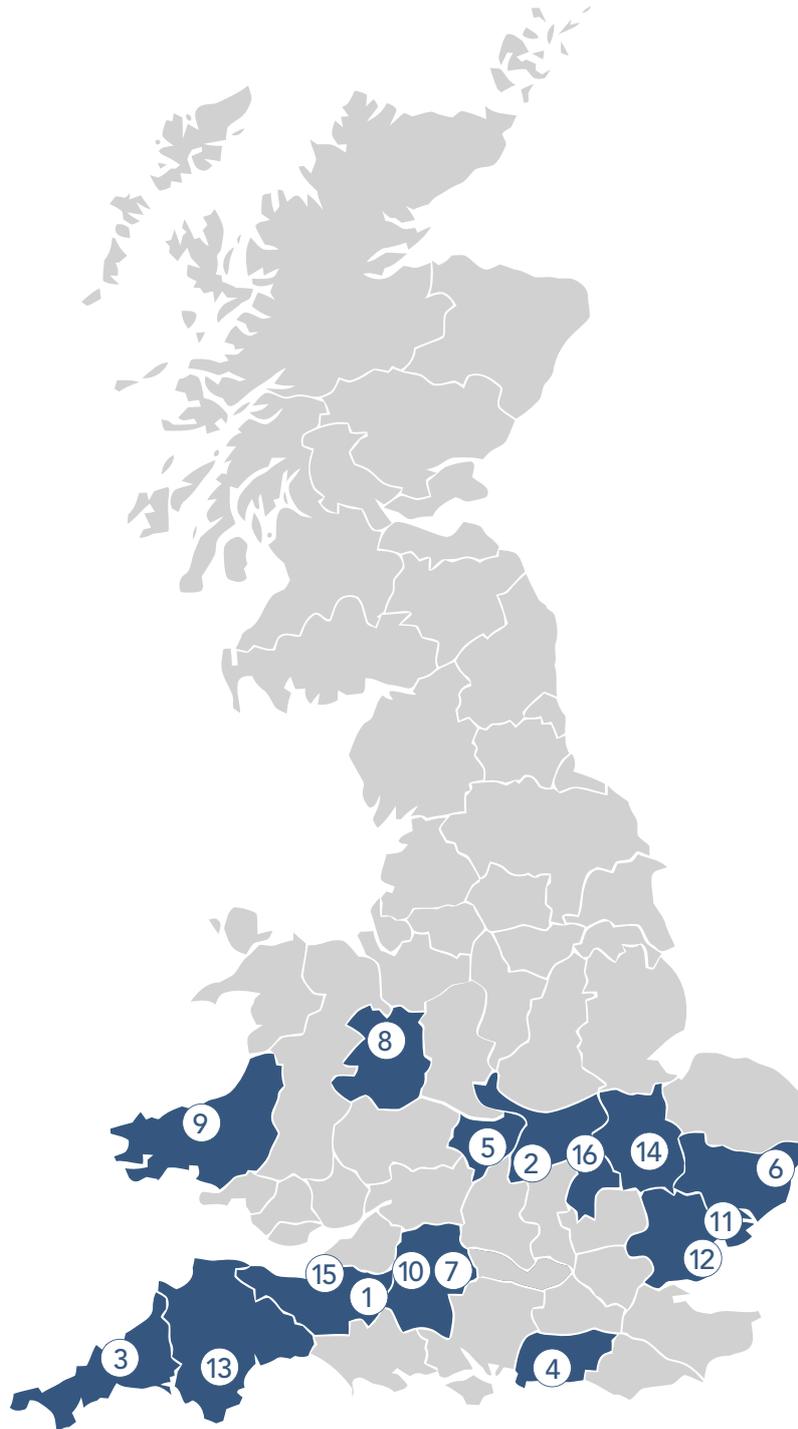
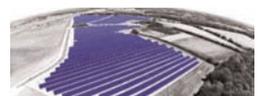
14 Croydon  
16.5MWp



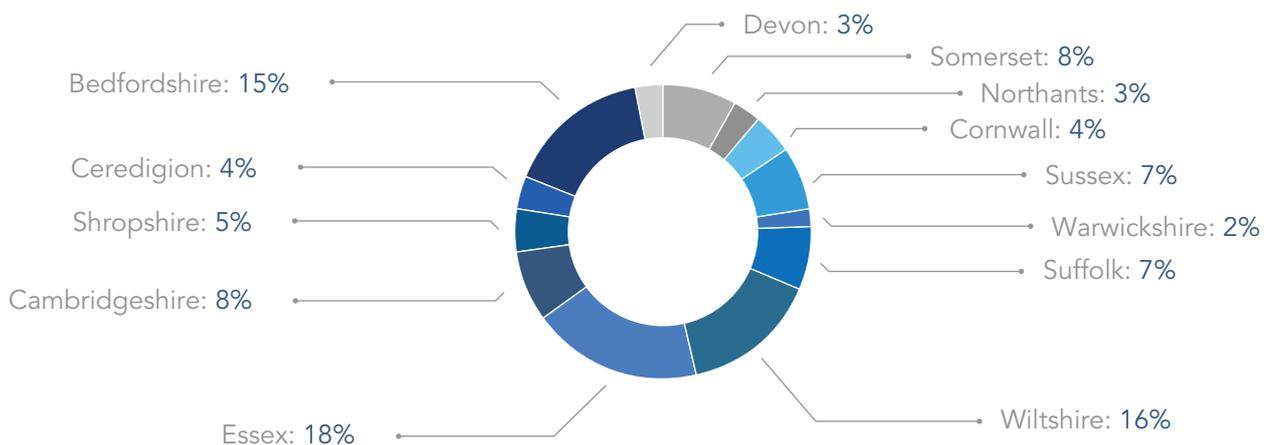
15 Hawkers Farm  
11.7MWp



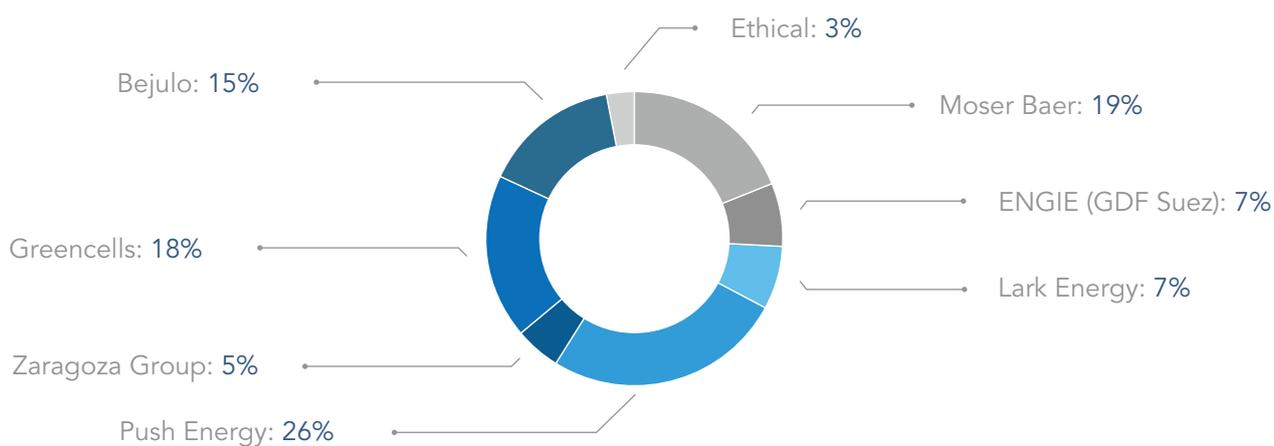
16 Glebe Farm  
33.7MWp



### Analysis by County

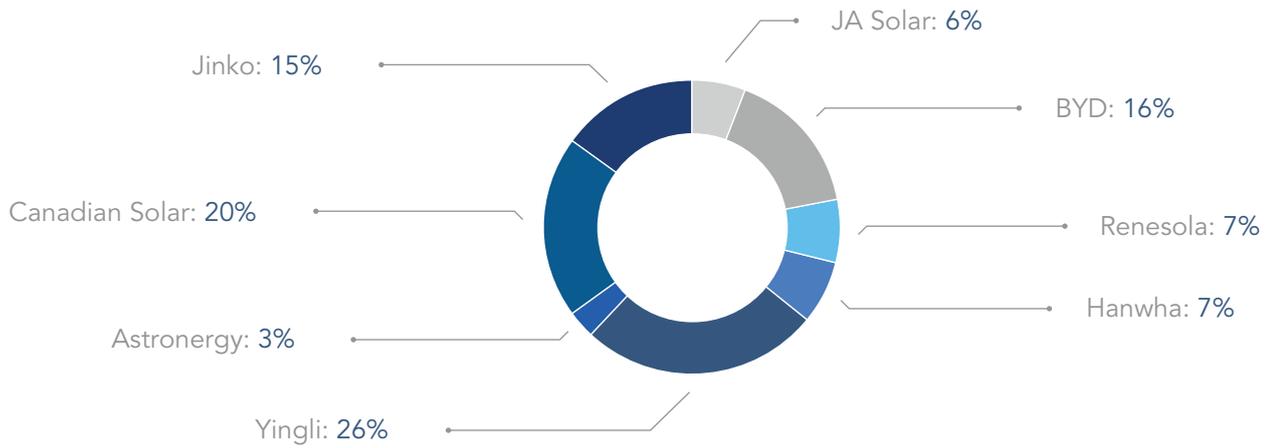


### Analysis by EPC Contractor



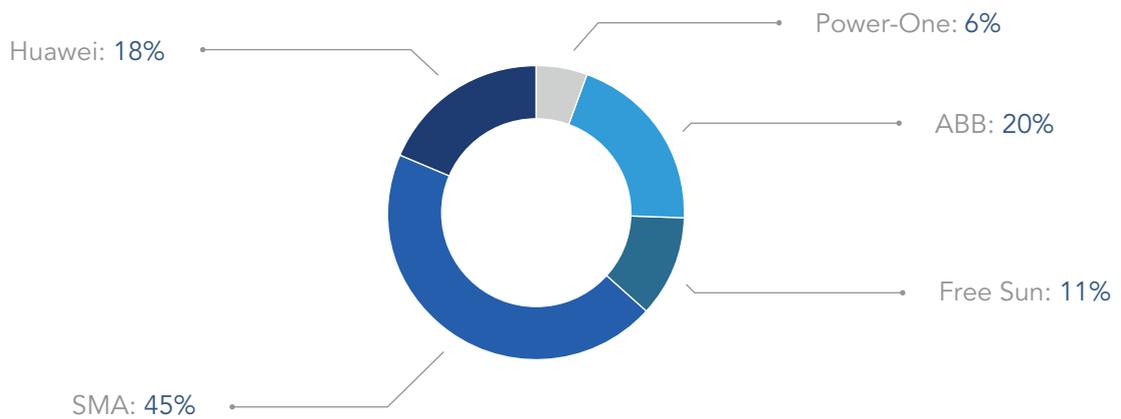
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### Analysis by Panel Manufacturer



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### Analysis by Inverter Manufacturer





### Higher Hatherleigh

Location	Somerset
Capacity	6.1MWp
ROCs	1.6
EPC	Moser Baer
Panels	JA Solar
Inverter	Power-One
Operational Since	Apr-13

### Higher Hatherleigh

Higher Hatherleigh was NESF’s first acquisition, which took place in May 2014. The site is located near Wincanton in Somerset and has a capacity of 6.1MWp. The site has performed well since it became operational in April 2013 and during the period from acquisition to 31 March 2015 the plant produced c.5.7GWh (+8.2% vs. budget). The acquisition cost was £7.3m and the investment value at period end was £9.0m, which is 5.7% of the portfolio value at period end.

 MWh Produced since acquisition	5,707
 Solar Irradiation vs Expectations	+3.4%
 Energy Generation vs Budget	+8.2%

### Shacks Barn

Location	Northants
Capacity	6.3MWp
ROCs	2.0
EPC	Moser Baer
Panels	JA Solar
Inverter	Power-One
Operational Since	Mar-13



### Shacks Barn

Announced shortly after the Higher Hatherleigh acquisition, Shacks Barn, located near Silverstone in Northamptonshire, was also acquired by the Company in May 2014. This 6.3MWp plant has been operational since March 2013, giving the asset a 2.0 ROC accreditation. Since acquisition to 31 March 2015, the site has produced c.5.6GWh (+6.8% vs budget). The acquisition cost was £8.2m and the investment value at period end was £9.7m, which is 6.2% of the portfolio value at period end.

 MWh Produced since acquisition	5,558
 Solar Irradiation vs Expectations	+3.8%
 Energy Generation vs Budget	+6.8%



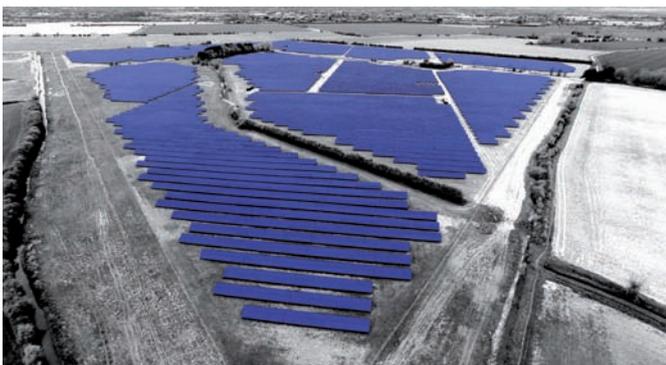
## Gover Farm

Gover Farm is the Company's most south-westerly asset, located near to Truro in Cornwall. The acquisition was announced at 9.4MWp in June 2014. From acquisition to 31 March 2015, the plant produced 1.73GWh (+7.2% vs. budget). The acquisition cost was £11.1m and the investment value at period end was £12.5m, which is 7.9% of the portfolio value at period end. As part of the Company's commitment to biodiversity, the site is being grazed by sheep to ensure that it stays employed in food production.

### Gover Farm

Location	Cornwall
Capacity	9.4MWp
ROCs	1.4
EPC	Moser Baer
Panels	BYD
Inverter	ABB
Operational Since	Oct-14

 MWh Produced since acquisition	1,728
 Solar Irradiation vs Expectations	+2.4%
 Energy Generation vs Budget	+7.2%



## Bilsham

Bilsham is located near Bognor Regis in Sussex and is very close to the southern coast of the UK and is expected to benefit from the combination of strong irradiance and coastal breeze keeping operating temperatures within their optimum parameters. The plant was delivered to the Company in two phases with an initial phase of 12.7MWp followed by an extension of 2.6MWp in March 2015. The site produced 2.3GWh since acquisition to 31 March 2015 (+3.2% vs budget). The acquisition cost was £18.9m and the investment value at period end was

### Bilsham

Location	Sussex
Capacity	15.2MWp
ROCs	1.4
EPC	GDF Suez
Panels	Renesola
Inverter	ABB
Operational Since	Nov-14

 MWh Produced since acquisition	2,291
 Solar Irradiation vs Expectations	(3.0%)
 Energy Generation vs Budget	+3.2%

£20.0m, which is 12.7% of the portfolio value at period end.

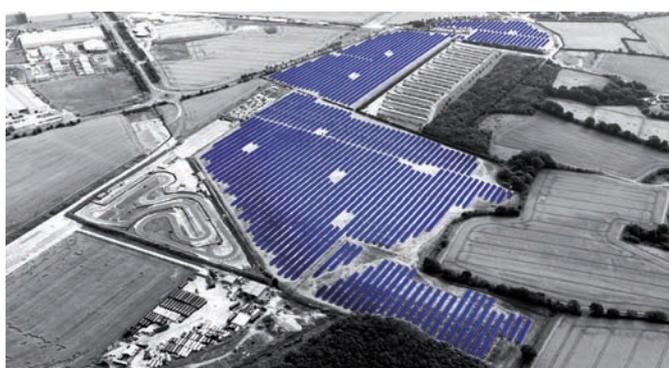


### Brickyard

Brickyard is a site located near Leamington Spa in Warwickshire and has a capacity of 3.8MWp. During the winter period from 1 January to 31 March, Brickyard produced 0.5GWh (-7.0% vs budget). This was mainly due to early technical issues that were later resolved. Post period end the asset performance improved and is currently above expectations. The acquisition cost was £4.0m and the investment value at period end was £4.3m, which is 2.7% of the portfolio value at period end.

Brickyard	
Location	Midlands
Capacity	3.8MWp
ROCs	1.4
EPC	Moser Baer
Panels	BYD
Inverter	ABB
Operational Since	Nov-14

	MWh Produced since acquisition	529
	Solar Irradiation vs Expectations	(1.3%)
	Energy Generation vs Budget	(7.0%)



### Ellough

Ellough is a solar plant located on a disused airfield near Ellough in Suffolk. The 14.9MWp site has produced 7.4GWh (-0.2% vs. budget) from August 2014 to 31 March 2015. The plant did however perform 13.1% above expectations from January 2015 to 31 March 2015. The acquisition cost was £19.6m and the investment value at period end was £21.0m, which is 13.3% of the portfolio value at period end. The site has a second phase of up to 8MWp which the Company is currently in advanced

Ellough	
Location	Suffolk
Capacity	14.9MWp
ROCs	1.6
EPC	Lark Energy
Panels	Hanwha
Inverter	Free Sun
Operational Since	Mar-14

	MWh Produced since acquisition	7,382
	Solar Irradiation vs Expectations	(6.2%)
	Energy Generation vs Budget	(0.2%)

stages of negotiation with a view to its construction being completed in the second half of 2015.

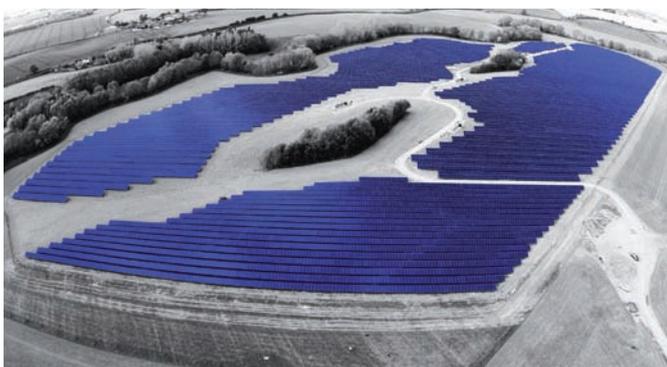


### Poulshot

The Poulshot plant is located near Trowbridge in Wiltshire and has a capacity of 14.5MWp. The site is expected to generate in the region of 13.6GWh per year of renewable energy. Bird and bat boxes are being installed along the perimeter of the site to support local avian diversity and the bat population. The acquisition cost was £15.6m and the investment value at period end was £16.3m, which is 10.3% of the portfolio value at period end.

Poulshot	
Location	Wiltshire
Capacity	14.5MWp
ROCs	1.4
EPC	Moser Baer
Panels	BYD
Inverter	ABB
Operational Since	Mar-15

 MWh Produced since acquisition	N/A
 Solar Irradiation vs Expectations	N/A
 Energy Generation vs Budget	N/A



### Condover

Condover is located near Shrewsbury in Shropshire and has a capacity of 10.2MWp. The site is expected to generate in the region of 9.6GWh per year of renewable energy. Condover was acquired by the Company for £11.7m. The site has been installed around two existing rocky outcrops on the site. These add an interesting dimension to the layout and provide sheltered habitat for local wildlife.

Condover	
Location	Shropshire
Capacity	10.2MWp
ROCs	1.4
EPC	Zaragoza Group
Panels	Canadian Solar
Inverter	Free Sun
Operational Since	Mar-15

 MWh Produced since acquisition	N/A
 Solar Irradiation vs Expectations	N/A
 Energy Generation vs Budget	N/A



Llwyndu	
Location	Ceredigion
Capacity	8.0MWp
ROCs	1.4
EPC	Greencells
Panels	BYD
Inverter	Huawei
Operational Since	Feb-15

### Llwyndu

Currently Llwyndu is the only asset owned by the Company that is not in England. This 8.0MWp site is located in Mid-West Wales, is expected to generate in the region of 7.7GWh per year of renewable energy. The plant was acquired in December 2014 for £9.4m. It is the most westerly plant that the company has acquired in the mid-country sector, close to the Ceredigion coast.

	MWh Produced since acquisition	N/A
	Solar Irradiation vs Expectations	N/A
	Energy Generation vs Budget	N/A

Cock Hill Farm	
Location	Wiltshire
Capacity	20.0MWp
ROCs	1.4
EPC	Greencells
Panels	Jinko
Inverter	Huawei
Operational Since	Mar-15



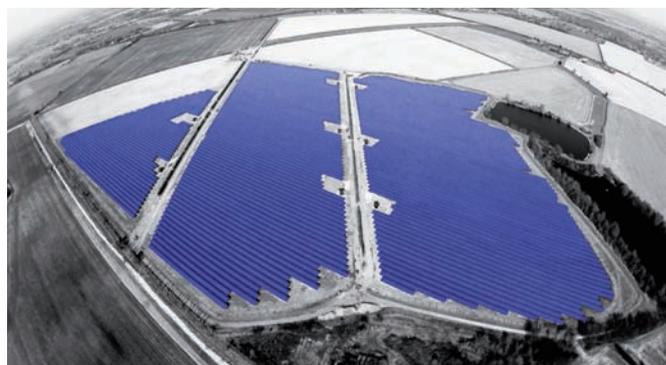
### Cock Hill Farm

Cock Hill Farm is located near Trowbridge in Wiltshire and has a capacity of just over 20.0MWp. The site is expected to generate in the region of 19.0GWh per year of renewable energy. This site was first announced in December 2014 for a transaction value of £23.3m.

	MWh Produced since acquisition	N/A
	Solar Irradiation vs Expectations	N/A
	Energy Generation vs Budget	N/A

### Boxted Airfield

Location	Essex
Capacity	18.8MWp
ROCs	1.4
EPC	Push Energy
Panels	Yingli
Inverter	SMA
Operational Since	Mar-15



### Boxted Airfield

Boxted site is located north of Colchester in Essex on the now disused Boxted airfield. Boxted has a capacity of 18.8MWp and was acquired in March 2015, after it became operational. The site is expected to generate in the region of 18.2GWh per year of renewable energy. The acquisition cost was £20.5m and the investment value at period end was £21.9m, which is 13.9% of the portfolio value at period end. The site has been sympathetically installed and benefits from wildflower seeding which

	MWh Produced since acquisition	N/A
	Solar Irradiation vs Expectations	N/A
	Energy Generation vs Budget	N/A

has been specifically designed to enhance the local wildlife population.

### Langenhoe

Location	Essex
Capacity	21.2MWp
ROCs	1.4
EPC	Push Energy
Panels	Yingli
Inverter	SMA
Operational Since	Mar-15



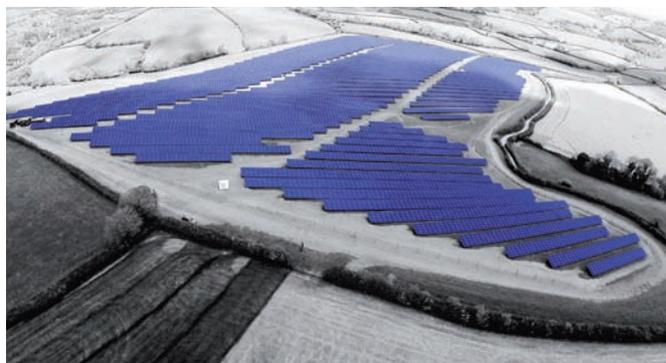
### Langenhoe

Located near Colchester in Essex, Langenhoe is a site of substantial size at 21.2MWp. The site is expected to generate in the region of 20.6GWh per year of renewable energy. The acquisition cost was £22.9m and the investment value at period end was £24.6m, which is 15.6% of the portfolio value at period end. Langenhoe became operational in March 2015. The site overlooks the Mersey estuary and has innovative wildlife enhancement measures incorporated in to its design and operation with specific support for both local bird

	MWh Produced since acquisition	N/A
	Solar Irradiation vs Expectations	N/A
	Energy Generation vs Budget	N/A

and bumblebee populations. The construction works also energised three previously off-grid properties. The site is expected to generate in the region of 20.6GWh per year of renewable energy.

Park View	
Location	Devon
Capacity	6.5MWp
ROCs	1.4
EPC	Ethical
Panels	Astronergy
Inverter	SMA
Operational Since	Mar-15

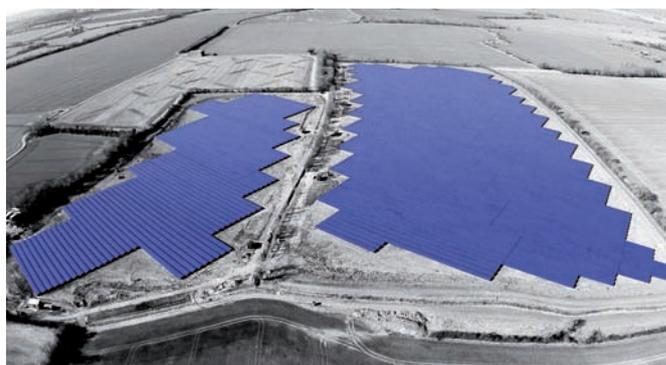


### Park View

Park View is located near Ashburton in Devon, situated at the top edge of a valley and is the second most southerly site owned by the Company. This 6.5MWp site is expected to generate in the region of 6.6GWh per year of renewable energy. The acquisition of Park View was first announced in March 2015 for £7.5m.

 MWh Produced since acquisition	N/A
 Solar Irradiation vs Expectations	N/A
 Energy Generation vs Budget	N/A

Croydon	
Location	Cambridgeshire
Capacity	16.5MWp
ROCs	1.4
EPC	Push Energy
Panels	Yingli
Inverter	SMA
Operational Since	Mar-15



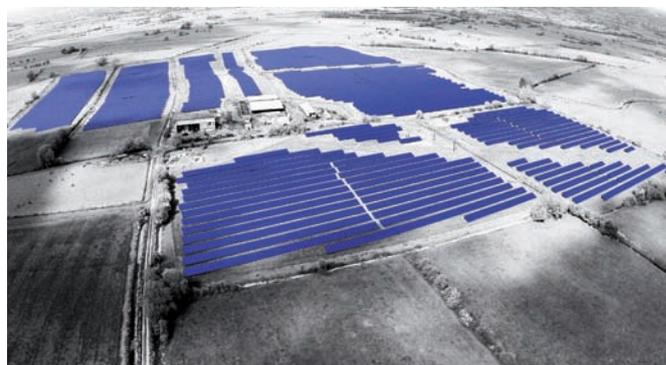
### Croydon

Croydon is a plant in South Cambridgeshire with a capacity of 16.5MWp. The site is expected to generate in the region of 15.4GWh per year of renewable energy. The acquisition cost was £17.8m and the investment value at period end was £18.5m, which is 11.7% of the portfolio value at period end. The site also forms part of the Company’s biodiversity drive after being sown with wildflower seed mix. The site will provide lengthy foraging seasons for bumblebees, a vital and declining species.

 MWh Produced since acquisition	N/A
 Solar Irradiation vs Expectations	N/A
 Energy Generation vs Budget	N/A

### Hawkers Farm

Location	Somerset
Capacity	11.7MWp
ROCs	1.4
EPC	Greencells
Panels	Jinko
Inverter	Huawei
Operational Since	Mar-15



### Hawkerc Farm

Hawkerc Farm is an 11.7MWp site located near Theale in Somerset. The site is expected to generate in the region of 11.7GWh per year of renewable energy. This transaction was announced in April 2015 (through novation of the original agreement with the Developer) at a value of £14.2m. The asset is located on a dairy farm and the site itself is being grazed by sheep ensuring that the land stays in food production.

	MWh Produced since acquisition	N/A
	Solar Irradiation vs Expectations	N/A
	Energy Generation vs Budget	N/A

### Glebe Farm

Location	Bedfordshire
Capacity	33.7MWp
ROCs	1.4
EPC	Bejulo
Panels	Canadian Solar
Inverter	SMA
Operational Since	Mar-15



### Glebe Farm

Located not far from Wellingborough and partially on the old airfield land that is now taken up by the Santa Pod Raceway, Glebe Farm is the largest solar plant acquired by the Company (through novation of the original purchase agreement with the Developer without any additional cost to the Company) with a capacity of 33.7MWp. The site is expected to generate in the region of 31.6GWh per year of renewable energy. This acquisition was completed in May 2015 for £40.5m.

	MWh Produced since acquisition	N/A
	Solar Irradiation vs Expectations	N/A
	Energy Generation vs Budget	N/A

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## Current and Long-term Power Prices

During the financial year, the wholesale power market in the UK experienced significant downward volatility which has reduced the economic advantage derived by the portfolio's operational over-performance. As a result of, inter alia, lower-than-average winter temperatures, declining commodity prices and regulatory developments, both short- and medium-term electricity prices moved downwards. Electricity spot prices fell from £44.5/MWh in March 2014 to c.£41/MWh in March 2015 (UK baseload - day ahead). In addition, the market consensus on long-term power prices has also changed as reflected in the estimates produced by the Company's appointed independent market consultant. The Investment Manager continuously reviews multiple inputs from market contributors and leading consultants and adjusts the Company's power price forecasts periodically.

Since IPO in April 2014 the long-term power price forecast used by the Company was revised downward three times (in August 2014, December 2014 and April 2015) with a cumulative reduction of c.16.5% compared to the assumptions employed at the beginning of the financial year. The Company's current long-term power price forecast implies an average growth rate of approximately 1% in real terms between 2015 and 2035. The financial performance of the Company and its NAV

are sensitive to further positive and negative movements in the short-, medium- and long-term power prices. Detailed sensitivities are provided in the financial section of the Annual Report. It is worth noting that this exposure is significantly mitigated by the balanced mix of revenues which comprises c.60% of regulated revenues (ROCs, LECs and embedded benefits, mainly linked to RPI) and c.40% of sale of electricity through PPAs.

## Power Purchase Agreements

The electricity sales strategy of the Company is designed to maximise revenues whilst mitigating the negative impact of short-term fluctuations in the power markets. This strategy allows for the flexibility required by the rapid growth of the portfolio, so that the Company can build significant scale to then optimise the PPA terms on the entire portfolio. As at 31 March 2015, the majority of the portfolio comprised newly commissioned assets and consequently the average duration of the PPAs was approximately 2.5 months across the portfolio before moving to the strategy highlighted above.

NextEnergy Capital IM Limited  
29 June 2015



# Financial Review

Overall NESF performed very positively across the period which was further supported by its share price trading at a premium over NAV for the large majority of the period. Significant increases in portfolio valuation have been driven by excellent transactional processes and asset operational over-performance. This has been galvanised by the speed of the capital raising and deployment during the period ended 31 March 2015. The Investment Manager has achieved the targets set by the Company for the first year in terms of full year dividend. Further NAV growth and the achievement of target dividend payments is currently expected for the next financial year.

During the period the Company paid an interim dividend of 2.625p per Ordinary Share totalling £4.6m. A second interim dividend of 2.625p per Ordinary Share totalling £6.3m will be paid to shareholders in July 2015. As a result, the Company achieved its target for total dividend distribution for the full financial period ended 31 March 2015 of 5.25p. The operating costs of NESF were £2.2m, in line with expectations. The profit before tax for the period ended 31 March 2015 was £8.5m and the earnings per share was 9.13p.

The Association of Investment Companies' ("AIC") guidance on Investment Fund Expense Reporting (Published in April 2012) recommended the disclosure of the Ongoing Charges Ratio in place of the previously used Total Expense Ratio ("TER"). In line with this guidance the Company's ongoing charge for the period ended 31 March 2015 is 1.5%. The budgeted ongoing charge for the period ending 31 March 2016 is 1.3%.

## Valuation of the Portfolio

The Investment Manager is responsible for carrying out the fair market valuation of the Company's underlying investment portfolio which is subsequently presented to the Company's Board of Directors for their review and approval. The valuation is carried out at least quarterly or more often if capital increases or other relevant events arise. The valuation principles used in such methodology are based on a discounted cash flow methodology, and adjusted for EVCA (European Private Equity and Venture Capital Association) guidelines.

The Investment Manager exercises its judgement based on its expertise in the UK solar PV market and in assessing the expected future cash flows from each investment. Fair value for each operating asset is derived from the

present value of the investment's expected future cash flows, using reasonable assumptions and forecasts for revenues and operating costs, and an appropriate discount rate. For solar PV plants not yet operational or where the completion of the acquisition is not imminent at time of valuation the acquisition cost is used as an appropriate estimate of fair value.

The Board reviews the operating and financial assumptions as well as discount rates used in the valuation of the Company's underlying portfolio and approves them based on the recommendation of the Investment Manager. The discount rate is reviewed and agreed with PricewaterhouseCoopers CI Limited, as independent Auditor. The 'valuation' process comprises the analysis of multiple factors all relevant to ascertain the fair value of the portfolio, including:

- Discount rates applicable for other comparable infrastructure assets classes or regulated energy sectors
- CAPM (Capital Asset Pricing Model) analysis and risk premia over relevant risk free rates
- Discount rates publicly disclosed by the Company's peers in the UK solar sector
- Discount rates implied in the price at which comparable transactions have been announced or completed in the UK solar sector

Based on all of the above, the Company has adopted a 7.5% discount rate for unlevered operating solar assets which is 0.3% lower than the value used previously, mainly due to:

- Reduced risk free rate - the yield on 20 year UK gilt declined from 3.3% to 2.1% between 30 April 2014 and 31 March 2015
- Increased liquidity in the secondary market for UK solar PV assets, with new entrants progressively using lower unlevered equity return expectations
- Reduced discount rates applied by the Company's listed peers
- Reduced exposure of the Company's future revenue mix to the wholesale power market following significant reductions in long-term power price forecasts used by the Company since IPO

The value uplift generated by the assets valued on a DCF basis is supported by an analysis performed by the Investment Manager demonstrating this portfolio

has been acquired at prices lower than the market average by approximately 5%. This analysis reviewed all publicly disclosed information related to acquisition of UK solar assets and included adjustments for project specific ROC banding and site irradiation based on the Investment Manager's estimates and best knowledge. The market average prices are then compared to each of the Company's completed acquisitions and the summary result is then calculated as a weighted average based on the installed MWp capacity.

## Calculation of Net Asset Value

The Company's NAV is calculated on a quarterly basis based on the valuation of the portfolio determined by the Investment Manager and the information on other net assets provided by the Administrator. It is then reviewed and approved by the Board of Directors. All variables relating to the performance of the underlying assets are reviewed and incorporated in the process of establishing relevant drivers for the discounted cash flow valuation. The portfolio valuation process and underlying drivers are subject to a comprehensive review as part of the year end audit to ensure they are a true reflection of the expected operating environment.

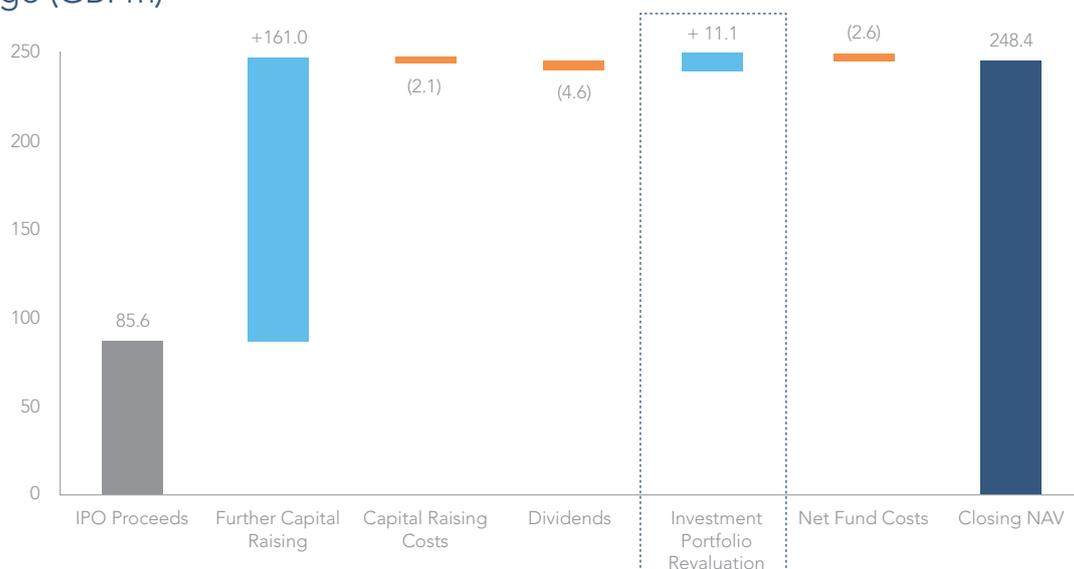
NESF experienced strong NAV growth during the period ended 31 March 2015 driven by the issuance of capital and investment in assets. As a result NAV grew by 290% over the period from £85.6m as at IPO on 25 April 2014 to £248.4m as at 31 March 2015.

NAV per share increased to 103.3p, an increase of 3.3% over the Company's opening NAV of 100p per share at the time of the IPO. During the same period the Company paid a dividend of 2.625p. As a result, total shareholders' return in the period ended 31 March 2015 was 5.9%. As the Company reports its financial results under IFRS 10 (see note 2(c)) the change during the period in fair value of its assets drives the profit and loss of the Company. The growth of NAV per share in the period from 100p to 103.3p was mainly driven by following factors:

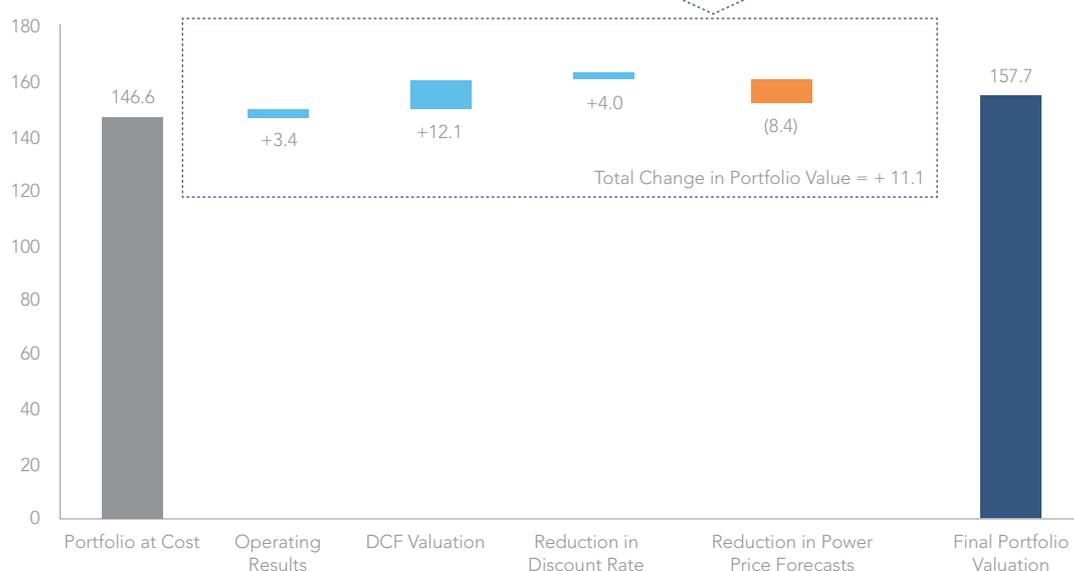
- The operating results of the solar PV plants owned by the Company, which was retained at the individual SPV level
- The cash dividend paid in December 2014 and the Company's operating costs
- The value uplift generated by the Company completing acquisitions on assets whose internal rate of return was higher than the discount rate applied when valuing them on a discounted cash flow basis, partly offset by the negative impact on valuations due to reductions in the forecasts for long-term power prices adopted by the Investment Manager

These factors can be viewed alongside the other drivers in the NAV bridge chart on page 29. The bridge reconciles the NAV movement for the period ended 31 March 2015.

### NAV Bridge (GBPm)



### Investment Portfolio Revaluation Bridge (GBPm)



The total investment in the Holding Company is comprised of the Investment Portfolio and Residual Net Assets of the Holding Company. In the NAV Bridge above Net Fund Costs include the reduction in the Residual Net Assets of the Holding Company. A summary of the total investment in the Holding Company is provided in note 5 (Investments) of the Financial Statements.

Movement		(GBPm)
<b>IPO Proceeds</b>		<b>85.6</b>
Further Capital Raisings	161.0	
Capital Raising Costs	(2.1)	
Dividends	(4.6)	
Portfolio Revaluation	11.1 (a)	
Net fund Costs	(2.6)	
NAV movement		162.8
<b>Closing Fund NAV</b>		<b>248.4</b>
<b>Portfolio at Cost</b>		<b>146.6</b>
Operating Results	3.4	
DCF Valuation	12.1	
Reduction in Discount Rate	4.0	
Reduction in Power Price Estimates	(8.4)	
Portfolio Revaluation		11.1 (a)
<b>Final Investment Portfolio Valuation</b>		<b>157.7</b>

The opening NAV per share of 100.0p is equal to the IPO proceeds as a result of the NextEnergy Capital Group paying for all costs associated with the IPO (some of these costs were initially paid by the Company and subsequently reimbursed by the Investment Adviser, as per the related party transaction disclosed in note 15 of the Financial Statements).

The largest driver for the movement in the NAV was the revaluation of the Investment Portfolio which accounted for £11.1m. This represented the difference between the acquisition cost and closing fair value of the portfolio at the end of the period. The portfolio revaluation bridge chart on the previous page highlights the main factors driving the portfolio revaluation and reconciles the total revaluation for the period. The movement agrees to the net changes in financial assets at fair value in the Statement of Comprehensive Income on page 59.

The Company's investment portfolio was valued at £157.7m including ten solar PV assets valued through

discounted cash flow methodology. Of these, six acquisitions had already completed during the reporting period whereas, for the other four, the most significant contractual conditions precedent to formal completion (mainly the agreed contractual milestones and the acceptance of the relevant technical certificate) had been satisfied before 31 March 2015.

The investment portfolio valued through discounted cash flow methodology does not include the other six investments in solar PV plants for which the relevant milestones and technical tests had not yet been accepted at the period end and as such their completion was not deemed imminent. At the period end all of these six solar PV plants were operational and the Investment Manager was in the process of completing their acquisitions. Two of these assets have completed following the end of the reporting period and the Investment Manager expects to complete the other four shortly.

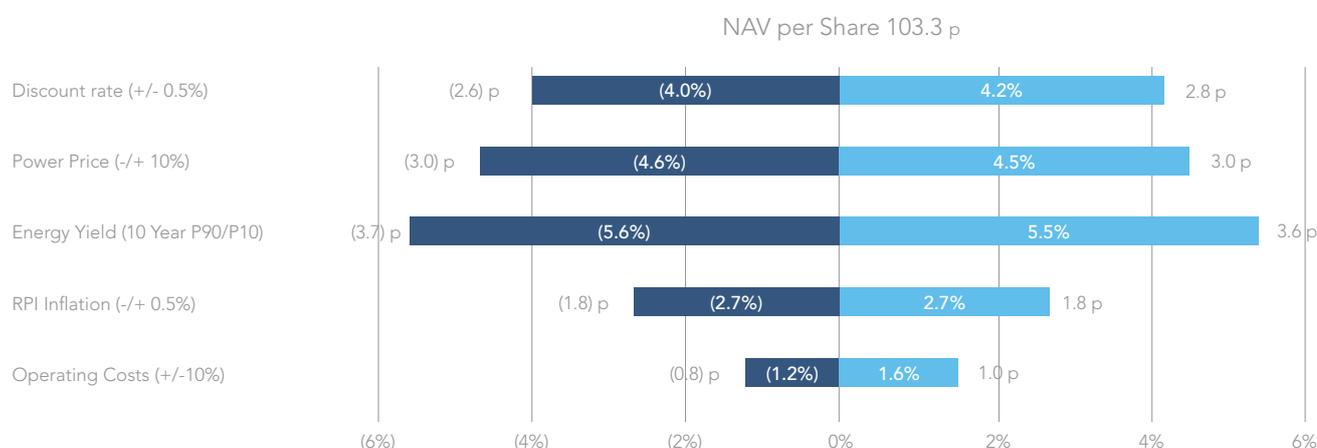
Investment Portfolio	Cost Paid (GBP)	31 March 2015 Directors' Valuation (GBP)
Higher Hatherleigh	7,300,000	8,957,377
Shacks Barn	8,200,000	9,711,376
Gover Farm	11,100,000	12,459,841
Bilsham	18,900,000	19,993,448
Brickyard	4,125,319	4,308,890
Ellough	20,000,000	20,987,800
Poulshot	15,700,000	16,254,521
Boxted Airfield	20,550,000	21,932,788
Langenhoe	22,880,000	24,619,753
Croydon	17,835,000	18,460,754
Condover <sup>(1)</sup>	-	-
Llwyndu <sup>(1)</sup>	-	-
Cock Hill Farm <sup>(1)</sup>	-	-
Hawkers Farm <sup>(1)</sup>	-	-
Glebe Farm <sup>(1)</sup>	-	-
Park View <sup>(1)</sup>	-	-
<b>Total Investment Portfolio</b>	<b>146,590,319</b>	<b>157,686,548</b>
Residual Net Assets of Holding Company	1,000,000	474,324
<b>Total Investment in Holding Company<sup>(2)</sup></b>	<b>147,590,319</b>	<b>158,160,872</b>

<sup>(1)</sup> These investments were not yet operational as at 31 March 2015.

<sup>(2)</sup> A summary of the total investment in the Holding Company is provided in note 5 (Investments) of the Financial Statements.

## Sensitivity Analysis

Sensitivities on the Company's NAV and detailed disclosure on the asset valuation methodologies are provided below and in the notes to the Financial Statements.



The sensitivity analysis highlights the percentage change in the portfolio valuation of £157.7m resulting from a change in the underlying variables. It also shows the subsequent impact of a change in the portfolio value on the NAV per share as at 31 March 2015.

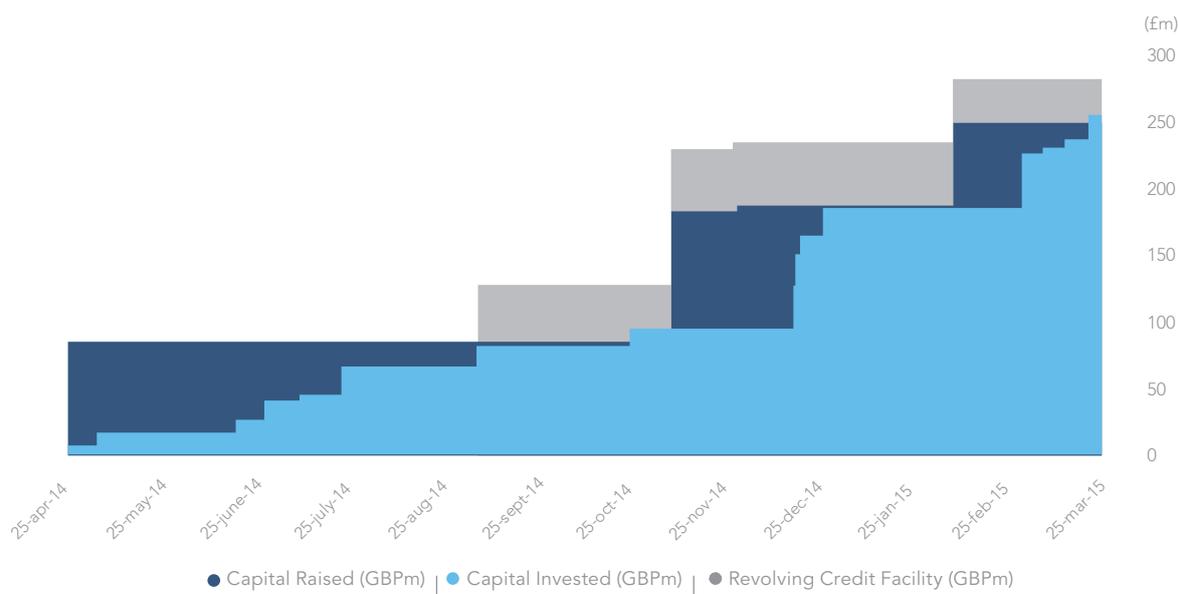
## Summary of Capital Raising and Capital Deployment

The Company completed four capital raisings during the period: its IPO of 85.6m new shares in April, a second issue of 91.0m new shares in November, a placing of 4.0m new shares in December and a further 59.75m new shares in February. All issues since the IPO have been completed pursuant to a 250m share issuance programme, under which NESF has the ability

to place and offer a further 95.25m new shares until 10 November 2015.

The total shares in issue thus increased from 85.6m at the IPO to 240.4m at period end. Below is a capital deployment chart that outlines the timing of the equity raising and speed of the capital deployment which, in conjunction with the flexibility provided by the Revolving Credit Facility ("RCF"), allowed the Company to rapidly grow NAV during the period.

## NextEnergy Solar Fund Capital Deployment Timeline

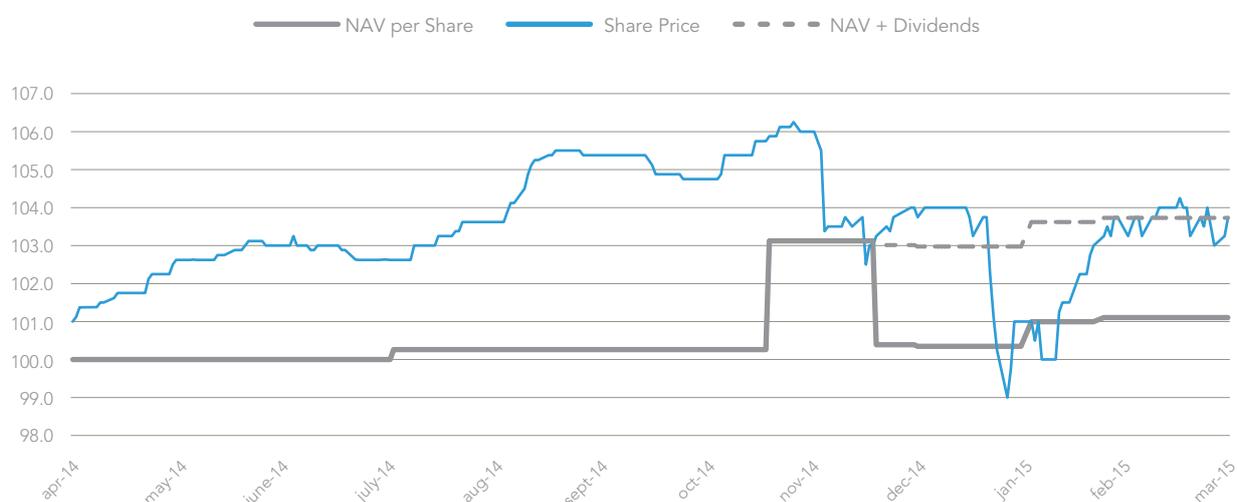


Date	Capital Raised (GBPm)	Capital Invested	Time to Deployment
April 2014	85.6	c.95% by September 2014	c.4 months
November/December 2014	99.6	c.95% by January 2015	c.6 weeks
February 2015	61.4	c.100% by April 2015	c.6 weeks

## Share Price Development

During the period the share price increased from 100p to 103.75p. The NAV and share price chart below highlights the share price performance during the period which predominantly traded at a premium over NAV apart from two brief intervals, of which the one in January was caused by speculative short-selling from an identified hedge-fund investor.

## NAV per Share vs Share Price



## Financing and Cash Management

On 17 September 2014 a subsidiary of the Company, NextEnergy Solar Holdings Limited, entered into a two-year revolving credit facility ("RCF") agreement for up to £31.5m. This facility can be drawn to fund the acquisition of further UK solar power plants. It is expected that the facility will be repaid through one of the following: excess dividend cover, further equity issuance and/or refinancing with a long-term debt facility.

The facility is provided by Macquarie Bank Limited. The facility is secured against the operating solar assets of the UK Holdco, which include the six assets already completed as at 31 March 2015. Since its financial closing and as at the Date of Preparation of this annual report, the Company has not drawn down the facility, but it has relied on its availability when entering into contractual binding commitment to acquire selected solar PV plants.

The Company, on behalf of the UK Holdco, undertook an extensive selection process among debt providers before signing the RCF with Macquarie to ensure its terms are in line with or better than the prevailing market conditions.

The Investment Manager is actively working on the extension of the Company's current credit facility with a number of lending counterparties to provide additional funding flexibility to acquire further assets. Following the period end the Investment Manager has entered into preliminary agreements subject to Credit Committee approval and documentation, to extend the RCF in steps to over £90m as appropriate. In the short-term, the Investment Manager is also looking to enter into further acquisition facilities with other lending counterparties to provide it with financial flexibility to acquire additional suitable solar assets and grow its portfolio.

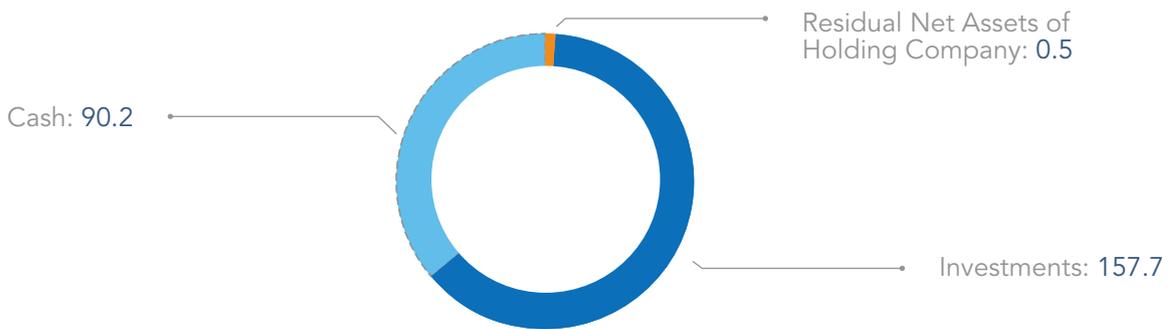
The debt financing strategy of the Company is supported by strong indications of support from equity investors for further capital increases that are expected to enable the refinancing of any utilisation of the acquisition facilities. Additional comfort on the potential for refinancing comes from the evidence of robust and increasing appetite from institutional debt capital providers for long-term dated securities backed by solar PV assets. The Investment Manager has received numerous indications of interest from banks and institutional lenders for debt products of this type that could be implemented in a relatively short period of time to refinance the acquisition facilities.

In the mid to long-term, the Company intends to optimise the capital structure of the Company with a view to maximise the profitability and liquidity of the equity investment of its shareholders, through the use of fixed rate and/or inflation linked debt. During

the period, significant debt transactions have been announced in the UK solar market demonstrating the strong and growing interest of institutional investors in providing long-term debt financing to UK solar plants. This buoyant debt market is supportive for highly geared debt strategies, which usually require agreeing long-term PPAs of up to 15 years, a requirement that limits the overall revenue obtainable for energy generated over such a term. However, the Company's maximum gearing level of 50% (loan to gross asset value ratio) allows, in the Investment Manager's view, the Company to negotiate the optimal cost of long-term debt without sacrificing the flexibility to maximise revenues.

As at 31 March 2015 the closing cash balance was £90.2m which has been fully committed to announced acquisitions in the process of being completed and currently invested in cash and short-term deposits.

### Balance Sheet Asset Analysis (£m)



Note: All cash was fully committed as at the period ended 31 March 2015.

## Outlook

The UK solar PV market experienced an acceleration of growth during 2014, with 2.3GW of additional capacity installed, a yearly increase of 79%. This growth in capacity was only exceeded by China, Japan and US during the same year, according to the International Energy Agency, positioning the UK as the Country with the 8th largest installed solar capacity at 5.1GWp. In addition, the announcement of regulatory changes that will see a phase-out of the ROC regime for solar installations larger than 5MWp and the introduction of new auction based mechanism (Contract for Differences) caused a further acceleration in the rate of new installations in the quarter ended March 2015. As a result, the updated total installed capacity of 5.7GWp, positions the UK at the 6th place in the global ranking for installed solar capacity, and 3rd in the European ranking behind Germany and Italy.

This exceptional growth represents a significant step forward in the UK solar roadmap, which in early 2014 targeted a total solar installed capacity by 2020 of 10-12GWp, with scenarios allowing for up to 20GWp. The Investment Manager believes this supports the case for a positive outlook for the UK solar sector in the next year, given the current momentum of the solar industry, the active project development market and the continuous appetite demonstrated by the equity and debt capital markets for these assets.

Over the next 12 months, the Company will benefit from the pipeline of opportunities identified by the Developer (NextPower Development Limited part of the NextEnergy Capital Group), ranging from large industrial scale plants in operation and benefiting from the 1.4 ROCs regime, or under construction and benefiting from the 1.3 ROCs or FiT regimes as well as portfolios of residential and commercial rooftops and Community Interest Projects. At the Date of Preparation of this annual report the Investment Manager, together with the Developer, have identified a pipeline of 206MW of short-term acquisition targets and are actively developing further opportunities.

The Company also has the ability to utilise its balance sheet to finance selected project development opportunities (as per the Company's Investment Policy). During the year ended March 2015 the Investment Manager has reviewed a number of these development opportunities offered by EPC contractors or other market

participants seeking to transfer their construction and financing risks and deemed their risk/reward trade-off unattractive in view of the March deadline representing a real cliff edge for the ROC regime. The outlook for solar project development in the new financial year offers instead a number of interesting development prospects with attractive risk-adjusted return profiles that the Investment Manager believes will support the growth and financial return ambitions of the Company whilst maintaining a prudent approach to project development and market risks.

In addition to these further growth opportunities, in the mid- to long-term period the Investment Manager intends to add value to the Company's strategy by optimising the technical and financial performances of its portfolio and by extending the useful lifespan of its assets. Furthermore, the Investment Manager remains fully engaged in monitoring technological change in the energy sector. Subsequently the Company is positioned well to incorporate the continuing innovation in energy technology and benefit from the associated cost reductions in solar energy generation, storage and distribution.

## Description of the Principal Risks and Uncertainties

The Company has in place risk management procedures and internal controls to monitor and mitigate the main risks faced as well as a process to review the effectiveness of those controls. The Investment Manager assists the Company in regularly identifying, assessing and mitigating those risk factors likely to impact the financial or strategic position of the Company. The Company's Risk Matrix is regularly reviewed on at least a semi-annual basis.

- External and Market Risks
- Investment Strategy
- Investment Process and Management of Assets
- Monitoring Process
- Valuation Process
- Financial and Accounting Process
- Governance, Tax and Regulatory Compliance

Based on the Investment Manager's assessment, the main risks faced by the Company are likely to be related to the following areas, the other ones being unlikely or less significant:

- Uncertainty for the future political scenario in the UK and risk of a change in government support for new solar installations, as well as the grandfathering of support granted to plants already in operation, affecting the value of the Company's assets
- Risk that further planned acquisitions do not take place, affecting the Company's growth potential
- Risk that the heightened competition for solar assets will make it more difficult for the Company to continue acquiring assets at prices lower than market average. This increased competition will likely be fuelled by investors with aggressive financial structures seeking lower unlevered returns than the Company for the same solar PV assets
- Exposure to wholesale energy market for revenues generated in prices received for energy generated and in price forecasts by the operating assets of the Company, and risk of further reductions in forward price curves

## Post period-end update

Since 31 March 2015, the following relevant events occurred:

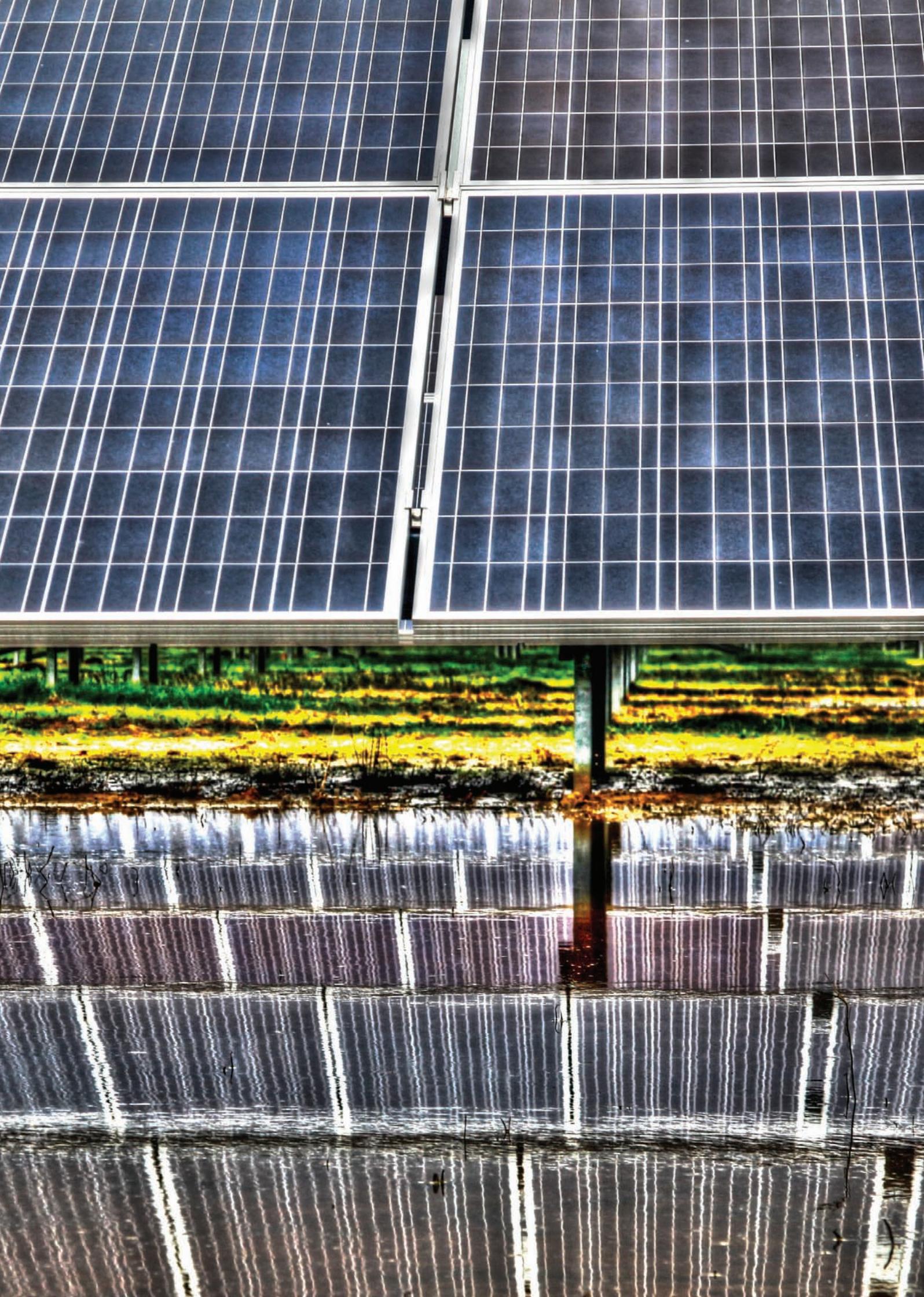
- On 2 April 2015 the Company completed the acquisition of the Poulshot solar PV plant
- On 2 April 2015 the Company completed the acquisition of the Boxted solar PV plant
- On 13 April 2015 the Company completed the acquisition of the Langenhoe solar PV plant
- On 23 April 2015 the Company completed the acquisition of the Croydon solar PV plant

For these four projects, the most significant conditions precedent to the formal completion of acquisition (mainly the agreed contractual milestones and the acceptance of the relevant technical certificate) had been already discharged before 31 March 2015. As a result, these four investments have been valued in the investment portfolio through the discounted cash flow methodology.

As at 31 March 2015, the Company had announced four other investments that were operational but for which the relevant contractual milestones and technical tests had not been achieved (namely Condover, Cock Hill Farm, Llwyndu and Park View) and as such their completion was not deemed imminent. Another two investments were announced on 13 April 2014 (namely Glebe Farm and Hawkens Farm that had been previously acquired by the Developer for novation to NESF). These six investments have not been valued through discounted cash flow methodology in the investment portfolio. As of the date of publication of this annual report, the Investment Manager had completed the acquisition of two of these six investments (namely Glebe Farm and Condover) and was in the process of completing the other four.

In addition, on 17 June 2015 the Company announced the agreement to acquire the Wellingborough and Bowerhouse solar PV plants with a combined capacity of 17.8MW, for a total acquisition price of £22m. The investment in Wellingborough also simultaneously exchanged and completed on 17 June 2015.

NextEnergy Capital IM Limited  
29 June 2015



# Corporate Governance

## Introduction

As a regulated Guernsey incorporated company with a Premium Listing on the Official List and admitted to trading on the Main Market for Listed Securities of the London Stock Exchange, the Company is required to comply with the principles of the UK Corporate Governance Code dated September 2012 ("UK Code").

The Board recognises the importance of a strong corporate governance culture that meets the requirements of the UK Listing Authority as well as other relevant bodies such as the Guernsey Financial Services Commission and the Association of Investment Companies (the "AIC")

As an AIC member, the Board has also considered the principles and recommendations of the AIC Code of Corporate Governance ("AIC Code") by reference to the AIC Corporate Governance Guide for Guernsey Domiciled Investment Companies ("AIC Guide"). The AIC Code addresses all the principles set out in the UK Code, as well as setting out additional principles and recommendations on issues of specific relevance to the Company. The AIC Code published in February 2013 addresses all of the principals set out in the UK Code, and has been endorsed by the Financial Reporting Council as ensuring investment company Boards fully meet their obligations to the UK Code and LR 9.8.6 of the Listing Rules. Having adopted the AIC Code with effect from Admission (25 April 2014), the Board has therefore assessed itself, the Committees and performance of the Directors against the parameters and principles outlined within the AIC Code for the period ended 31 March 2015.

The Board is of the view that throughout the period from Admission to 31 March 2015, that the Company has complied with the recommendations of the AIC Code and the relevant provisions of the UK Corporate Governance Code, except as set out below:

- The role of the chief executive
- Executive directors' remuneration
- The appointment of a Senior Independent Director
- The need for an internal audit function, and
- The appointment of a Remuneration, Nomination and Management Engagement Committee

For the reasons set out in the AIC Guide, and as explained in the UK Corporate Governance Code, the Board considers these provisions are not currently relevant or appropriate to the position of the Company.

## Chairman

Mr Lyon was appointed to the permanent position of Chairman of the Board on 22 January 2014. Mr Lyon is responsible for leading the Board in all areas, including determination of strategy, organising the Board's business and ensuring the effectiveness of the Board and individual Directors in all aspects of their roles. He also endeavours to produce an open culture of debate within the Board which facilitates the ability of the Board to make objective decisions free from the interests of the Investment Manager and Investment Adviser.

Prior to the Chairman's appointment, a job specification was prepared which included an assessment of the time commitment anticipated for the role. Discussions were undertaken to ensure the Chairman was sufficiently aware of the time needed for his role, and agreed to upon signature of his letter of appointment. Other significant business commitments of the Chairman were disclosed to the Company prior to appointment to the Board, and were publicly disclosed in the Company's Prospectus dated 18 March 2014 relating to the Company's listing and again in the Company's Prospectus dated 10 November 2014 relating to the Company's Placing Programme. There have not been any subsequent changes to the Chairman's business commitments, as stated in the Prospectus, that require to be declared. A summary of Mr Lyon's commitments can be identified in his biography on page 45.

The effectiveness and independence of the Chairman is evaluated on an annual basis as part of the Board's performance evaluation; the Audit Committee Chairman is tasked with collating feedback and discussing with the Chairman on behalf of the rest of the Board. The Chairman is not subject to any relationships which may create a conflict between his interests and those of the shareholders and does not serve on any other investment company board managed by the Investment Manager.

As per the Company's Articles, all Directors, including the Chairman, must disclose any interest in a transaction that the Board and Committees will approve. To ensure all Board decisions are independent, the said conflicted director is not entitled to vote in respect of any arrangement connected to the interested party.

## Board Independence and disclosure

The Board and Chairman confirm that they were selected prior to the Company's launch and were able to assume all responsibilities at an early stage, independent of the Investment Manager and Investment Adviser.

The Board is composed entirely of non-executive Directors, who meet regularly to determine the Company's strategic direction, review its financial performance and to oversee the performance of the Company's Investment Manager and service providers. Through the Audit Committee they are able to ascertain the integrity of financial information and confirm that all financial controls and risk management systems are robust.

There is no management engagement committee appointed for the Company as it is deemed that the size, composition and structure of the Company would mean the process would be inefficient and counter-productive. Therefore, the Board as a whole also fulfils the functions of a management engagement committee and reviews and analyses the actions, performance and judgements of the Investment Manager and also the terms of the Investment Management Agreement. Further to this the Board analyses and evaluates the performance of other service providers on a regular basis. The Board will continue to consider the need for a management engagement committee as the needs and structure of the Company develop.

As part of the annual performance evaluation process, the independence of each of the Directors was considered. Following the annual performance evaluation, it was deemed that the Directors had been proven to challenge the Investment Manager throughout the period under review, as minuted and recorded, therefore for the purposes of assessing compliance with the AIC Code, the Board as a whole considers that each Director is independent of the Investment Manager and free from any business or

other relationship that could materially interfere with the exercise of his independent judgement. If required, the Board is able to access independent professional advice. The Investment Manager is also requested to declare any potential conflicts surrounding votes, share dealing and soft commissions on an annual basis to the Board to help with the assessment of investments.

Open communication between the Investment Manager and the Board is facilitated by regular Board meetings, to which the Investment Manager is invited to attend and update the Board on the current status of the Company's investments, along with ad hoc meetings as required.

Coming to mutual agreement on all decisions, it was agreed the Board had acted in the best interests of the Company to the extent that, if deemed appropriate a Director would abstain or have his objection noted, and minuted.

Similar to the process outlined above for the appointment of the Chairman, a job specification was prepared for each Directorship which included an assessment of the time commitment anticipated for the role to ensure each Director was aware of the time commitment needed for the role. The Directors' other significant business commitments were disclosed to the Company prior to appointment to the Board, and were publicly disclosed in the Company's Prospectus dated 18 March 2014 relating to the Company's listing and restated in the Company's Prospectus dated 10 November 2014 relating to the Company's Placing Programme. No subsequent changes have required to be declared during the period. Each Director's commitments can be identified in their biographies detailed on pages 45 to 47. Details of the skills and experience provided by each director can also be found in their biographies, alongside identification of the role each Director currently holds in the Company.

Given the Company's current size and the structure of the Board, a Senior Independent Director has not been appointed.

The terms and conditions of appointment for non-executive Directors are outlined in their letters of appointment, and are available for inspection by any person at the Company's registered office during normal

business hours and at the AGM for fifteen minutes prior to and during the meeting.

There is no executive director function in the Company; all day-to-day functions are outsourced to external service providers.

## Development

The Board believes that the Company's Directors should develop their skills and knowledge through participation at relevant courses. The Chairman is responsible for reviewing and discussing the training and development of each Director according to identified needs. Upon appointment, all Directors participate in discussions with the Chairman and other Directors to understand the responsibilities of the Directors, in addition to the Company's business and procedures. The Company also provides regular opportunities for the Directors to obtain a thorough understanding of the Company's business by regularly meeting members of the senior management team from the Investment Manager, Investment Adviser and other service providers, both in person and by phone.

## Balance of the Board and diversity policy

It is perceived that the Board is well-balanced, with a wide array of skills, experience and knowledge that ensures it functions correctly and that no single director may dominate the Board's decisions. Having three Directors appointed ensures that during any transition period, there are at least two Directors to provide stability.

The Board recognises the importance of diversity and is committed to supporting diversity in the Boardroom. At this time, the Board had not yet developed a formal diversity policy as there have not been any appointments to the Board to replace outgoing Directors or to increase the size of the current Board. The Board fully intends to develop and implement a formal diversity policy in due course.

All Directors currently sit on the Audit Committee with no Director holding more than one Chairmanship post.

## Annual performance evaluation

The Board's balance as part of the performance evaluation is reviewed on a regular basis as part of a performance evaluation review. Using a pre-determined template based on the AIC Code's provisions as a basis for review, the Board undertook an evaluation of its performance and in addition, an evaluation focusing on individual commitment, performance and contribution of each director was conducted. The Chairman then met with each director to fully understand their views of the Company's strengths and to identify potential weaknesses. If appropriate, new members would be proposed to resolve the perceived issues, or a resignation sought. Following discussions and review of the Chairman's evaluation by the other Directors, the Audit Committee Chairman reviewed the Chairman's performance. Training and development needs are identified as part of this process, thereby ensuring that all Directors are able to discharge their duties effectively.

Given the Company's size and the structure of the Board, no external facilitator or independent third party was used in the performance evaluation.

## Re-election and Board tenure

There is currently no Nominations Committee for the Company as it is deemed that the size, composition and structure of the Company would mean the process would be inefficient and counter-productive. The Board therefore undertakes a thorough process of reviewing the skill set of the individual Directors, and proposes new, or renewal of current, appointments to the Board.

Each director was required to be re-elected by shareholders at the first Annual General Meeting of the Company and thereafter will be submitted for re-election not less than once in every three year period. Any director who has served on the Board for longer than nine years will be subject to annual re-election. Going forward, any director that is appointed to the Board will be required to submit themselves for re-election at the first Annual General Meeting following their appointment and thereafter once every three years.

It is anticipated that, should any director have served on the Board for nine or more years, their independence

would not automatically be considered to be compromised through length of service, but it would be closely scrutinised and the director would be subject to annual election.

Prior to the first Annual General Meeting, the Directors considered and approved the nomination for re-election of each Director nominated for re-election, in the absence of such nominee, and were pleased to be able to approve the nomination for re-election for each director having fully considered their contribution to the Company over the period of review. The Directors submitting themselves for election have proven their ability to fulfil all legal responsibilities and to provide effective independent judgement on issues of strategy, performance, resources and conduct. The Board therefore had no hesitation in recommending to shareholders that each director be re-elected.

## Appointment process

The appointment process for the Chairman and Directors at the time of incorporation of the Company is described above. As no new director has been appointed since the Company's launch and the Board believes there is no gap that currently needs to be filled, no appointment process has been formalised. It is anticipated, however, that the process will be led by the independent Directors and will involve identifying gaps and needs in the Board's composition and balance, including diversity, then reviewing the skill set of potential candidates. For renewal of current appointments, all Directors except the individual in question are entitled to vote at the meeting. Similarly, no new nominations have been made for the role of Chairman of the Board since prior to launch.

## Board and Board Committees

Matters reserved for the Board include review of the Company's overall strategy and business plans; approval of the Company's interim and annual report; review and approval of any alteration to the Company's accounting policies or practices and valuation of investments; approval of any alteration to the Company's capital structure; approval of dividend policy; appointments to the Board and constitution of Board Committees;

observation of relevant legislation and regulatory requirements; and performance review of key service providers. The Board also retains ultimate responsibility for Committee decisions; every Committee is required to refer to the Board, who will make the final decision.

Terms of reference containing a formal schedule of matters reserved for the Board of Directors and its duly authorised Committee has been approved and can be reviewed at the Company's registered office.

The Board met 31 times during the period ended 31 March 2015, the meeting attendance record is displayed further on in the Corporate Governance Statement. The Company Secretary acts as the Secretary to the Board.

As noted above, the Board fulfils the responsibilities typically undertaken by a Management Engagement Committee and reviews the actions and judgements of the Investment Manager and also the terms of the Management Agreement.

The Board looks to undertake an assessment of the Investment Manager's scope and responsibilities as outlined in the service agreement and prospectus on a formal basis every year. Discussions on Investment Manager performance are also conducted regularly throughout the year by the Board. Reviews of engagements with other service providers to ensure all parties are operating satisfactorily are also undertaken by the Board so as to ensure the safe and accurate management and administration of the Company's affairs and business and that they are competitive and reasonable for shareholders.

As detailed in the Remuneration Report, the Board also fulfils the duties and role of a Remuneration Committee. Full details as to how the Board fulfils those duties can be found in the Remuneration Report on pages 52 to 53.

## Audit Committee

The Board has established an Audit Committee composed of all the independent members of the Board. The Chairman of the Board is included as a Committee member to enable a full understanding of the issues facing the Company, but cannot be Audit Committee

Chairman. The Audit Committee, its membership and its terms of reference are kept under regular review by the Board, and it is perceived all members have sufficient financial skills and experience. Patrick Firth is Audit Committee Chairman.

The Audit Committee met four times during the period ended 31 March 2015; the meeting attendance record is displayed on page 42. The Company Secretary acts as the Secretary to the Audit Committee.

Owing to the size and structure of the Company, there is no internal audit function. The Audit Committee has reviewed the need for an internal audit function, and perceived that the internal financial and operating control systems in place within the Company and its service providers, as evidenced by the internal control reports provided by the Administrator, give sufficient assurance that a sound system of internal control is maintained that safeguards shareholders' investment and Company assets.

The Audit Committee is intended to assist the Board in discharging its responsibilities for the integrity of the Company's financial statements, as well as aiding the assessment of the Company's internal control effectiveness and objectivity of the external Auditors. Further information on the Audit Committee's responsibilities is given in the report of the Audit Committee on page 54.

Formal terms of reference for the Audit Committee are available at the registered office, and are reviewed on a regular basis.

## Board and Committee meeting attendance

Individual attendance at Board and Committee meetings is set out below:

	Scheduled Board	Ad hoc Board <sup>1</sup>	Audit Committee
Kevin Lyon	4	10	4
Patrick Firth	4	22	4
Vic Holmes	4	24	4
Total Meetings for year	4	27	4

<sup>1</sup> The ad hoc Board meetings are convened to deal with administrative matters. In such cases, it is not always feasible, or a necessity, for the Chairman of the Board to attend such meetings in Guernsey, and has participated as an observer by phone.

In addition to the scheduled quarterly and additional offshore ad hoc meetings, the Directors and the Investment Manager have been provided with a number of telephone and face to face investment briefings by the Investment Adviser in order to keep the Directors and the Investment Manager fully apprised and up to date with the current investment status and progress.

## Company Secretary

Reports and papers, containing relevant, concise and clear information, are provided to the Board and Committees in a timely manner to enable review and consideration prior to both scheduled and ad hoc specific meetings. This ensures that Directors are capable of contributing to, and validating, the development of Company strategy and management. The regular reports also provide information that enables scrutiny of the Company's Investment Manager and other service providers' performance. When required, the Board has sought further clarification of matters with the Investment Manager and other service providers, both by means of further reports and in-depth discussions, in order to make more informed decisions for the Company.

Under the direction of the Chairman, the Company Secretary facilitates the flow of information between the Board, Committees, Investment Manager and other service providers through the development of comprehensive, detailed meeting packs, agendas and other media. These are circulated to the Board and other attendees in sufficient time to review the data.

Full access to the advice and services of the Company Secretary is available to the Board; in turn, the Company Secretary is responsible for advising on all governance matters through the Chairman. The Articles and schedule of matters reserved for the Board indicate the appointment and resignation of the Company Secretary is an item reserved for the full Board. A review of the performance of the Company Secretary is undertaken by the Board on a regular basis.

## Financial and Business Information

An explanation of the Directors' role and responsibility in preparing the Annual Report and Accounts for the period ended 31 March 2015 is provided in the Statement of Directors' Responsibilities on page 48.

For the purposes solely of the audit of the financial statements, the Auditors have reviewed the Company's compliance with the AIC Code's provisions, the UK Listing Authority's Listing Rules and other applicable rules of the FCA as reported on page 44.

Further information enabling shareholders to assess the Company's performance, business model and strategy can be sourced in the Chairman's Statement on pages 3 to 4, the Strategic Report on pages 6 to 10 and the Report of the Directors on pages 49 and 51.

## Risk Management and Risk Control

The Board is required annually to review the effectiveness of the Company's key internal controls such as financial, operational and compliance controls and risk management. The controls are designed to ensure that the risk of failure to achieve business objectives is minimised, and are intended to provide reasonable assurance against material misstatement or loss. Through regular meetings and meetings of the Audit Committee, the Board seeks to maintain full and effective control over all strategic, financial, regulatory and operational issues. The Board maintains an organisational and Committee structure with clearly defined lines of responsibility and delegation of authorities.

As part of the compilation of the risk register for the Company, appropriate consideration has been given to the relevant control processes and that risk is considered, assessed and managed as an integral part of the business. The Company's system of internal control includes inter alia the overall control exercise, procedures for the identification and evaluation of business risk, the control procedures themselves and the review of these internal controls by the Audit Committee on behalf of the Board. Each of these elements that make up the Company's system of internal financial and operating control is explained in further detail as follows:

### (i) Control environment

The Company is ultimately dependent upon the quality and integrity of the staff and management of its Investment Manager, its Investment Adviser and its Fund Administration and Company Secretarial service provider, Ipes (Guernsey) Limited. In each case,

qualified and able individuals have been selected at all levels. The staff of both the Investment Manager and Administrator, are aware of the internal controls relevant to their activities and are also collectively accountable for the operation of those controls. Appropriate segregation and delegation of duties is in place.

The Audit Committee undertakes a review of the Company's internal financial and operating controls on a regular basis. The Auditor of the Company, PricewaterhouseCoopers CI LLP, considers internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design their audit procedures, but not for the purpose of expressing an audit opinion on the effectiveness of the Company's internal controls.

In its role as a third-party fund administration services provider, the Ipes Group, of which Ipes (Guernsey) Limited is a part, produces an annual AAF 01/06 Assurance Report on the internal control procedures in place within the Ipes Group, and this is subject to review by the Audit Committee and the Board.

### (ii) Identification and evaluation of business risks

Another key business risk is the performance of the Company's investments. This is managed by the Investment Manager, which undertakes regular analysis and reporting of business risks in relation to the loan portfolio provided by the Investment Adviser, and then proposes appropriate courses of action to the Board for their review.

### (iii) Key procedures

In addition to the above, the Audit Committee's key procedures include a comprehensive system for reporting financial results to the Board regularly, as well as quarterly impairment reviews of loans (including reports on the underlying investment performance).

Although no system of internal control can provide absolute assurance against material misstatement or loss, the Company's system is designed to assist the Directors in obtaining reasonable assurance that problems are identified on a timely basis and dealt with appropriately. The Company, given its size, does not have an internal audit function. It is the view of the Board

that the controls in relation to the Company's operating, accounting, compliance and IT risks performed robustly throughout the year. In addition, all have been in full compliance with the Company's policies and external regulations, including:

- Investment policy, as outlined in the IPO documentation
- Personal Account Dealing, as outlined in the Model Code
- Whistleblowing policy
- Anti-Bribery policy
- Applicable FCA Regulations
- Listing Rules, and Disclosure and Transparency Rules
- Treatment and handling of confidential information
- Conflicts of interest
- Compliance policies
- Anti-Money Laundering Regulations.

## Corporate Governance Statement

There were no protected disclosures made pursuant to the Company's whistleblowing policy, or that of service providers in relation to the Company, during the period ended 31 March 2015.

In summary, the Board considers that the Company's existing internal financial and operating controls, coupled with the analysis of risks inherent in the business models of the Company and its subsidiaries, continue to provide appropriate tools for the Company to monitor, evaluate and mitigate its risks.

## Dialogue with Shareholders

The Directors place a great deal of importance on communication with shareholders. The Investment Manager and the brokers aim to meet with large shareholders at least annually, together with the Investment Adviser, and calls are undertaken on a regular basis with shareholders. The Board also receives regular reports from the Brokers on shareholder issues. Publications such as the Annual Report and Financial Statements, and Quarterly Factsheets are reviewed and approved by the Board prior to circulation, and are widely distributed to other parties who have an interest in the Company's performance, and are available on the Company's website.

All Directors are available for discussions with the shareholders, in particular the Chairman and the Audit Committee Chairman, as and when required.

## Constructive use of AGM

The Notice of AGM is sent out at least 20 working days in advance of the meeting. All shareholders have the opportunity to put questions to the Board or Investment Manager, either formally at the Company's Annual General Meeting, informally following the meeting, or in writing at any time during the year via the Company Secretary. The Company Secretary is also available to answer general shareholder queries at any time throughout the year.

By order of the Board

**Ipes (Guernsey) Limited**  
Company Secretary

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## Biographical Information of the Directors

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### Kevin Lyon (Independent Non-Executive Director and Chairman)

Mr Lyon is a qualified chartered accountant, with over 30 years of experience in private equity and senior director positions in a number of different companies. He spent approximately 17 years with the 3i Group, responsible for their core private equity business across the UK, with a team of ten directors and 40 executives. Mr Lyon is currently chairman of Mono Global Group and also

serves as an independent director of DCK Group. He was former chairman of Smart Metering Systems plc, Valiant Petroleum plc, RBG, Wyndeham Press Group, Whittards of Chelsea, Julian Graves, Craneware plc, Incline GTS and was a Non-Executive Director on Booker plc, David Lloyd Leisure and Phase 8. He won the Institute of Directors Scotland, Non-Executive Director of the Year Award in March 2013. Mr Lyon graduated from Edinburgh University in 1982 and has attended management courses at INSEAD, IESE and Ashridge. Mr Lyon is also Chairman of Cutis Developments Ltd and a non-executive Director of Ambrian plc (formerly East West Resources plc).



## Patrick Firth

(Independent Non-Executive Director  
and Audit Committee Chairman)

Mr Firth is a non-executive Director of the Company. He qualified as a Chartered Accountant with KPMG Guernsey in 1991 and is also a member of the Chartered Institute for Securities and Investment. Patrick is a director of a number of management companies, general partners and investment companies including Riverstone Energy Limited, JZ Capital Partners Limited, ICG Longbow

Senior Secured UK Property Debt Investments Limited, DW Catalyst Fund Limited. He has worked in the fund industry in Guernsey since joining Rothschild Asset Management C.I Limited in 1992 before moving to become Managing Director at Butterfield Fund Services (Guernsey) Limited (subsequently Butterfield Fulcrum Group (Guernsey) Limited), a company providing third party fund administration services, where he worked from April 2002 until June 2009. Mr Firth is a former Chairman of the Guernsey Investment Fund Association (GIFA) and is currently Chairman of the Guernsey International Business Association (GIBA) Council. He is a resident of Guernsey.



## Vic Holmes

(Independent Non-Executive Director)

Mr Holmes is a Fellow Chartered Certified Accountant ("FCCA") and a non-executive Director of the Company. He has been involved in financial services for over 30 years. In 1986, Mr Holmes joined the Board of Guernsey International Fund Management Limited, Guernsey's largest fund administration company. In 1990, he was appointed managing director of the newly established Irish based Baring Asset Management subsidiary, providing international fund administration services from a Dublin base. He continued in that position until 2003, when he was appointed head of fund administration services for the Baring Asset Management group of companies, providing services out of London, Dublin,

Guernsey, Isle of Man and Jersey. Subsequent to the acquisition of the Baring Asset management Financial Services Group by Northern Trust in 2005, he was appointed country head of Northern Trust's Irish businesses and, in 2007, he returned to Guernsey to assume the position of jurisdictional head of Northern Trust's Channel Island businesses. Since 1986, Mr. Holmes has served on a wide range of fund-related boards, based mainly in Guernsey and Ireland, but also in the UK, and the Cayman Islands. Mr Holmes' current directorships include Permira Holdings Limited, Generali Worldwide Insurance Company Limited, Picton Property Income Limited (London listed), a range of Ashmore funds, and a range of F&C funds. Mr Holmes was Chairman of the GIFA Executive Committee for the period April 2013 to April 2015. He is a resident of Guernsey.

# Statement of Directors' Responsibilities

The Directors are responsible for preparing financial statements for each financial period which give a true and fair view, in accordance with applicable laws and regulations, of the state of affairs of the Company and of the profit and loss of the Company for that period.

The Companies (Guernsey) Law, 2008 requires the Directors to prepare financial statements for each financial period. The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"). In preparing the financial statements, the Directors are required to:

- Select suitable accounting policies and apply them consistently;
- Make judgements and estimates that are reasonable and prudent;
- State whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- Prepare the financial statements on a going concern basis unless it is inappropriate to presume that the Company will continue in business.

The maintenance and integrity of the Company's website is the responsibility of the Directors. Legislation in Guernsey governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

The Directors are responsible for keeping proper accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with The Companies (Guernsey) Law, 2008. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Each of the Directors confirms that, to the best of their knowledge:

- They have complied with the above requirements in preparing the financial statements;
- There is no relevant audit information of which the Company's auditors are unaware;

- All Directors have taken the necessary steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditors are aware of said information;
- The financial statements, prepared in accordance with the applicable set of accounting standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company; and
- The Chairman's Statement, Report of the Directors and Corporate Governance Statement include a fair review of the development and the business and the position of the Company, together with a description of the principal risks and uncertainties that it faces.

The 2012 UK Corporate Governance Code, as adopted through the AIC Code by the Company, also requires Directors to ensure that the Annual Report and Accounts are fair, balanced and understandable. In order to reach a conclusion on this matter, the Board has requested that the Audit Committee advise on whether it considers that the Annual Report and Accounts fulfil these requirements. The process by which the Committee has reached these conclusions is set out in the Report of the Audit Committee on pages 54 to 57. Furthermore, the Board believes that the disclosures set out on pages 6 to 37 of the annual report provide the information necessary for shareholders to assess the Company's performance, business model and strategy.

Having taken into account all the matters considered by the Board and brought to the attention of the Board during the period from inception to 31 March 2015, as outlined in the Corporate Governance Statement, Strategic Report and the Report of the Audit Committee, the Board has concluded that the Annual Report and Accounts for the period from inception to 31 March 2015, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's performance, business model and strategy.

For NextEnergy Solar Fund Limited

Kevin Lyon  
Chairman  
29 June 2015

# Report of the Directors

The principal activities and investment objectives of the Company are to provide investors with a sustainable and attractive dividend that increases in line with RPI over the long-term by investing exclusively in a diversified portfolio of solar PV assets that are located in the UK. The Company's principal activities and investment objectives are detailed more fully in the Strategic Report on pages 6 to 10.

The structure of the Company and the NEC Group, as detailed fully on pages 7 to 10 of the Strategic Report, facilitates the efficient holding of and management of the Company's assets to enable the Company to pursue its principal activities and objectives.

## Dividend Policy

The Company is targeting an annual dividend of 6.25p per Ordinary Share (adjusted in direct proportion to annual variations in RPI) in each financial year.

Distributions on the Ordinary Shares are expected to be paid twice a year, normally in respect of the six months to 30 September and 31 March.

There are no assurances that the Company will pay any future dividends.

For the first long financial year ended 31 March 2015, the Company has declared a dividend of 5.25p per Ordinary Share. On 4 November, an interim dividend of 2.625p per Ordinary Share was declared, totalling £4,635,750 and paid on 17 December 2014 to all Shareholders on the register at 5 December 2014. A second interim dividend of 2.625p per Ordinary Share was declared on 30 June 2015, totalling £6,309,187.50 for payment on 30 July 2015 to all Shareholders on the register at 10 July 2015.

## Capital

As part of the Company's initial public offering (the "IPO"), completed on 25 April 2014, 85,600,000 ordinary shares of the Company, with an issue price of 100p per share, were admitted to the premium segment of the UK Listing Authority's Official List and to trading on the Main Market of the London Stock Exchange. Since the IPO the Ordinary Shares in issue have increased to 240,350,000 as a result of further share issues made

pursuant to the current Placing Programme. The Placings and Offers for Subscription made under the placing programme are as follows:

Date	Description	New Ordinary Shares Issued	Number of Shares in Issue
25 April 2014	Initial Public Offering	85,600,000	85,600,000
19 November 2014	Issue of Shares Placing	85,316,434	170,916,434
	Issue of Shares Offer	5,683,566	176,600,000
23 December 2014	Issue of Shares Placing	4,000,000	180,600,000
27 February 2015	Issue of Shares Placing	55,356,358	235,956,358
	Issue of Shares Offer	4,393,642	240,350,000

## Revolving Credit Facility

In September 2014, the Company announced that financing documentation had been signed for a two-year revolving credit facility of up to £31.5m, provided by Macquarie Bank Limited. The financing documentation was executed by the UK Holdco with the Company providing security over its shares in the UK Holdco to Macquarie Bank Limited.

The Revolving Credit Facility will provide flexibility to the Company and will allow it to react quickly to acquire further solar power plants from among its pipeline of opportunities.

## Business Review

As at the Date of Preparation of this annual report the Company announced the acquisition of 16 solar PV plants for a total of 217MWp and a total investment value of approximately £252.0m, representing 102% of the equity proceeds raised since its IPO in April 2014 and will utilise its revolving credit facility to finance any amounts not covered by its available equity funding and to fund further investment opportunities.

Full details of the Company's performance during the period ended 31 March 2015, its position at that date and the Company's future developments are detailed in the Chairman's Statement, the Strategic Report and the Investment Manager's Report on pages 3 to 25.

## Substantial Interests

As at the Date of Preparation of this annual report, the Company is aware of the following material shareholdings:

Name	Ordinary shares purchased	% shareholding at 31 March 2015
Prudential plc group of companies	60,093,683	25.00
Artemis Investment Management LLP on behalf of discretionary funds under management	45,460,932	18.91
Investec Wealth & Investment Limited	31,286,736	13.02
Baillie Gifford	15,937,500	6.63
Smith & Williamson	12,650,389	5.26

## Directors and Directors' Interests in Shares

The Directors who have served throughout the period from inception to 31 March 2015 were Kevin Lyon, Patrick Firth and Vic Holmes. All Directors retired and were re-elected at the first annual general meeting of the Company held on 19 June 2015. Going forward each Director who has been appointed will be required to be elected at the next annual general meeting and all Directors will be required to submit themselves for re-election once every three years.

Biographical details of each of the Directors are shown on pages 45 to 47.

The Directors' interests in shares are shown below:

Name	Ordinary shares at Company's Launch	Ordinary shares purchased	Ordinary shares at 31 March 2015
Kevin Lyon	60,000	-	60,000
Patrick Firth	20,000	-	20,000
Vic Holmes	10,000	-	10,000

## Corporate Governance

The Corporate Governance Statement on pages 38 to 44 sets out in detail the Code of Corporate Governance against which the Company reports. It also sets out the Company's compliance with the relevant principles and any reasons for deviations from the code. Finally, it includes details regarding the Audit Committee, its composition and terms of reference.

## Going Concern

The Company's business activities and factors likely to affect its performance, position and prospects are set out in the Strategic Report on pages 6 to 10. Further to this, the Strategic Report provides further information on the financial position of the Company, its cash flows, liquidity and borrowing facilities.

The Board is satisfied that the Company has sufficient resources available to be able to manage the Company's business effectively and pursue the Company's principal activities and investment objectives.

The Directors have a reasonable expectation that the Company has sufficient resources available to continue as a going concern for the foreseeable future. As such, the Directors are happy to adopt the going concern basis of accounting in preparing these financial statements.

## Share Repurchase

No shares have been repurchased during the period. Authority to purchase Ordinary Shares was sought and obtained at the first Annual General Meeting of the

Company held on 19 June 2015 and will expire at the conclusion of the second Annual General Meeting of the Company, at which point it is envisaged that the Directors will propose to extend the authority.

## Treasury Shares

Under section 315 of the Companies (Guernsey) Law, 2008 (as amended from time to time) the Company is entitled to hold shares acquired by market purchase as treasury shares. Up to 10% of the issued share capital may be held in treasury and either sold in the market or cancelled.

Whilst there are no shares currently held in treasury, and the Board has no intention at present to acquire shares to hold in treasury, the Board will keep this matter under review.

## Independent Auditors

The Board of Directors elected to appoint PricewaterhouseCoopers CI LLP as Auditors to the Company at the inaugural meeting of the Company on 22 January 2014. PricewaterhouseCoopers CI LLP has indicated their willingness to continue as Auditors.

## Investment Manager and Service Providers

The Investment Manager during the period was NextEnergy Capital IM Limited (the "Investment Manager"), incorporated in Guernsey with registered number 57740 and regulated by the GFSC. The Investment Manager has appointed NextEnergy Capital Limited (the "Investment Adviser"), an English limited company which is regulated by the Financial Conduct

Authority ("FCA"), to provide investment advice pursuant to an Investment Advisory Agreement.

The Company's brokers during the period were Cantor Fitzgerald Europe, Macquarie Capital (Europe) Limited and Shore Capital and Corporate Limited.

The Company's Administrator and Company Secretary during the period was Ipes (Guernsey) Limited (the "Administrator").

## Annual General Meeting

The Company's Annual General Meeting was held on 19 June, with all resolutions passed.

## General Meeting

A General Meeting has been convened for 2pm on 30 July 2015, at the Company's registered office, for the purpose of receiving the Annual Report and Financial Statements for the period ended 31 March 2015, together with the reports of the Directors and auditors therein, and to re-appoint the Auditors.

The Board considers that the Resolutions are in the best interests of the Company and its Shareholders as a whole. Accordingly the Board unanimously recommends that Shareholders vote in favour of the Resolutions to be proposed at the General Meeting.

By order of the Board

**Ipes (Guernsey) Limited**  
Company Secretary  
29 June 2015

# Directors' Remuneration Report

## Remuneration Policy and Components

The Board endeavours to ensure the remuneration policy reflects and supports the Company's strategic aims and objectives throughout the period under review. It has been agreed that, as all the Directors are independent and non-executive, a separate Remuneration Committee would provide little extra in the way of governance and therefore, the functions of the Remuneration Committee will be undertaken by the full Board as detailed in the Prospectus. Furthermore, with the Board comprising of only three members it would prove somewhat onerous to establish a separate Remuneration Committee. The Board will review the need for the Company to establish a Remuneration Committee as the needs and structure of the Board and the Company develop.

Remuneration is set by the Board with details of remuneration of the Board as per Directors Letters of Appointment and as set out in the Prospectus. No external remuneration consultants were appointed during the period under review.

As per the Company's Articles of Incorporation, the Directors shall be paid out of the funds of the Company by way of fees such sums as shall be approved by the Company in general meeting. It is the Company's policy to determine the level of Directors' fees, having regard for the level of fees payable to non-executive Directors in the industry generally, the role that individual Directors fulfil in respect of responsibilities related to the Board and Audit Committee and the time dedicated by each Director to the Company's affairs. Base fees are set out below.

Base Fees	Per annum (GBP)
Chairman	60,000
Audit Committee Chairman	33,000
Non-Executive Director	30,000
Total Directors' Base Fees	123,000

In accordance with the Articles of Incorporation the Board may determine that additional remuneration may be paid, from time to time, to any one or more Directors in the event such Director or Directors are requested by

the Board to perform extra or special services on behalf of the Company. In accordance with this provision and in recognition of the additional work the Directors have done in connection with the Placing Programme, it was agreed that each Director is entitled to receive an additional fee of £5,000 on completion of the Initial Placing, and a further additional fee of £5,000 on completion of the second Issue pursuant to the Placing Programme.

As outlined in the Articles of Association, the Directors shall also be paid all reasonable travelling, hotel and other expenses properly incurred by them in attending and returning from meetings of the Directors or any Committee of the Directors or general meetings of the Company or in connection with the business of the Company. The total amount of Directors' expenses paid for the period from incorporation to 31 March 2015 is £710.44.

No amount has been set aside or accrued by the Company to provide pension, retirement or other similar benefits for the Directors.

No Director has any entitlement to pensions, paid bonuses or performance fees, has been granted share options or been invited to participate in long-term incentive plans. No loans have been taken on behalf of a Director by the Company.

None of the Directors has a service contract with the Company. Each of the Directors have entered into a letter of appointment with the Company dated 22 January 2014, and was subject to election at the first Annual General Meeting, or as determined in line with the Company's Articles, and re-election at subsequent Annual General Meetings in accordance with the Company's Articles and all due regulations and provisions. The Directors do not have any interests in contractual arrangements with the Company or its investments during the period under review, or subsequently. Each appointment can be terminated in accordance with the Company's Articles and without compensation. As outlined in the letters of appointment, each appointment can be terminated by:

(i) Resignation by the Director by giving written notice (six months for the Chairman and three months for the remaining Directors) to the Board;

(ii) A resolution of the Shareholders;

(iii) Disqualification from acting as Director under the Law or Company's Articles, without notice;

(iv) Actions otherwise in accordance with the Company's Articles

Directors' and Officers' liability insurance cover is maintained by the Company but is not considered a benefit in kind nor constitutes a part of the Directors' remuneration. The Company's Articles indemnify each Director, Secretary, agent and officer of the Company, former or present, out of assets of the Company in relation to charges, losses, liabilities, damages and expenses incurred during the course of their duties, in so far as the law allows and provided that such indemnity is not available in circumstances of fraud, wilful misconduct or negligence.

## Directors' Fees

The Directors received the following fees during the period under review, totalling £176,575:

Director	Director fee for period from 22 January 2014 to 31 March 2015 (GBP)	Additional remuneration paid for extra/special services	Total fee for period
Kevin Lyon	71,500	10,000	81,500
Patrick Firth	39,325	10,000	49,325
Vic Holmes	35,750	10,000	45,750
Aggregate Fees	146,575	30,000	176,575

By order of the Board  
Ipes (Guernsey) Limited  
Company secretary  
29 June 2015



# Audit Committee Report

The Board is supported by the Audit Committee, which was established at a meeting of the Board of Directors held on 30 June 2014 and comprises of all of the Directors during the period following establishment. Patrick Firth is Chairman of the Audit Committee. The Chairman of the Board is a member of the Audit Committee, to enable his greater understanding of the issues facing the Company. The Board has considered the composition of the Audit Committee and is satisfied it has sufficient recent and relevant skills and experience.

## Role and Responsibilities

The primary role and responsibilities of the Audit Committee are clearly defined in the Audit Committee's terms of reference, available at the registered office, including:

- Monitoring the integrity of the financial statements of the Company and any formal announcements relating to the Company's financial performance, and reviewing significant financial reporting judgements contained within said statements and announcements
- Reviewing the Company's internal financial controls, and the Company's internal control and risk management systems
- Monitoring and reviewing the independence, objectivity and effectiveness of the external Auditors, taking into consideration relevant regulatory and professional requirements
- Making recommendations to the Board in relation to the appointment, re-appointment and removal of the external Auditors and approving their remuneration and terms of engagement, which in turn can be placed before the shareholders for their approval at the Annual General Meeting
- Developing and implementing the Company's policy on the provision of non-audit services by the external Auditors, as appropriate
- Reviewing the arrangements in place to enable employees of the Investment Manager or any other adviser to, in confidence, raise concerns about possible improprieties in matters of financial

reporting or other matters insofar as they may affect the Company

- Providing advice to the Board on whether the annual financial statements, taken as a whole, are fair, balanced and understandable and provide the information necessary for shareholders to assess the Company's performance, business model and strategy
- Reporting to the Board on how the Committee discharged all relevant responsibilities at each Board meeting

The Committee met four times during the period under review; individual attendance of Directors is outlined on page 42. The main matters discussed at those meetings were:

- Establishment of the audit requirements for the Company
- Drafting the terms of Reference for the Committee to present to the Board for consideration
- Detailed review of the Half Year Report and Accounts and recommendation for approval by the Board
- Discussion of reports from the external Auditors following their interim reviews
- Review and approval of the annual audit plan of the external Auditors
- Review and approval of the interim review plan of the external Auditors
- Review of the Company's key risks and internal controls

The Committee intends to assess the effectiveness and independence of the external Auditors following the conclusion of the period end audit process. The Committee has also reviewed and considered the whistleblowing policy in place for the Investment Adviser and other service providers, and is satisfied the relevant staff can raise concerns in confidence about possible improprieties in matters of financial reporting or other matters insofar as they may affect the Company.

## Significant Issues in Relation to the Financial Statements

Following discussions with the Investment Manager, Investment Adviser and the external Auditors, the Committee determined that the key risks connected with the preparation of the financial statements of the Company related to:

- Management override of controls - in line with the requirements of International Standards on Auditing ("ISA") issued by the International Auditing and Assurance Standards Board
- Existence of investments - existence of the assets provides a higher inherent risk given the nature of purchasing a solar farm. There is an initial commitment to purchase while the solar farm is under construction, however final payment is only made when the asset is fully operational
- Investment Valuation - valuation of the assets provides a higher inherent risk as the valuations are based upon models which require complex and subjective judgements or estimates for inputs into the model

### Existence of Investments

In conjunction with the Auditors, the Committee updated its understanding and evaluated the internal controls in place for assessing ownership and existence at the reporting date including any significant judgements or estimates made.

The Committee has access to and reviews the key transaction documents as well as reviewing the agreements for the commitment to purchase new solar farms by NextEnergy Solar Holdings Limited (the UK subsidiary of the Company, or "UK HoldCo"), with particular focus on initial recognition of the solar farms as assets of the UK HoldCo. This included discussion between the Investment Manager and the Investment Adviser.

For operational assets, the Committee has reviewed transactions and balances which support the assertions

of existence and ownership at the SPV level and also of the ownership of each SPV to the UK HoldCo and in turn the UK HoldCo to the Company.

### Investment Valuation

The Audit Committee considers in detail those assumptions that are subject to judgement and that have a material impact on the valuation of the assets. During this process the Audit Committee challenges the assumptions employed by the Investment Adviser and Investment Manager monitors the changes in these assumptions over time. The key assumptions include but are not limited to:

- Inflation rates and other macroeconomic factors
- Discount rates and other valuation methodologies
- Operating performance and costs assumptions
- Power price assumptions

The Investment Manager discusses and agrees valuation assumptions with the Committee and provides suitable rationale for changes to the same.

### Internal Controls and Risk Management

The Board is ultimately responsible for the Company's systems of internal control and for reviewing its effectiveness. Under the Committee's Terms of Reference responsibility has been delegated to the Committee for monitoring the Company's internal financial controls, and the Company's internal control and risk management systems. The Committee maintains a risk matrix which is reviewed and, where necessary, amended and updated at each meeting and reports on any changes to the Board at the next available opportunity for the Board's consideration.

The Internal Controls and Risk Management process is detailed more fully in the Corporate Governance Statement on page 38.

## Review of External Audit Process Effectiveness

The Audit Committee communicated regularly with the Investment Manager, Investment Adviser and Administrator to obtain a good understanding of the progress and efficiency of the audit process. Similarly, feedback in relation to the efficacy of the Investment Manager, Investment Adviser and other service providers in performing their relevant roles was sought from relevant involved parties, including the audit partner and team. The external Auditor is invited to attend the Audit Committee meetings at which the semi-annual and annual accounts are considered, and meetings are also held with the Auditors to meet and discuss any matters with the Audit Committee members without the presence of the Investment Adviser, Investment Manager or the Administrator.

As mentioned above, and as this is the Company's first set of period end financial statements, the Audit Committee has not yet reviewed the performance of the external Auditor. However, the Committee intends to conduct a review of the external Auditors following the conclusion of the period end audit process and in doing so will look to consider:

- The quality of service, the Auditors' specialist expertise, the level of audit fee, identification and resolution of any areas of accounting judgement, and quality and timeliness of papers analysing these judgements
- Review of the audit plan presented by the Auditors, and when tabled, the final audit findings report
- Meeting with the Auditors regularly to discuss the various papers and reports in detail
- Further interviews of appropriate staff in the Investment Manager, Investment Adviser and Administrator to receive feedback on the effectiveness of the audit process from their perspective
- Compilation of a checklist with which to provide a means to objectively assess the Auditors' performance

Subject to a formal review of the external Auditors, the Committee has been satisfied with the Auditors' effectiveness. Furthermore, as the Company has only gone through one period end audit process the Committee does not feel that it would be beneficial or necessary at this time to require the Auditors to re-tender for the audit work.

## Auditors' Tenure and Objectivity

The Company intends to develop an audit tender policy which the Board will consider after five years from the appointment date of the current Auditor. A review will therefore occur in the second half of 2019, subject to regular reviews by the Board and shareholder approval.

The Company's current Auditors, PricewaterhouseCoopers CI LLP ("PWC CI"), have acted in this capacity since the Company's inaugural meeting on 22 January 2014. As detailed above the Committee will review the Auditors' performance following the conclusion of the year end audit process and will continue to do so on a regular basis to ensure the Company receives an optimal service. Subject to annual appointment by shareholder approval at the Annual General Meeting, the appointment of the Auditor is formally reviewed by the Audit Committee on an annual basis. The Auditors are required to rotate the audit partner every five years, and the current partner has been in place since the Company's launch.

PWC CI will regularly update the Audit Committee on the rotation of audit partners, staff, level of fees, details of any relationships between the Auditors, the Company and its loan portfolio, and also provides overall confirmation of its independence and objectivity. There are no contractual obligations that restrict the Company's choice of Auditors.

During the period from inception to 31 March 2015, PricewaterhouseCoopers LLP ("PWC UK") has provided non-audit services to the Company in relation to its initial public offering and placing programme. The level of fees paid in respect of these services was £86,000 and £130,000. The Committee considered the services being provided by all PricewaterhouseCoopers member firms and acknowledge that the level of non-audit fees

exceeds those of the audit. However, the Committee is of the opinion that it was beneficial to the Company that PWC UK carried out the work in relation to the IPO and placing programme in order that they could develop their understanding of the Company and the dynamics of its business. The audit and non-audit work carried out by PWC UK and PWC CI was also substantially completed by separate network firms, creating a degree of separation.

Notwithstanding the non-audit services provided, the Audit Committee is satisfied that PWC CI is independent of the Company, the Investment Manager and other service providers and recommends the continuing appointment of the Auditors by the Board.

## Conclusions in Respect of the Financial Statements

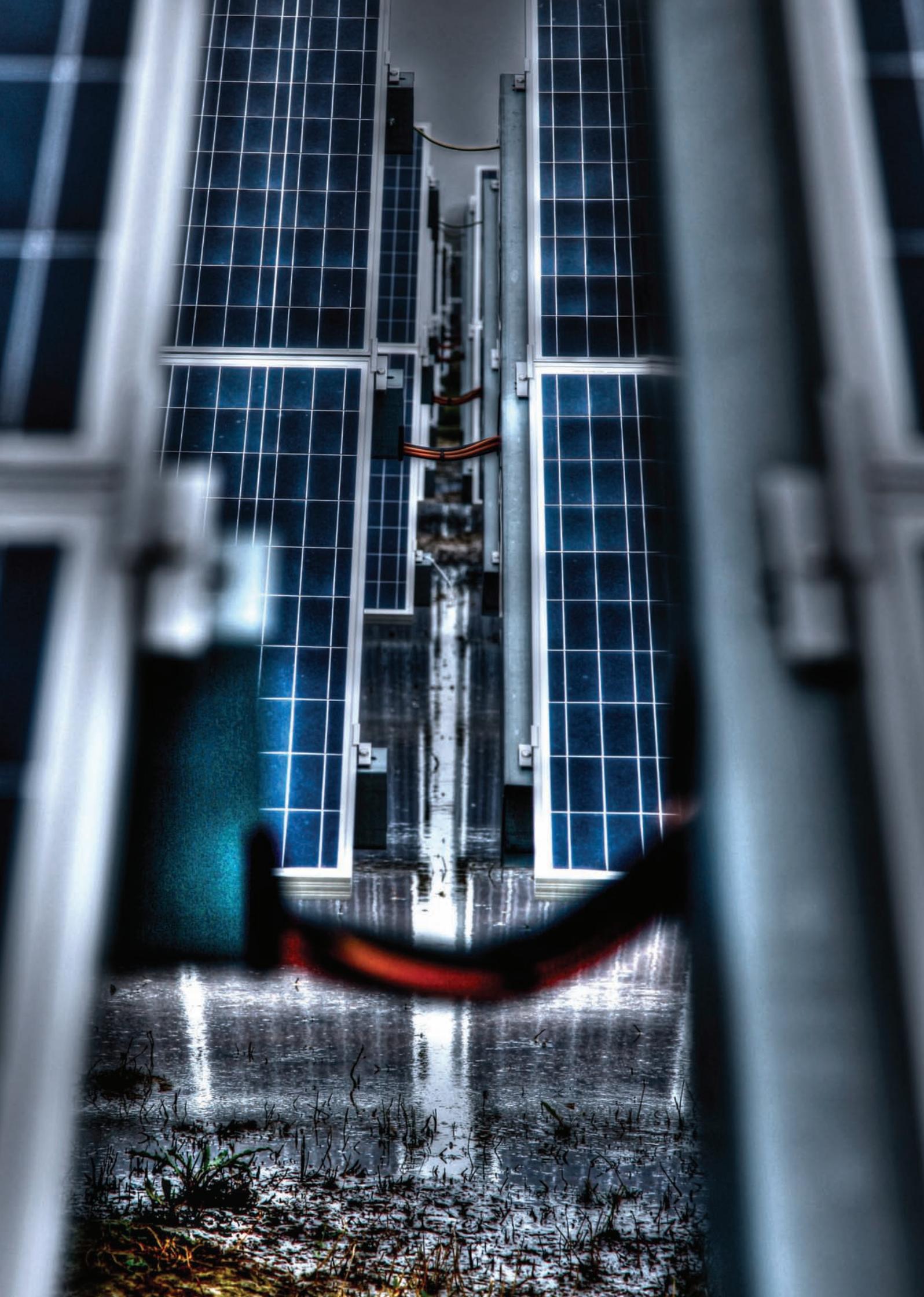
The production and the audit of the Company's Annual Report and Financial Statements is a comprehensive process requiring input from a number of different contributors. In order to reach a conclusion on whether the Company's financial statements are fair, balanced and understandable, as required under the UK Corporate Governance Code dated September 2012, the Board has requested that the Audit Committee advise on whether it considers that the Annual Report and Financial Statements fulfils these requirements as detailed in the Committee's terms of reference. In outlining its advice, the Audit Committee has considered the following:

- The comprehensive documentation that is in place outlining the controls in place for the production of the Annual Report, including the verification processes in place to confirm the factual content

- The detailed reviews undertaken at various stages of the production process by the Investment Manager, Investment Adviser, Administrator, Auditors and the Audit Committee that are intended to ensure consistency and overall balance
- Controls enforced by the Investment Manager, Investment Adviser, Administrator and other third party service providers to ensure complete and accurate financial records and security of the Company's assets
- The existence and content of a satisfactory control report produced by the Ipes Group that has been reviewed and reported upon by a reputable audit firm to verify the effectiveness of the internal controls of the Administrator, such as the Audit and Assurance Faculty (AAF) Report

As a result of the work performed, the Committee has concluded and reported to the Board that the Annual Report for the period from inception to 31 March 2015, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's performance, business model and strategy. The Board's conclusions in this respect are set out in the Statement of Directors' Responsibilities on page 48.

Patrick Firth  
Audit Committee chairman  
29 June 2015



# Financial Statements

## Statement of Comprehensive Income For the period ended 31 March 2015

	Notes	20 December 2013 to 31 March 2015 (GBP)
<b>Income</b>		
Net changes in fair value of financial assets at fair value through profit or loss	5	10,570,553
<b>Total net income</b>		<b>10,570,553</b>
<b>Expenditure</b>		
Management fees	14	1,210,566
Legal and professional fees		515,130
Directors' fees	17	176,575
Administration fees		152,500
Sundry expenses		73,375
Regulatory fees		70,638
Audit fees	13	50,000
Marketing and Advertising		30,917
Insurance		14,134
<b>Total expenses</b>		<b>2,293,835</b>
<b>Operating profit</b>		<b>8,276,718</b>
Finance income		257,931
<b>Profit and comprehensive income for the period</b>		<b>8,534,649</b>
<b>Earnings per share - Basic - (pence)</b>	<b>8</b>	<b>9.13p</b>

There were no potentially dilutive instruments in issue at 31 March 2015.

All activities are derived from ongoing operations.

There is no other comprehensive income or expense apart from those disclosed above and consequently a Statement of Other Comprehensive Income has not been prepared.

## Statement of Financial Position

As at 31 March 2015

Non-current assets	Notes	31 March 2015 (GBP)
Investments	5, 11	158,160,872
<b>Total non-current assets</b>		<b>158,160,872</b>
<b>Current assets</b>		
Cash and cash equivalents		90,217,126
Trade and other receivables		69,482
<b>Total current assets</b>		<b>90,286,608</b>
<b>Total assets</b>		<b>248,447,480</b>
<b>Current liabilities</b>		
Trade and other payables		88,942
<b>Total current liabilities</b>		<b>88,942</b>
<b>Net assets</b>		<b>248,358,538</b>
<b>Equity</b>		
Share Capital and Premium	7	244,459,639
Reserves	7	3,898,899
<b>Total equity attributable to shareholders</b>		<b>248,358,538</b>
<b>Net assets per share - (pence)</b>	<b>10</b>	<b>103.3p</b>

The accompanying notes on pages 63 to 77 are an integral part of these financial statements.

The financial statements were approved and authorised for issue by the Board of Directors on 29 June 2015, and signed on its behalf by:

Kevin Lyon  
Director

Patrick Firth  
Director

## Statement of Changes in Equity

For the period ended 31 March 2015

Equity	Notes	Share Capital and Premium (GBP)	Retained earnings (GBP)	Total Equity (GBP)
Shareholders' equity at 20 December 2013		-	-	-
Profit and comprehensive income for the period		-	8,534,649	8,534,649
Shares issued	7	244,459,639	-	244,459,639
Dividend paid	9	-	(4,635,750)	(4,635,750)
<b>Shareholders' equity at 31 March 2015</b>		<b>244,459,639</b>	<b>3,898,899</b>	<b>248,358,538</b>

## Cash Flow Statement

For the period ended 31 March 2015

Cash flow from operating activities	Notes	20 December 2013 to 31 March 2015 (GBP)
Profit and comprehensive income for the period		8,534,649
<b>Adjustments for:</b>		
Purchase of investments	5	(147,590,319)
Change in fair value of investments	5, 15	(10,570,553)
Finance income		(257,931)
<b>Operating cash flows before movements in working capital</b>		<b>(149,884,154)</b>
<b>Changes in working capital</b>		
Increase in trade receivables		(69,482)
Increase in trade payables		88,942
<b>Net cash used in operating activities</b>		<b>(149,864,694)</b>
<b>Cash flows from investing activities</b>		
Finance income		257,931
<b>Net cash generated from investing activities</b>		<b>257,931</b>
<b>Cash flows from financing activities</b>		
Proceeds from issue of shares	7	244,459,639
Dividend paid	9	(4,635,750)
<b>Net cash generated from investing activities</b>		<b>239,823,889</b>
Net increase in cash and cash equivalents during period		90,217,126
Cash and cash equivalents at the beginning of the period		-
<b>Cash and cash equivalents at the end of the period</b>		<b>90,217,126</b>

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## Notes to the Audited Financial Statements

For the period ended 31 March 2015

### 1. General Information

NextEnergy Solar Fund Limited (the "Company") was incorporated with limited liability in Guernsey under the Companies (Guernsey) Law, 2008, as amended, on 20 December 2013 with registered number 57739, and has been regulated by the GFSC as a registered closed-ended investment company. The registered office and principal place of business of the Company is 1, Royal Plaza, Royal Avenue, St Peter Port, Guernsey, Channel Islands, GY1 2HL.

On 16 April 2014, the Company announced the results of its initial public offering, which raised net proceeds of £85.6m. The Company's ordinary shares were admitted to the premium segment of the UK Listing Authority's Official List and to trading on the Main Market of the London Stock Exchange as part of its initial public offering which completed on 25 April 2014. Subsequent fund raisings also took place on the 19 November 2014 raising £94.0m, 19 December 2014 raising £4.1m and 27 February 2015 raising £60.7m, increasing total equity to £244.4m as at 31 March 2015. Details can be found in note 7.

The Company seeks to provide investors with a sustainable and attractive dividend that increases in line with retail price index over the long-term by investing in a diversified portfolio of solar Photovoltaic assets that are located in the UK. In addition, the Company seeks to provide investors with an element of capital growth through the reinvestment of net cash generated in excess of the target dividend in accordance with the Company's investment policy.

The Company currently makes its investments through holding companies and Special Purpose Vehicles, which are wholly-owned by the Company. The Company controls the investment policy of each of the holding companies and its wholly-owned Special Purpose Vehicles in order to ensure that each will act in a manner consistent with the investment policy of the Company.

The Company has appointed NextEnergy Capital IM Limited as its Investment Manager (the "Investment Manager") pursuant to the Management Agreement dated 18 March 2014. The Investment Manager is a Guernsey registered company, incorporated under the Companies (Guernsey) Law, 2008, with registered number 57740 and is licensed and regulated by the GFSC and is a member of the NEC Group. The Investment Manager is licensed and regulated by the GFSC and will act as the Alternative Investment Fund Manager of the Company.

The Investment Manager has appointed NextEnergy Capital Limited as its Investment Adviser (the "Investment Adviser") pursuant to the Investment Advisory Agreement. The Investment Adviser is a company incorporated in England with registered number 05975223 and is authorised and regulated by the FCA.

The financial statements are presented in pounds sterling because that is the currency of the primary economic environment in which the Company operates.

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## 2. Significant accounting policies

### a) Basis of accounting

The financial statements, which give a true and fair view, have been prepared on a going concern basis in accordance with International Financial Reporting Standards ("IFRS").

The financial statements have been prepared on the historical cost basis, except for the revaluation of certain investments and financial instruments. Historical cost is generally based on the fair value of the consideration given in exchange for the assets. The principal accounting policies adopted are set out below. These policies have been consistently applied.

Fair value is the price that would be received on sale of an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or liability, the Company takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these financial statements is determined on such a basis.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety which are described as follows:

- Level 1 inputs are quoted prices in active markets for identical assets or liabilities that the Company can access at the measurement date
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly
- Level 3 inputs are unobservable inputs for the asset or liability

### b) Going concern

The Directors have reviewed the current and projected financial position of the Company making reasonable assumptions about future performance. The key areas reviewed were:

- Timing of future investment transactions
- Expenditure commitments
- Forecast income and cash flows

The Company has cash and short-term deposits as well as projected positive income streams and an available credit facility (see note 18) and as a consequence the Directors have, at the time of approving the financial statements, a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Accordingly they have adopted the going concern basis of accounting in preparing the financial statements.

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## 2. Significant accounting policies (continued)

### c) Basis of non-consolidation

The Company has acquired SPVs through its investment in the holding company. The Company meets the definition of an investment entity as described by IFRS 10. Under IFRS 10 investment entities are required to hold subsidiaries at fair value through the Statement of Comprehensive Income rather than consolidate them. The HoldCo is also an investment entity and as described under IFRS 10 values its investments at fair value.

#### Characteristics of an investment entity

Under the definition of an investment entity, as set out in the standard, the entity should satisfy all three of the following tests:

- I. Obtains funds from one or more investors for the purpose of providing those investors with investment management services; and
- II. Commits to its investors that its business purpose is to invest funds solely for returns from capital appreciation, investment income, or both (including having an exit strategy for investments); and
- III. Measure and evaluate the performance of substantially all of its investments on a fair value basis.

In assessing whether the Company meets the definition of an investment entity set out in IFRS 10 the Directors note that:

- I. the Company has multiple investors and obtains funds from a diverse group of shareholders who would otherwise not have access individually to investing in solar energy infrastructure due to high barriers to entry and capital requirements;
- II. the Company's purpose is to invest funds for both investment income and capital appreciation. The Company's investments have indefinite lives however the underlying assets do not have an unlimited life and therefore minimal residual value and therefore will not be held indefinitely; and
- III. the Company measures and evaluates the performance of all of its investments on a fair value basis which is the most relevant for investors in the Company. Management use fair value information as a primary measurement to evaluate the performance of all of the investments and in decision making.

The Directors are of the opinion that the Company has all the typical characteristics of an investment entity and therefore meet the definition set out in IFRS 10.

The Directors believe the treatment outlined above provides the most relevant information to investors.

### d) Taxation

Under the current system of taxation in Guernsey, the Company is exempt from paying taxes on income, profit or capital gains. Therefore, income from investments in UK solar PV plants is not subject to any further tax in Guernsey, although these investments are subject to tax in the UK.

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## 2. Significant accounting policies (continued)

### e) Segmental reporting

The Chief Operating Decision Maker, which is the Board, is of the opinion that the Company is engaged in a single segment of business, being investment in solar power, in a single economic environment, being the United Kingdom. The financial information used by the Chief Operating Decision Maker to manage the Company presents the business as a single segment.

### f) Dividends

Dividends to the Company's shareholders are recognised when they become legally payable. In the case of interim dividends, this is when they are paid. In the case of final dividends, this is when approved at the Annual General Meeting.

### g) Income

Dividend income from financial assets at fair value through profit or loss is recognised in the Statement of Comprehensive Income within dividend income when the Company's right to receive payments is established.

### h) Expenses

All expenses are accounted for on an accruals basis.

### i) Cash and cash equivalents

Cash and cash equivalents includes deposits held at call with banks and other short-term deposits with original maturities of three months or less.

### j) Trade and other payables

Trade and other payables are initially recognised at fair value, and subsequently where necessary re-measured at amortised cost using the effective interest method.

### k) Reimbursed expenses

The Investment Adviser agreed to meet all of the expenses of the initial share issue. These expenses have been not been recognised in the Statement of Comprehensive Income and have been reimbursed by the Investment Adviser. See note 15 for further details.

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## 2. Significant accounting policies (continued)

### l) Finance income

Finance income comprises interest earned on cash held on deposit. Finance income is recognised on an accruals basis.

### m) Financial instruments

Financial assets and liabilities are recognised in the Company's Statement of Financial Position when the Company becomes a party to the contractual provisions of the instrument. Financial assets are derecognised when the contractual rights to the cash flows from the instrument expire or the asset is transferred and the transfer qualifies for derecognition in accordance with IAS 39 Financial instruments: Recognition and measurement.

### Investments

Investments are recognised when the Company has control of the asset. Control is assessed considering the purpose and design of the investments including any options to acquire the investments where these options are substantive. The options are assessed for factors including the exercise price and the incentives for exercise. Investments are designated upon initial recognition to be accounted for at fair value through profit or loss in accordance with IFRS 13. After initial recognition, investments at fair value through profit or loss are measured at fair value with changes recognised in the Statement of Comprehensive Income.

### Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the Statement of Financial Position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

### n) Share capital and share premium

Ordinary shares are classified as equity. Costs directly attributable to the issue of new shares (that would have been avoided if there had not been a new issue of new shares) are written-off against the value of the ordinary share premium.

## 3. New and revised standards

The Company has early adopted Investment Entities (Amendments to IFRS 10, IFRS 12 and IAS 27) with a date of initial application of 20 December 2013. The Directors concluded that the Company meets the definition of an investment entity (see note 2c).

The Company has early adopted Offsetting Financial Assets and Financial Liabilities (Amendments to IAS 32).

### 3. New and revised standards (continued)

The following accounting Standards and Interpretations which have not been applied in these financial statements were in issue but not yet effective:

IFRS 9 (amendments)	Financial Instruments
IFRS 11 (amendments)	Joint arrangements
IFRS 14	Regulatory Deferral Accounts
IFRS 15	Revenue from Contracts with Customers
IAS 36 (amendments)	Recoverable amount disclosures for non-financial assets
IAS 39 (amendments)	Novation of derivatives and continuation of hedge accounting
IFRIC Interpretation 21	Levies

The Directors do not expect that the adoption of the accounting Standards, amendments and interpretations listed above will have a material impact on the financial statements of the Company in future periods.

### 4. Critical accounting judgements and key sources of estimation uncertainty

The Company makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. Estimates and judgements are continually evaluated and based on historic experience and other factors believed to be reasonable under the circumstances.

#### a) Investments at fair value through profit or loss

The Company's investments are measured at fair value for financial reporting purposes. The Board of Directors has appointed the Investment Manager to produce investment valuations based upon projected future cash flows. These valuations are reviewed and approved by the Board. The investments are held through Special Purpose Vehicles, a list of subsidiaries is included in note 6.

IFRS 13 establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. Fair value is defined as 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. The Board bases the fair value of the investments on the information received from the Investment Manager.

The investments at fair value through profit or loss, whose fair values include the use of Level 3 inputs, are valued by discounting future cash flows from investments to the Company at a discount rate when the assets are operational. The discount rate applied in the 31 March 2015 valuation was 7.5%. The discount rate is a significant Level 3 input and a change in the discount applied could have a material effect on the value of the investments. Investments in solar PV plants that are not yet operational are held at fair value, where the cost of the investment is used as an appropriate approximation of fair value. There are other critical accounting estimates discussed in note 11, Level 3 financial instruments.

#### 4. Critical accounting judgements and key sources of estimation uncertainty (continued)

Level 3 investments amount to £157,686,548 and consist of 14 investments in solar PV plants, 10 of which have been valued through discounted cash flows (please refer to page 31) and the remaining have been offset against the obligation for a net nil value (please refer to note 19). Level 3 valuations are reviewed regularly by the Investment Manager who reports to the Board of Directors on a periodic basis. The Investment Manager considers the appropriateness of the valuation model and inputs, as well as the valuation result.

The Company and HoldCo under the Investment Exemption rule hold investments at fair value. Please refer to note 2(c).

The table below sets out information about significant unobservable inputs used at 31 March 2015 in measuring financial instruments categorised as Level 3 in the fair value hierarchy.

Description	Fair value at 31 March 2015 (GBP)	Valuation Technique	Unobservable input	Input value	Sensitivity to change in significant unobservable inputs
Unlisted investments	157,686,548	Discounted cash flow	Discount rate	7.50%	The estimated fair value would increase if the discount rate were lower and vice versa.

Unlisted Investments agree to the Closing Investment Portfolio Value as per the Investments table in note 5.

#### 5. Investments

Level 3 investments	Period ended 31 March 2015 (GBP)
Cost of Investment Portfolio	146,590,319
Unrealised gains during the period	11,096,229
<b>Closing Investment Portfolio Value</b>	<b>157,686,548</b>
Cost of Residual Net Assets of Holding Company	1,000,000
Reduction in Residual Net Assets of Holding Company	(525,676)
<b>Total Investment in Holding Company</b>	<b>158,160,872</b>

The Company owns the Investment Portfolio through its investment in NextEnergy Solar Holdings Limited. This is comprised of the Investment Portfolio and the Residual Net Assets of the Holding Company. The Total Investment in the Holding Company is recorded under Non-Current Assets in the Statement of Financial Position on page 60.

Level 3 investments	Period ended 31 March 2015 (GBP)
Unrealised gains during the period	11,096,229
Reduction in Residual Net Assets of Holding Company	(525,676)
<b>Net change in fair value of financial assets at fair value through profit and loss</b>	<b>10,570,533</b>

The total change in the value of the investment in the HoldCo as at 31 March 2015 is recorded through profit and loss in the Statement of Comprehensive Income on page 59.

## 6. Subsidiaries

The Company holds investments through subsidiary companies which have not been consolidated as a result of the early adoption of IFRS 10: Investment entities exemption to consolidation. Below is the legal entity name for the HoldCo and the remaining legal entities owned through the investment in the holding company.

Name	Country	Ownership
NextEnergy Solar Holding Limited	UK	100%
Name	Country	Ownership
NextPower Shacks Barn Ltd	UK*	100%
NextPower Higher Hatherleigh Ltd	UK*	100%
NextPower Ellough LLP	UK*	100%
NESF - Ellough LTD	UK*	100%
BL Solar 2 Limited	UK*	100%
NextPower Gover Farm Ltd	UK*	100%
Sunglow Power Limited	UK*	100%
Glorious Energy Limited	UK*	100%
Push Energy (Boxted Airfield) Ltd	UK*	100%
Push Energy (Langenhoe) Ltd	UK*	100%
Push Energy (Croydon) Ltd	UK*	100%
NextPower Gover Farm Ltd	UK*	0%
SSB Condover Ltd	UK*	0%
Trowbridge PV Ltd	UK*	0%
ESF Llwyndu Ltd	UK*	0%

\*Each of these SPVs is indirectly held by the Company through the HoldCo. The Company had indirect control of the last 4 entities with an option to buy as at 31 March 2015.

## 7. Share capital and reserves

The authorised share capital is unlimited and there are 240,350,000 shares in issue. The Company shares are issued at nil par value. The table below outlines the movement of shares in the period.

Share Issuance	Number of shares	Gross amount raised (GBP)	Issue Costs (GBP)	Share Capital (GBP)
Issued on 20 December 2013	1	1	-	1
Issued on 25 April 2014	85,600,000	85,600,000	-	85,600,000
Cancellation of founder's share on 24 October 2014	(1)	(1)	-	(1)
Issued on 19 November 2014	91,000,000	95,459,000	(1,399,246)	94,059,754
Issued on 19 December 2014	4,000,000	4,120,000	(43,565)	4,076,435
Issued on 27 February 2015	59,750,000	61,405,075	(681,625)	60,723,450
<b>Total issued at 31 March 2015</b>	<b>240,350,000</b>	<b>246,584,075</b>	<b>(2,124,436)</b>	<b>244,459,639</b>

The Company currently has one class of ordinary share in issue. The holders of the 240,350,000 ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company.

### Retained reserves

Retained reserves comprise the retained earnings as detailed in the Statement of Changes in Equity.

## 8. Earnings per share ('EPS')

EPS	Period ended 31 March 2015 (GBP)
Profit and comprehensive income for the period	8,534,649
Weighted average number of ordinary shares	93,525,375
Earnings per ordinary share - pence	9.13p

## 9. Dividends

Dividends	Period ended 31 March 2015 (GBP)
Amounts recognised as distributions to equity holders in the period:	
Interim dividend for the period ended 30 September 2014 of 2.625p per share, paid 17 December 2014	4,635,750
<b>Total</b>	<b>4,635,750</b>

## 10. Net assets per ordinary share

NAV per share	As at 31 March 2015 (GBP)
Shareholders' equity at 31 March	248,358,538
Number of shares at 31 March	240,350,000
Net assets per ordinary share at 31 March - pence	103.3p

## 11. Financial risk management

### Capital management

The Company manages its capital to ensure that it will be able to continue as a going concern while maximising the return to shareholders. In accordance with the Company's investment policy, the Company's principal use of cash (including the proceeds of the IPO) has been to fund investments as well as ongoing operational expenses.

The Board, with the assistance of the Investment Manager, monitors and reviews the broad structure of the Company's capital on an ongoing basis. The capital structure of the Company consists entirely of equity (comprising issued capital, reserves and retained earnings).

The Company is not subject to any externally imposed capital requirements.

### Financial risk management objectives

The Board, with the assistance of the Investment Manager, monitors and manages the financial risks relating to the operations of the Company through internal risk reports which analyse exposures by degree and magnitude of risk. These risks include market risk (including price risk, interest rate risk and currency risk), credit risk and liquidity risk.

## 11. Financial risk management (continued)

### Market risk

The value of the investments held by the Company is affected by the discount rate applied to the expected future cash flows and as such may vary with movements in interest rates, inflation, power prices, market prices and competition for these assets.

### Interest rate risk

The Company is exposed to interest rate risk as it holds significant cash in short-term deposits. If interest rates decrease the finance income of the Company would decrease. The Company is not exposed to interest rate risk on investments as all investments are made via equity rather than loans. The Company has no loan borrowings drawn at 31 March 2015. See note 18 for details of the Revolving credit facility.

### Currency risk

The Company operates and invests solely in the UK and therefore is not exposed to currency risk as all assets and liabilities are in pounds sterling, the Company's functional and presentational currency.

### Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Company.

The Company does not have any significant credit risk exposure to any single counterparty in relation to trade and other receivables. On-going credit evaluation is performed on the financial condition of accounts receivable. As at 31 March 2015 there were no receivables considered impaired.

At investment level, the credit risk relating to significant counterparties is reviewed on a regular basis and potential adjustments to the discount rate are considered to recognise changes to these risks where applicable.

The Company maintains its cash and cash equivalents across two separate banks to diversify credit risk. These are subject to the Company's credit monitoring policies including the monitoring of the credit ratings issued by recognised credit rating agencies.

Bank	Cash (GBP)	Short-term fixed deposits (GBP)	Total as at 31 March 2015 (GBP)
Barclays Bank PLC	7,682,146	81,226,000	88,908,146
Lloyds Bank PLC	1,308,980	-	1,308,980
<b>Total</b>	<b>8,991,126</b>	<b>81,226,000</b>	<b>90,217,126</b>

### Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Board of Directors has established an appropriate liquidity risk management framework for the management of the Company's short-, medium- and long-term funding and liquidity management requirements. The Company manages liquidity risk by maintaining adequate reserves by monitoring forecast and actual cash flows and by matching the maturity profiles of assets and liabilities.

## 11. Financial risk management (continued)

The table below shows the maturity of the Company's non-derivative financial assets and liabilities. The amounts disclosed are contractual, undiscounted cash flows and may differ from the actual cash flows received or paid in the future as a result of early repayments.

Category	Up to 3 months (GBP)	Between 3 and 12 months (GBP)	Between 1 and 5 years (GBP)	Total (GBP)
<b>Assets</b>				
Cash and cash equivalents	90,217,126	-	-	90,217,126
Trade and other receivables	69,482	-	-	69,482
<b>Liabilities</b>				
Trade and other payables	(88,942)	-	-	(88,942)
<b>Total</b>	<b>90,197,666</b>	<b>-</b>	<b>-</b>	<b>90,197,666</b>

### Level 3 financial instruments

#### Valuation methodology

The Directors have satisfied themselves as to the methodology used, the discount rates and key assumptions applied, and the valuation. All operational investments are at fair value through profit or loss and are valued using a discounted cash flow methodology. Investments which are not yet operational are held at fair value, where the cost of the investment is used as an appropriate approximation of fair value.

#### Discount rates

The discount rates used for valuing each renewable infrastructure investment are based on both the industry discount rate and on the specific circumstances of each project. The risk premium takes into account risks and opportunities associated with the investment earnings.

The discount rates used for valuing the investments in the Portfolio are as follows:

Period ending	Weighted Average
31 March 2015	7.50%

A change to the weighted average rate of 7.5% by plus or minus 0.5% has the following effect on the valuation.

Discount rate	+0.5% change	Total Portfolio value	-0.5% change
Directors' valuation (GBP)	(6.3m)	157.7m	6.6m
Directors' valuation - percentage movement	(4.0%)		4.2%

## 11. Financial risk management (continued)

### Power price

NEC Group continuously reviews multiple inputs from market contributors and leading consultants and adjust the inputs to the power price forecast when a conservative approach is deemed most appropriate. Current estimates imply an average rate of growth of electricity prices of approximately 2% in real terms and a long-term inflation rate of 2.5%.

A change in the forecast electricity price assumptions by plus or minus 10% has the following effect on the valuation.

Power price	-10% change	Total Portfolio value	+10% change
Directors' valuation (GBP)	(7.3m)	157.7m	7.1m
Directors' valuation - percentage movement	(4.6%)		4.5%

### Energy yield

The Portfolio's aggregate production outcome for a 10 year period would be expected to fall somewhere between a P90 10 year underperformance (downside case) and a P10 10 year outperformance (upside case).

The effect of a P90 10 year underperformance and of a P10 10 year outperformance would have the following effect on the valuation.

Energy yield	P90 10 year underperformance	Total Portfolio value	P10 10 year outperformance
Directors' valuation (GBP)	(8.8m)	157.7m	8.6m
Directors' valuation - percentage movement	(5.6%)		5.5%

### Inflation rates

The Portfolio valuation assumes long-term inflation of 2.50% per annum for investments (based on UK RPI). A change in the inflation rate by plus or minus 0.5% has the following effect on the valuation.

Inflation yield	-0.5% change	Total Portfolio value	+0.5% change
Directors' valuation (GBP)	(4.2m)	157.7m	4.3m
Directors' valuation - percentage movement	(2.7%)		2.7%

## 11. Financial risk management (continued)

### Operating costs

The table below shows the sensitivity of the Portfolio to changes in operating costs by plus or minus 10% at project company level.

Operating Costs	+10% change	Total Portfolio value	-10% change
Directors' valuation (GBP)	(1.9m)	157.7m	2.5m
Directors' valuation - percentage movement	(1.2%)		1.6%

### Tax rates

It has been noted that the UK Government has announced a reduction in the rate of corporation tax to 20% from 1 April 2015. The UK corporation tax assumption for the Portfolio valuation was 20%.

## 12. Financial assets and liabilities not measured at fair value

Cash and cash equivalents are Level 1 items on the fair value hierarchy. Current assets and current liabilities are Level 2 items on the fair value hierarchy. The carrying value of current assets and current liabilities approximates fair value as these are short-term items.

## 13. Audit fees

The analysis of the Auditor's remuneration is as follows:

Audit Fees	Period ended 31 March 2015 (GBP)
Fees payable to the Auditor for the audit of the Company's 31 March 2015 financial statements	50,000
<b>Total audit fees</b>	<b>50,000</b>

## 14. Management fee

The Investment Manager is entitled to receive an annual fee, accruing daily and calculated on a sliding scale, as follows below:

- for the tranche of NAV up to and including £200m, 1% of the Net Asset Value ("NAV") of the Company.
- for the tranche of NAV above £200m and up to and including £300m, 0.9% of NAV.
- for the tranche of NAV above £300m, 0.8% of NAV.

For the period ended 31 March 2015 the Company has incurred £1,210,566 in management fees of which £nil was outstanding at 31 March 2015.

## 15. Related parties

The Investment Manager, NextEnergy Capital IM Limited, is a related party due to having common key management personnel with the subsidiaries of the Company. All management fee transactions with the Investment Manager are disclosed in note 14.

The Investment Adviser, NextEnergy Capital Limited, is a related party due to sharing common key management personnel with the subsidiaries of the Company. There are no advisory fee transactions between the Company and the Investment Adviser. The Investment Adviser agreed to meet all of the expenses of the initial share issue. Costs in relation to the share issue of £1,081,749 have been incurred by the Company in the period to 31 March 2015 of which £1,081,749 has been reimbursed and £nil was outstanding at 31 March 2015.

The Operating Asset Manager, WiseEnergy (GB) Limited, is a related party due to sharing common key management personnel with the subsidiaries of the Company. Each of the operating subsidiaries of the Company entered into an asset management agreement with WiseEnergy (GB) Limited. The total value of recurring and one-off services paid to the Operating Asset Manager during the reporting period amounted to £167,487.

During the period the Company issued non-interest bearing loans totalling £1,000,000 to NextEnergy Solar Holding Limited to finance operating expenditure. This has been classified as an investment in the Residual Net Assets of the Holding Company. This has been revalued by £(525,676) during the period and is held on the Statement of Financial Position at a value of £474,324 at 31 March 2015. A summary of the total investment in the Holding Company is provided in note 5 (Investments) of the Financial Statements.

The Directors of the Company and their shareholding is stated in the Report of the Directors.

## 16. Controlling party

In the opinion of the Directors, on the basis of shareholdings advised to them, the Company has no immediate nor ultimate controlling party.

## 17. Remuneration of key management personnel

The remuneration of the Directors, who are the key management personnel of the Company, was £176,575 for the period which consisted solely of short-term employment benefits.

## 18. Revolving credit facility

On 17 September 2014 NextEnergy Solar Holding Limited, a subsidiary of the Company, entered into a revolving credit facility with Macquarie Bank Limited for up to £31.5m. As at 31 March 2015 this facility had not been drawn upon.

## 19. Investment Commitments

The Company has the following commitments to its investments as at 31 March 2015.

Investment	As at 31 March 2015 (GBP)
Llwyndu	9,371,232
Cock Hill Farm	23,342,018
Park View	7,521,500
Condover	11,737,465
Hawkers Farm	14,195,244
Glebe Farm	40,507,323
<b>Total Commitments</b>	<b>106,674,782</b>

In the HoldCo the above contingent commitments become payable when their respective contractual terms are met, usually when the asset becomes fully operational and accredited. In accordance with policy 2(c) the group assesses control including the consideration of the options. Once an investment is assessed as being controlled it is included in NextEnergy Solar Fund Limited at fair value with a corresponding obligation to pay. At period end, the amounts not yet paid were as above. The fair value of these liabilities approximates the fair value of the investments and have been included in the calculation as described in note 11.

## 20. Events after the reporting period

Since 31 March 2015, the following relevant events occurred:

On 13 April 2015 the Company announced the agreement to acquire the Hawkens Farm and Glebe Farm solar PV plants for a total acquisition price of up to £14.2m and £40.5m respectively.

On 17 June 2015 the Company announced the agreement to acquire the Wellingborough and Bowerhouse solar PV plants with a combined capacity of 17.8MW, for a total acquisition price of £22m. Wellingborough also completed on 17 June 2015.

# Independent Auditors' Report to the Members of NextEnergy Solar Fund Limited

## Report on the Financial Statements

We have audited the accompanying financial statements of NextEnergy Solar Fund Limited (the "Company") which comprise the statement of financial position as of 31 March 2015 and the statement of comprehensive income, the statement of changes in equity and the cash flows statement for the period then ended and a summary of significant accounting policies and other explanatory information.

## Directors' Responsibility for the Financial Statements

The Directors are responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards and with the requirements of Guernsey law. The Directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

## Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers

internal control relevant to the entity's preparation and fair presentation of the financial statements 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 the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

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

## Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Company as of 31 March 2015, and of its financial performance and its cash flows for the period then ended in accordance with International Financial Reporting Standards and have been properly prepared in accordance with the requirements of The Companies (Guernsey) Law, 2008.

## Report on other Legal and Regulatory Requirements

We read the other information contained in the Annual Report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. The other information is that listed on the contents page on the inside front cover.

In our opinion the information given in the Directors' report is consistent with the financial statements.

This report, including the opinion, has been prepared for and only for the Company's members as a body

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in accordance with Section 262 of The Companies (Guernsey) Law, 2008 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

### Matters on which we are required to report by exception

We have nothing to report in respect of the following matters which we are required to review under the Listing Rules:

- the Directors' statement in relation to going concern;
- the part of the Corporate Governance Statement relating to the Company's compliance with the ten provisions of the UK Corporate Governance Code specified for our review; and
- certain elements of the report to shareholders by the Board on Directors' remuneration.

**Evelyn Brady**

For and on behalf of PricewaterhouseCoopers CI LLP  
Chartered Accountants and Recognised Auditor  
Guernsey, Channel Islands  
29 June 2015





## NextEnergy Solar Fund Limited

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