

NextEnergy Solar Fund Limited



Annual Report and Audited Financial Statements  
for the year ended 31st March 2016

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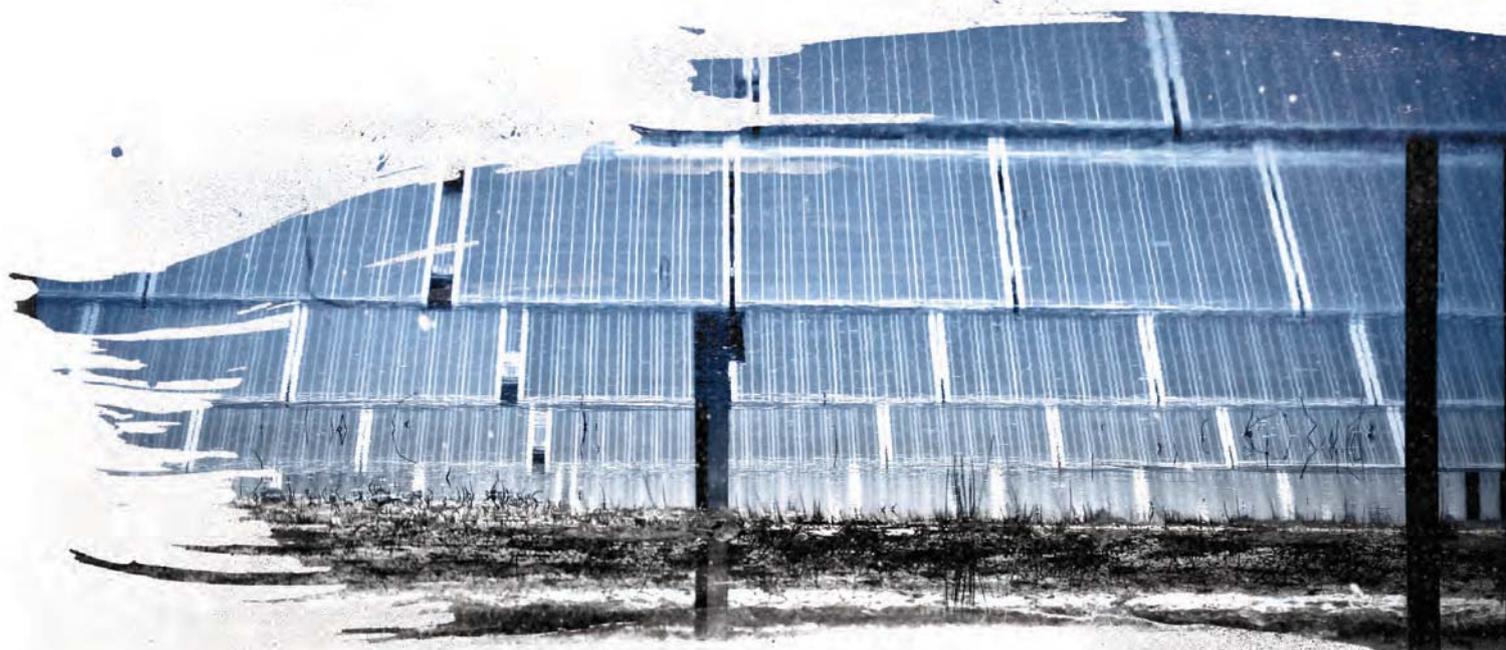
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# Highlights

- Investment portfolio as at 28 June 2016 (the "Date of Distribution" of this annual report) of 33 solar Photovoltaic ("PV") plants for a total of **c.414MW** installed capacity in operation
- Significant **operating asset outperformance** – Energy generated from the portfolio amounted to 225GWh, **4.1% above budget** (partially due to solar irradiation higher by 0.4%)
- Completion of a further equity capital raising bringing the **total equity capital raised to £285.4m**
- Including further capital raisings, **Net Assets grew from £248.4m to £273.8m**, a 10% increase across the year. NAV per share fell from 103.3p to 98.5p over the year mainly due to reductions in our power price forecast and removal of LECs (which had a combined negative impact on NAV of 14.6p per share) partly offset by NAV-accretive acquisitions, operating outperformance, and other value-add measures.
- Arranged debt facilities of c.£243.0m in total, including short-term and long-term debt financing at project level. With total capital invested of c.£481.0m, NESF is at the Date of Distribution the largest listed renewable energy fund on the London Stock Exchange in terms of installed solar capacity.
- Equity **discount rate unchanged at 7.5%** for unlevered assets
- **Weighted average discount rate increased to 7.7%** to reflect project level leverage. For reference, a discount rate of 6.6% (equal to NESF's direct listed peers' weighted average cost of capital) would result in NAV per share of 111.3p
- Investment cash income was £24.0m with a cash dividend cover of 1.2x. Reported profit for the period was £2.0m and earnings per share were 0.78p, negatively impacted by a reduction in fair value of investments.
- First interim dividend of 3.125p per share paid in December 2015, second interim and final dividend for the period ended 31 March 2016 of 3.125p, expected to be paid in July 2016, **achieving target of 6.25p** for the year
- **Targeting a 6.31p dividend** distribution for the year ending 31 March 2017, paid quarterly.
- **Strong pipeline** of short-term acquisition targets and further opportunities under consideration



# Corporate Summary

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 registered number 57739.

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

The Company has 308,807,105 shares in issue, of which 30,850,000 are held in Treasury and therefore have no voting rights, are admitted to the premium listing segment of the Official List of the UK Listing Authority ("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 intermediate holding companies (the "UK HoldCos") and underlying Special Purpose Vehicles ("SPVs") which are ultimately wholly-owned by the Company (collectively referred to as the "Group"). References to the Company's activities (investments in solar PV plants or debt financing) refer to activities through the UK HoldCos. The UK HoldCos are registered and incorporated in England and Wales under the Companies Act, 2006, as amended:

- NextEnergy Solar Holdings Limited, incorporated on 24 March 2014, with registered number 08956168
- NextEnergy Solar Holdings II Limited, incorporated on 13 February 2015, with registration number 09438822
- NextEnergy Solar Holdings III Limited, incorporated on 20 July 2015, with registration number 09693016
- NextEnergy Solar Holdings IV Limited, incorporated on 16 March 2016 with registration number 10066420

The Company controls the investment policy of each of the UK HoldCos and their wholly-owned SPVs to ensure that each will act in a manner consistent with the investment policy of the Company.

The Investment Manager is 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.

# Chairman's Statement



Patrick Firth    Kevin Lyon    Vic Holmes

## Introduction

I am pleased to present, on behalf of the Board, the Annual Report and Audited Financial Statements for NextEnergy Solar Fund Limited for the year ended 31 March 2016.

The Company acquires and owns operating solar power projects exclusively in the UK. Our investment strategy is driven by our belief that solar power projects have significantly less operating and financial risk than other renewable energy technologies, while regulatory risk in the UK continues to be lower relative to other geographical markets. We target equity returns of between seven and nine percent, an attractive yield considering our assets' risk profiles.

The Company has delivered a strong set of results in a difficult regulatory and trading environment, and we have significantly increased our asset base via well-priced acquisitions.

At year-end, the Company's portfolio comprised 33 assets amounting to c.414MW installed solar capacity and an invested capital of c.£481.0m (2015: 16 assets, 217MW and £251.6m invested capital). At the Date of Distribution, the Company was the largest listed renewable energy fund on the London Stock Exchange in terms of installed solar capacity.

## Financial Results and Performance

### Financial Results

The Company has prepared its accounts for the year to 31 March 2016 in accordance with IFRS. In accordance with these rules, the Company prepares IFRS financial statements considering the fair market value of its investments and net assets of its various subsidiaries.

Profit before tax was £2.0m (2015: £8.5m) with earnings per share of 0.78p (2015: 9.13p) negatively impacted by reduction in fair value of investments. Cash dividend cover was 1.2x.

The Company's Ongoing Charges Ratio ("OCR") was 1.2%, lower than budgeted (1.3%) and lower than previous year (1.5%). OCR budgeted for next year is also 1.2%.

### Portfolio Performance

We are particularly pleased with the operational performance of the portfolio during the year. Overall,

energy generated by our plants was 225GWh, approximately 4.1% above our budget. This is the Company's second year of energy generation outperformance relative to budget. During the previous financial year, energy generation from our portfolio amounted to 23GWh.

During the year, solar irradiation across the portfolio was 0.4% above our expectations, partially explaining the operational outperformance. However, the principal driver for our continued outperformance continues to rest with the structure and quality of our asset management organisation.

We did not experience any significant operational issues or technical underperformance across the portfolio as a whole during the course of the year.

The electricity generated by our portfolio is equivalent to a saving of c.104,179 tonnes of carbon emissions and sufficient to power some 57,000 households for a year. This is roughly equivalent to powering a city the size of Oxford for an entire year.

### Net Asset Value

At the year end, the Company's NAV was £273.8m, equivalent to 98.5p per share (March 2015: NAV of £248.4m, 103.3p per share) mainly affected by reductions in our power price forecast and removal of LECs (which had a combined negative impact on NAV of 14.6p per share).

As experienced during the previous reporting period, several issues impacted the Company's NAV over the course of the reporting year. The Company was affected by the continuing decline of the market price of electricity, and we have revised our power price forecasts downward again to reflect current market conditions. Targeted dividends were paid during the year, while new assets acquired or completed were NAV-accretive at the time of completion.

We have further reduced our power price forecasts to take current market conditions into account, reducing our forecasts by an average 21% over the forecasting term. The unlevered discount rate remains unchanged at 7.5%, while we have valued asset portfolios with leverage acquired during the year at discount rates up to 8.5% to reflect project leverage. As a consequence, the weighted average discount rate across the portfolio increased to 7.7% from 7.5%.

Further details on the Company's NAV and discount rate are included in the Financial Review section on pages 41 to 52.

### Portfolio Growth

The Company's Investment Adviser carefully reviews acquisition targets that are identified in the market. There has been very significant activity in the UK solar sector in terms of assets being offered for sale. The Investment Adviser pursues only a small proportion of opportunities it identifies.

As part of the Company's growth during the year, we acquired several portfolios of operating plants as well as contracted to acquire solar plants to be built for us.

Overall, the group of assets added to the portfolio over the year was secured at attractive investment values compared to the average costs for solar plants we observed in the market. Considering each site's irradiation and Renewable Obligation Certificates ("ROC") banding, our average investment value is below the market average.

### Capital Raising and Financing

The Company continued to secure support from its shareholders to pursue its growth strategy. In September, the Company issued 37.6m new shares taking the voting shares in issue to 278.0m. The majority of these shares were taken up by existing shareholders, underlining the backing we enjoy among parties that have supported our growth since the IPO in April 2014. This new capital was rapidly deployed (within six weeks) to secure new portfolio assets for the Company.

During the year, the Company took advantage of the strong interest of institutional debt providers and banks to lend to the UK solar sector to put in place a mix of short- and long-term debt. At the year-end, the Company had total financial debt outstanding of £216.6m (2015: no financial debt) on a pro-forma look-through basis including project level debt. Of the total financial debt, £100.4m was long-term fully amortising debt, while the remainder of £116.2m was drawn under the Company's short-term credit facilities. The Company sourced its financial debt from multiple providers, carefully selected to ensure competitive terms and conditions.

### Dividend and Dividend Growth

The Company continues to achieve all of its dividend and dividend growth objectives. For the year under consideration, the Company will have paid out a total dividend of 6.25p per share (2015: 5.25p) in two half-yearly distributions.

Our target is expected to grow future dividends in line with UK retail price index growth, starting with the 2016/17 financial year. The UK retail price index published by the Office for National Statistics and applicable to the value of ROCs during the 2016/17 financial year was 1.0% and therefore we are targeting to grow the dividend to 6.31p per share for the 2016/17 financial year.

During the month of April 2016, the board decided to move to a quarterly dividend schedule, beginning with the 2016/17 financial year. We expect to pay out four equal dividends starting in September 2016 and continuing on a quarterly basis thereafter.

### Corporate Governance and Regulation

The Board continues to review the Company's corporate governance structure with a view to maintaining best-practice processes and procedures. During the course of the year, the Board undertook a review of its effectiveness, taking into account the views of the external service providers and consultants of the Company. The outcome of the review was that the Board and the Audit Committee are functioning effectively. We undertake the Board effectiveness review on a yearly basis. Further details (including adhering to the 2014 UK Corporate Governance Code and viability statement reporting) on the Company's Corporate Governance can be found in the Corporate Governance section on pages 54 to 61.

### Market Developments

The solar PV sector has grown significantly in the UK. The Department of Energy and Climate Change ("DECC") reported that at the end of 2015 energy from renewables represented 27% of all electricity generation in the UK (up from 22% at the end of 2014), and solar PV represented c.10% of renewable generation for the full year 2015. DECC also reported a growth in installed solar capacity from 8,023MW in April 2015 to 9,519MW in

March 2016, an increase of 19%. We expect the UK solar market to continue growing into 2016/17, and are forecasting a total installed capacity of c.12,000MW to be constructed and in place by the end of our financial year. This equates to a further growth of 26% in installed capacity and is the same target we expected at the time of IPO to be reached by 2020.

The ROC regime will come to an end on 1 April 2017, newly constructed solar projects will not be eligible to receive ROCs for the energy they generate and should be eligible for other forms of support, such as future Contract for Difference ("CfD") auctions and/or Feed-in-Tariff ("FiT") structures.

Nonetheless, the Company will continue to grow its portfolio by predominantly acquiring operating solar power plants constructed under the ROC regime.

Roughly 50% of the Company's long-term revenues derive from the sale of electricity into the market. As a result, the market price of electricity is one of the Company's key value drivers. We have observed a recent brief period of relative stabilisation in the electricity market price after a period of continuous decline over the year. The Company has sought to reduce revenue volatility by fixing the price of a significant portion of its generated energy. For the 2016/17 financial year, approximately 83% of the Company's expected generation, including ROCs and electricity generated, has fixed sales prices agreed.

## Outlook

The UK Government held a referendum on 23 June 2016 for the UK to vote either to remain in or leave the European Union. As a result of the referendum, the majority of voters elected to leave the European Union ("Brexit"). While the impact of Brexit on the Company and on the renewable energy sector is at this point unclear, we believe it will have limited, if any, impact on the UK's climate change policies or the regulation of the sector. We will monitor any Brexit effects on power prices, sector regulation and growth opportunities carefully.

The risk-return characteristics of acquisition opportunities we are reviewing continue to be attractive and in line with our investment objectives. We expect to increase the portfolio of assets further during the course of the coming year.

The Company has begun reviewing refinancing options for its short-term credit facilities. These may include issuing long-term fully amortising debt or extending the facilities short-term (for further details see the Financial Review).

Given our ambitious growth objectives, we expect to continue issuing equity and increasing financial debt during the course of the next financial year.

In parallel, we will continue to focus on maximising the operating performance of the assets currently owned and exploring further value-enhancing opportunities around the existing portfolio.

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 second 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.104,179 tonnes. This amount is expected to increase as the new plants in the portfolio achieve a full year of operation and further projects are acquired in due course.

## Market Growth

2015 marked a very strong year for renewable energy worldwide as renewables added 156GW of net power

generating capacity in 2015, compared to 97GW from coal, gas and nuclear. The cumulative amount of installed renewable generating capacity as at 2015 stood at 1,985GW. 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 clean energy plants 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.

## Investment Objective and Policy

The Company's Investment Objectives and Policy are stated in the Investment Manager's Report on pages 15 to 16.

## Corporate Group Structure

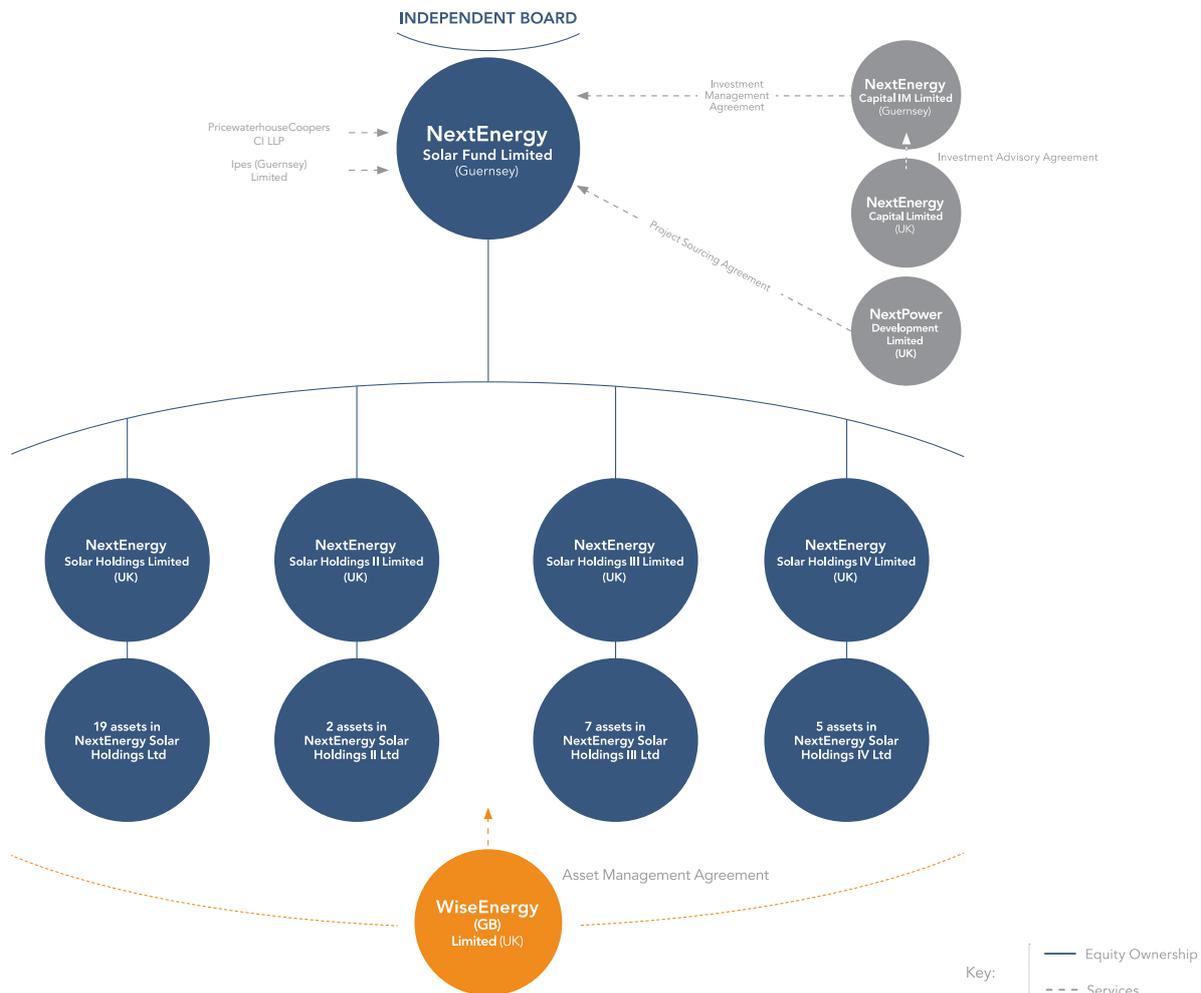
The Company is a Guernsey Registered Closed-ended Investment Scheme. Further information is provided in the Corporate Summary on page 2. The Company's Board comprises three independent Directors.

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 on a quarterly basis and in the course of any fundraising events during the financial year.

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 62 to 64). 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 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 the Company. Michael Bonte-Friedheim, Aldo Beolchini and Abid Kazim comprise the Investment Committee of the Investment Adviser, whose role is to consider and, if thought fit, recommend actions to the Manager in respect of the Company's potential and actual investments.

- Michael Bonte-Friedheim is Founding Partner and CEO of the NextEnergy Capital Group. He has over 20 years' specialist experience in the power and energy sector and was previously Managing Director in Goldman Sachs energy and power investment banking team in London and non-executive Chairman and CEO of listed energy companies.
- Aldo Beolchini is Managing Partner and CFO of the NextEnergy Capital Group. He has over 15 years' experience in investment banking and renewables. Mr Beolchini joined in 2008 and was previously Vice President at Morgan Stanley Investment Banking and an Officer at the Financial Guard Corps in Italy.
- Abid Kazim is the UK Managing Director of the NextEnergy Capital Group and has over 25 years' experience in strategy development and large programme delivery, with a significant track record in business outsourcing, transaction services, and service management in the renewable energy sector.

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 the 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 the Company, it had developed, financed, managed the construction of 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 1,250 utility-scale solar power plants and approximately 3,000 solar rooftop installations for a total capacity of over 1.7GW on behalf of third-party equity investors and financing banks. Its clients include listed solar funds (in addition to the Company), 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.£3.5 billion. It has developed proprietary hardware and software products and solutions to facilitate delivery of its services to its client base. The NextEnergy Capital Group also manages NextPower II LP, a €150m private equity fund dedicated to solar PV investments in Italy.

NextEnergy Capital Group's team comprises some 50 dedicated staff focused on the European solar sector. The team has a combined investment track record of over 1GW 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 further 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 NextEnergy Solar Fund Limited

### 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
- Considers investment proposals, exclusively 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 contracts
- 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
Stephenson Harwood	Legal adviser to the Group as to Debt Financing
Cantor Fitzgerald	Financial Advisor and Broker to the Company
Shore Capital & Corporate Limited	Broker to the Company
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 2016/17 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 1.4, 1.3 and 1.2 ROC regimes as well as portfolios of rooftop installations either already in operation or to be constructed over the course of the year.

At the Date of Distribution of this annual report the Investment Manager, together with the Developer, have identified a pipeline of c.540MW of short-term acquisition targets and are actively developing further opportunities.

The Company'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

# Corporate Social Responsibility

## Context

There is an implied contract between business and society. Businesses need a healthy environment and society to survive, and communities also need successful businesses in order to progress, therefore mitigating negative externalities and securing a sustainable future.

The Company's activities are highly supportive of the environment, as they comprise renewable energy investments that directly address global environmental and climate change regulatory and political targets. For our investors, we seek to both mitigate the risk of increased regulatory pressure, as well as to improve the community relationship, that will indirectly drive a positive impact to the business.

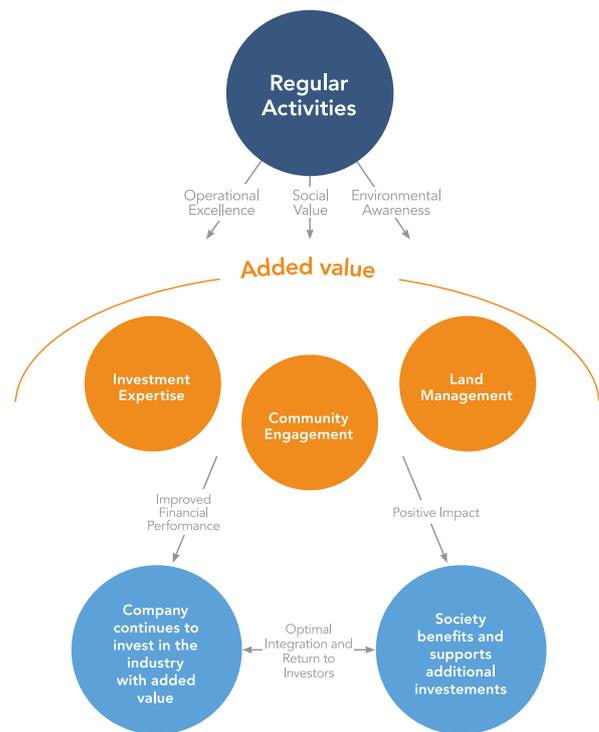
The Company views the adoption of Corporate Social Responsibility ("CSR") and Environmental, Social and Governance ("ESG") principles as a potent source of innovation and competitive advantage for its core business. In this sense, it is committed to generating economic value in a way that also produces value for society by addressing its challenges and safeguarding the transition to a low-carbon economy.

Increasing adverse social and economic pressures have pushed landowners and local communities to look for alternative sources of income and land use to support their financial sustainability. Whilst solar farms present this alternative source of income to the farmers and already benefit the local communities by giving them comfort that the land will not be misused, the Company has an ethical commitment to engage with them in a way that develops a strong and long-lasting relationship for the entire life-time of the project. This means getting involved in local projects for outdoor recreation, wildlife conservation, education, and raising awareness on benefits of solar farms for landowners and communities alike with investments such as biodiversity and local energy supply. By taking a proactive approach the Company creates what is termed as shared value to its regular activities.

## Sustainable Metrics

In order to maximise value creation, the Company accounts for ESG metrics that relate to the value chain of its activities. By proactively taking an additional step to traditional investment in the photovoltaic solar industry, it aims to create higher standards of long-term value in the entire industry.

One of the core ambitions of the Company is to build supportive industry clusters for its projects in the UK. It believes it can achieve this by mitigating ESG externalities and enhancing relationships with stakeholders and developing projects that improve the ecosystem and environmental outputs of the photovoltaic solar plants it invests in.



As shown above, these actions create added value to the business, which studies show correlates with improved stock market performance over time, whilst concurrently positively impacting society. This leads to an optimal integration between the Company and society, maximising return to investors as shareholders to the Company, and also as part of society. The ultimate result of which is that society perceives the shared value and benefits generated from the Company's activities, supporting future business, and shareholders stimulate the Company to continue implementing its strategy and investing in additional projects.

## Implementing ESG Metrics in our portfolio

In 2015, the Company expanded its efforts in supporting local communities where its projects are located by investing in educational activities and development contributions.

The Company began engaging with local schools and intends to become more involved in coming years. It donated the appropriate photovoltaic systems and

installed solar panels on the rooftop of a local school in Cornwall, helping them become more energy efficient and economical in the long-term. The Company's technical team has also been devoting time to educating local children on the technical and operational functionality of ground mounted solar farms, so they can appreciate the work and outputs that result from the solar farm that is connected with their community. One example, is the school visit it organised to one of its sites in Suffolk.

We believe educating the community about the local environment is very important to improve their relationship with their own society and stimulate the preservation of ecological systems. With this in mind, the Company is now funding the building of an outdoor classroom structure in a country park in Bedfordshire, containing information displays about the park and its amenities (as shown below), for school groups and visitors to learn about the local environment. One of our solar power plants in East Sussex already has an outdoor classroom structure in place, which the Company aims to start making use of to educate the local community.

GLEBE FARM SOLAR PARK

### About this solar park

Glebe Farm solar park was built in 2015. It has over 53,760 solar panels spread over the 27 hectares site and generates enough electricity to power approximately 3,500 households\*.

### What is a solar park?

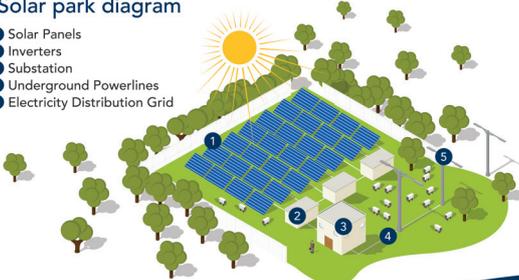
A 'solar park' is a large number of solar panels mounted on racks fixed to the ground. In the UK, the panels are usually arranged facing south, and are tilted at an angle to maximise the energy collection from the sun. The electricity produced is connected directly to the electricity network.

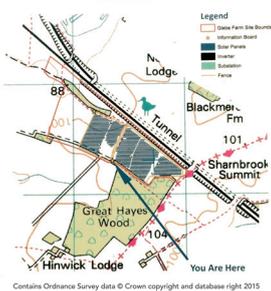
### What are the benefits of a solar park?

Solar energy, in common with other forms of renewable and low carbon energy sources, is a valuable part of the UK's energy future. Most of the energy on earth comes from the sun. It warms, lights and provides us with nutrients. Our food supply is based on plants that have captured solar energy through photosynthesis. We, too, can convert this solar energy into an energy that is accessible for our needs.

### Solar park diagram

- 1 Solar Panels
- 2 Inverters
- 3 Substation
- 4 Underground Powerlines
- 5 Electricity Distribution Grid





Contains Ordnance Survey data © Crown copyright and database right 2015

### Habitat

Within the site boundary the land was predominantly arable with an area of set-aside, which consists of un-mowed grassland with a mixture of calcareous grasses with occasional flowering plants such as thistles, ground elder, hawkweed and wild rose. There are two ponds, one within Darnell's Dene and the other in Whitlands Field. The site is bordered by the broadleaved woodlands of Great Hayes Wood and Darnell's Dene, and the Midland Railway line. The solar park has been designed to retain the more valuable habitats such as the set-aside area.

\*based on an average household energy use of 4,410kWh/year in 2013 (DECC Regional and Local Authority Electricity Consumption statistics: 2005-2013)

### Ecological enhancement

To improve biodiversity on the site a number of ecological enhancements and improvement measures have been implemented.



A number of bird boxes and bat boxes have been placed in trees bordering the development. Several new hedgerows have been planted and gappy hedgerows to the south of the site have been improved. Following consultation with the Wildlife Trust which manages the Wymington Nature Reserve to the North, a strip of land between the solar park and the railway has been sown with a mix of meadow grass and wildflowers. The area under the solar panels is also being managed to encourage the development of meadow habitats.



Signs of muntjac deer, rabbits, foxes and hares have all been seen in the set-aside area close to Darnell's Dene. The site also has a varied bird population.



The security fencing surrounding the site has gaps to allow movement of small mammals across the site.

Educational information display installed at the Glebe Farm solar plant in Bedfordshire

One of the Company's goals for 2016 is to continue deploying its efforts engaging with the community and start implementing environmental metrics in developing a biodiversity management plan to:

- improve local stakeholder and community engagement and education on the benefits of transforming solar plants into ecosystem-friendly assets;
- improve local wildlife habitat conditions and community ecosystem services and well-being; and
- play an active role in assisting the UK meet its biodiversity and environmental policy targets.

This plan will allow the Company to optimise land use and improve landscape conditions, whilst systematically assessing the vulnerability of the projects and local communities to floods, droughts, and other climate change risks. It will also create opportunities for the community to learn more about the local environment and wildlife.

We believe supporting local communities is of paramount importance to sustain long-term relationships that help our solar power plants access value creation opportunities that ultimately contribute to their outperformance. By such means, the Company intends to continue to build stronger and long-lasting relationships that positively influence the efficiency and responsible management of its portfolio.

## United Nations Principles for Responsible Investment

In our fiduciary role as institutional investors, we believe that ESG issues can affect the performance of investment portfolios (to varying degrees across companies, sectors, regions, asset classes and through time). In 2016, NextEnergy Capital Group committed to the United Nations' Principles for Responsible Investment (UNPRI), an independent, leading proponent of responsible investment.

By becoming a signatory, NextEnergy Capital Group companies work together to enhance the effectiveness by which it implements the Principles for Responsible Investment, reflecting the Company's initiative to incorporate ESG issues into investment analysis, decision-making processes, ownership policies and practices.

In partnership with:



# Investment Manager's Report



Aldo Beolchini Michael Bonte-Friedheim Abid Kazim  
Investment Committee of the Investment Adviser

## About NextEnergy Capital

The Investment Manager and 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 50-strong team of which 25 are focused on the UK solar market. Through its operating asset management division, WiseEnergy, the NextEnergy Capital Group manages and monitors over 1,250 utility-scale solar plants and approximately 3,000 solar rooftop installations (comprising an installed capacity of approximately 1.7GW and an estimated £3.5 billion asset value) for a client base which includes leading European banks and equity investors (including private equity funds, listed funds and institutional investors). The NextEnergy Capital Group also manages NextPower II LP, a €150m private equity fund dedicated to solar PV investments in Italy.

## 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.

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, 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 year end, the Company has not invested directly in solar PV plants under development.

The Company may also agree to forward-fund by way of secured loans 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 sale of ROC's, other regulated benefits and the sale of electricity generated by the plants. 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 SPV, UK Holdco or Company level. The Company has 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 (in excess of that required to meet the Company's dividend target and on-going 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 Distribution of this annual report, the Company has announced the acquisition of 33 separate solar PV plants for a total investment cost of up to c.£481.0 m, representing 169% of the equity proceeds raised to date. The 33 solar PV plants amount to an installed capacity of c.414MW in operation.

The portfolio grew continually during the year, with further equity and debt issuance enabling the Company to acquire an additional 17 assets during its second financial year, growing the number of plants from 16 to 33. At 31 March 2016, all of the 33 solar plants acquired by the Company were operational and connected to the grid.

During the year, the Company focused on integrating the acquisition of assets that had been previously announced

and made further incremental acquisitions. The NextEnergy Capital Group has actively led the completion process of all the acquisitions made by the Company. The completion process is subject to the satisfaction of several conditions set in the interests of the Company, including the plant satisfactorily passing strictly-defined 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 settles the majority of the acquisition consideration 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 in the long run.

The operational performance of the portfolio during the year was satisfactory. The Investment Manager is providing in this report details of the actual performance compared to expectation for 23 of the total 33 solar PV plants, specifically only those plants that have been managed and monitored by the NextEnergy Capital Group for at least three months at the year end. As a result of the Company's operating asset management strategy, this sub-portfolio of 23 solar PV plants generated an outperformance of 4.1% above the budgeted generation values, for a total generation of 225GWh. Solar irradiation across the sub-portfolio was broadly in line with expectations, registering 0.4% above budget. During the previous period, the observed sub-portfolio of six plants meeting the above criteria registered solar irradiation of 0.4% below budget, while energy generated by the portfolio was above budget by 4.8%.

Typically, energy generation of a solar PV asset is directly correlated with the level of solar irradiation received by the PV plant itself, such that a higher level of solar irradiation by any percentage should normally result in a higher energy generation by the same percentage. Active asset management practices and technical improvements can positively affect the technical performance of PV plants and thus impact this direct correlation (as well as unplanned outages or technical issues can negatively impact it). NESF defines as Asset Management Alpha the difference between the delta of energy generation vs. budget and the delta of solar irradiation vs. budget. The table below summarizes this analysis for the relevant periods since IPO:

Period	Assets monitored	Solar Irradiation (delta vs. budget)	Power Generation (delta vs. budget)	Asset Management Alpha
Full Year 2014/15	6	(0.4%)	+4.8%	+5.2%
First Half 2015/16	17	+2.9%	+5.7%	+2.8%
Full Year 2015/16	23	+0.4%	+4.1%	+3.7%
<b>Cumulative from IPO to March 2016</b>	<b>23</b>	<b>+1.4%</b>	<b>+4.5%</b>	<b>+3.1%</b>

The Asset Management Alpha allows the Company to identify a "real" outperformance of the solar portfolio due to active management having sterilised the effects of variation in solar irradiation. The nominal outperformance is calculated as GWh generated by the portfolio vs. the GWh expected in the assumptions used at the time of acquisition. In this light, the "nominal" outperformance of the Company's portfolio during the period ended 31 March 2016 was 4.1% whereas the Asset Management Alpha of 3.7% during the period represents the "real" outperformance due to active asset management.

The budgeted electricity generation and solar irradiation are derived from the financial models prepared at acquisition of each solar power plant and used to value and acquire such plant. An on-going operating outperformance versus the acquisition budget is expected to result in higher asset returns, other things being equal.

## Investment Portfolio

The Investment Manager achieved a high level of diversification in the Company's portfolio: the 33 solar PV plants are located across 17 different counties of England and Wales, the largest one represents 9% of the total installed capacity and the four largest solar PV plants represent together 28% of the total installed capacity. In addition, the portfolio is diversified across 16 non-connected contractors, 12 different Tier 1 solar panel manufacturers and nine Tier 1 inverter manufacturers. This spread of counterparties effectively diversifies 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	Regulatory Regime <sup>(1)</sup>	Status <sup>(2)</sup>	Plant capacity (MW)	Investment (GBPm)	% of Equity Proceeds
Higher Hatherleigh	Somerset	01/05/2014	1.6	Completed	6.1	7.3	2.6%
Shacks Barn	Northants	09/05/2014	2.0	Completed	6.3	8.2	2.9%
Gover Farm	Cornwall	23/06/2014	1.4	Completed	9.4	11.1	3.9%
Bilsham	Sussex	03/07/2014	1.4	Completed	15.2	18.9	6.6%
Brickyard	Warwickshire	14/07/2014	1.4	Completed	3.8	4.1	1.4%
Ellough	Suffolk	28/07/2014	1.6	Completed	14.9	20.0	7.0%
Poulshot	Wiltshire	09/09/2014	1.4	Completed	14.5	15.7	5.5%
Condover	Shropshire	29/10/2014	1.4	Completed	10.2	11.7	4.1%
Llywndu	Ceredigion	22/12/2014	1.4	Completed	8.0	9.4	3.3%
Cock Hill Farm	Wiltshire	22/12/2014	1.4	Completed	20.0	23.3	8.2%
Boxted Airfield	Essex	31/12/2014	1.4	Completed	18.8	20.6	7.2%
Langenhoe	Essex	12/03/2015	1.4	Completed	21.2	22.9	8.0%
Park View	Devon	19/03/2015	1.4	Completed	6.5	7.7	2.7%
Croydon	Cambridgeshire	27/03/2015	1.4	Completed	16.5	17.8	6.2%
Hawkers Farm	Somerset	13/04/2015	1.4	Completed	11.9	14.5	5.1%
Glebe Farm	Bedfordshire	13/04/2015	1.4	Completed	33.7	40.5	14.2%
Bowerhouse	Somerset	18/06/2015	1.4	Completed	9.3	11.1	3.9%
Wellingborough	Northants	18/06/2015	1.6	Completed	8.5	10.8	3.8%
Birch Farm	Essex	21/10/2015	FiT	Completed	5.0	5.3	1.9%
Thurlestone Leicester	Leicestershire	21/10/2015	FiT	Completed	1.8	2.3	0.8%
North Farm	Dorset	21/10/2015	1.4	Completed	11.5	14.5	5.1%
Ellough Phase 2	Suffolk	03/11/2015	1.3	Operational	8.0	8.0	2.8%
Hall Farm	Leicestershire	03/11/2015	FiT	Completed	5.0	5.0	1.7%
Decoy Farm	Lincolnshire	03/11/2015	FiT	Completed	5.0	5.2	1.8%
Green Farm	Essex	26/11/2015	FiT	Operational	5.0	5.8	2.0%
Fenland	Cambridgeshire	11/01/2016	1.4	Completed	20.4	23.9 <sup>(3)(4)</sup>	8.4%
Green End	Cambridgeshire	11/01/2016	1.4	Completed	24.8	29.0 <sup>(3)(4)</sup>	10.2%
Tower Hill	Gloucestershire	11/01/2016	1.4	Completed	8.1	8.8 <sup>(3)(4)</sup>	3.1%
Branston	Lincolnshire	05/04/2016	1.4	Completed	18.9	97.9 <sup>(3)(5)</sup>	34.3%
Great Wilbraham	Cambridgeshire	05/04/2016	1.4	Completed	38.1		
Berwick	Sussex	05/04/2016	1.4	Completed	8.2		
Bottom Plain	Dorset	05/04/2016	1.4	Completed	10.1		
Emberton	Buckinghamshire	05/04/2016	1.4	Completed	9.0		
<b>Total</b>					<b>413.7</b>	<b>481.4</b>	<b>168.7%</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)

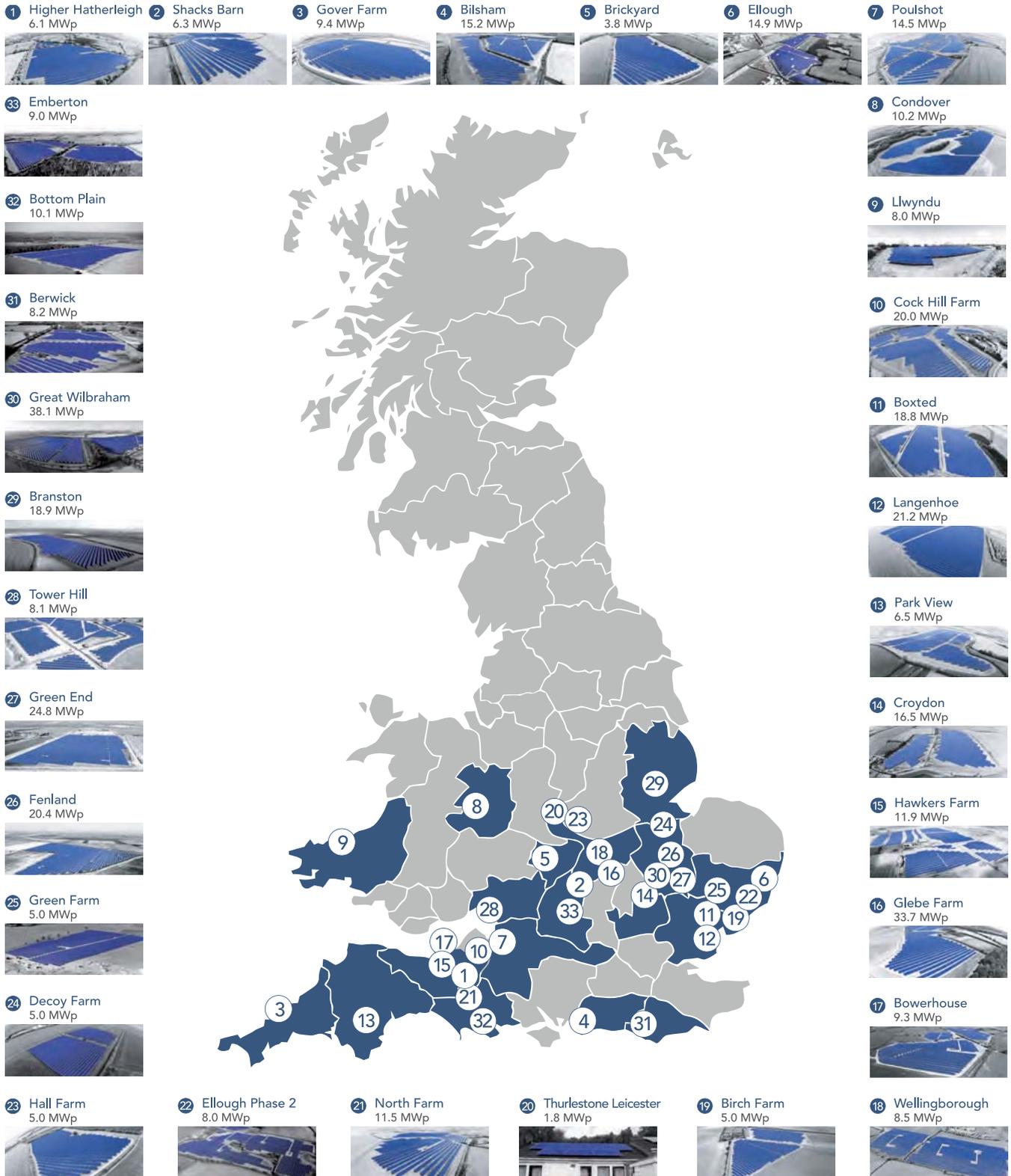
(2) As at the Date of Distribution of this annual report.

(3) Investment excludes debt drawn down included in cost.

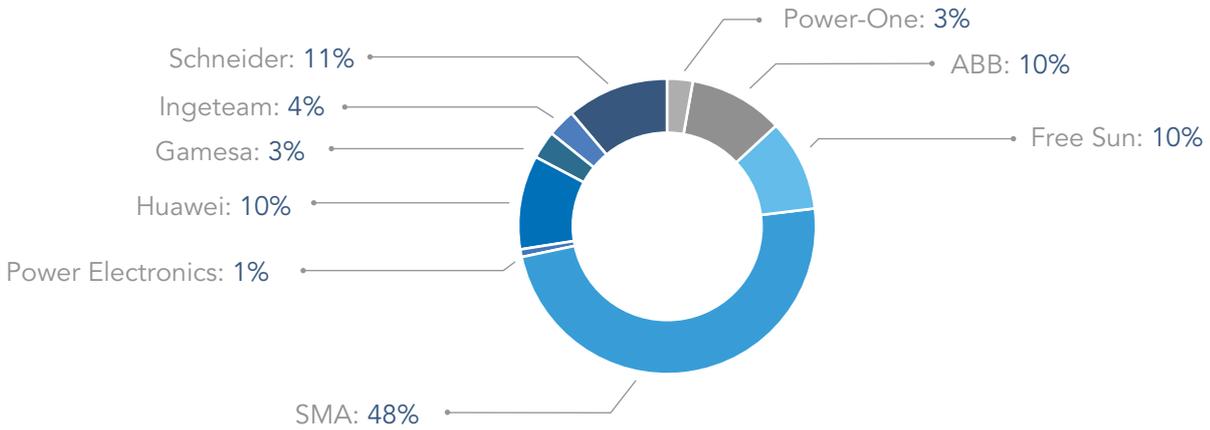
(4) Part of the Three Kings portfolio.

(5) Part of the Radius Portfolio.

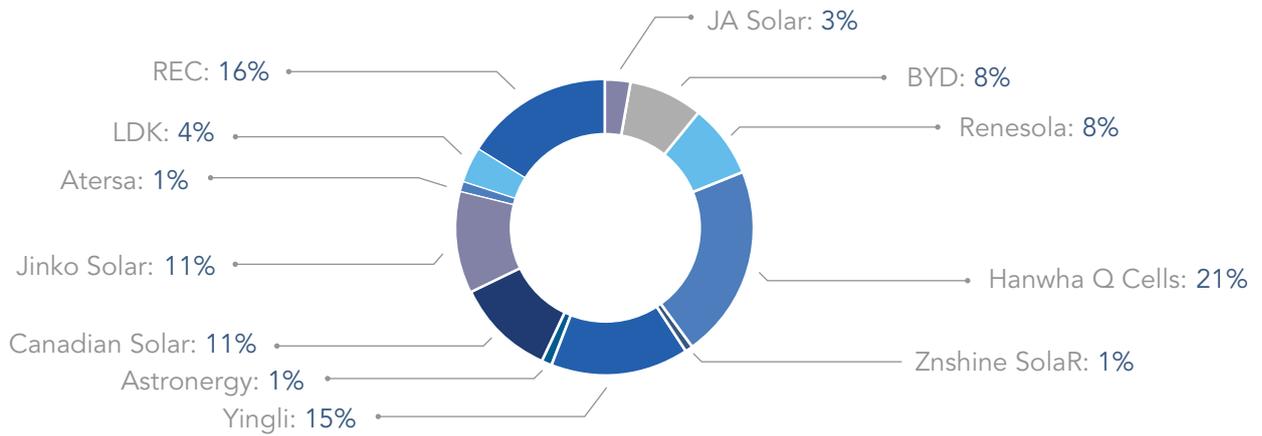
## Investment Portfolio: Geographical Locations



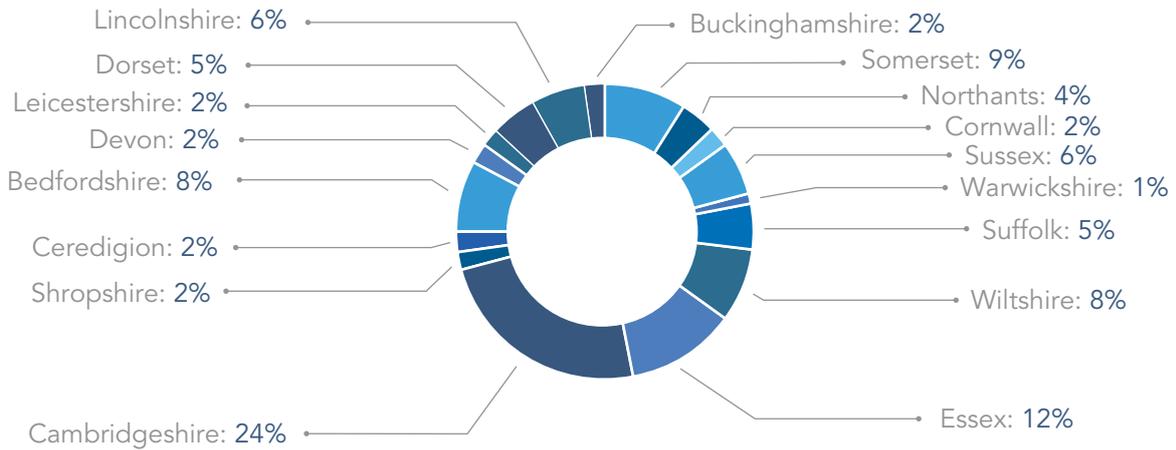
### Inverters



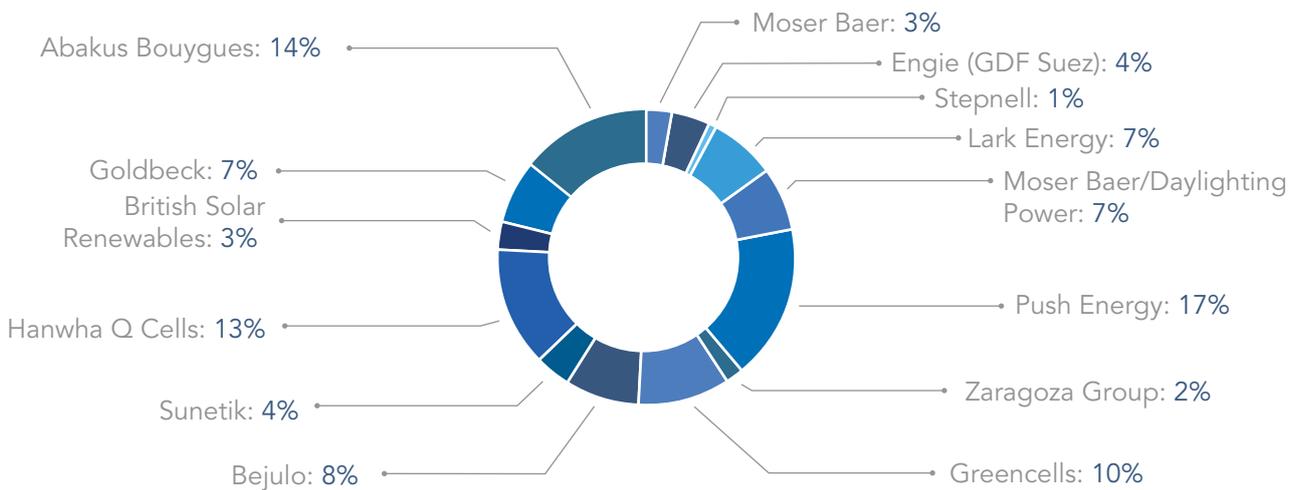
### Solar Panels



### County



### EPC Contractors





### Higher Hatherleigh

Location	Somerset
Capacity	6.1MW
Regulatory Regime	1.6 ROCs
EPC	Moser Baer/Daylighting Power
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 6.1MW. The site has performed well since it became operational in April 2013 and during the period from acquisition to 31 March 2016 the plant produced 11.9GWh (+6.8% vs budget). The acquisition cost was £7.3m and the investment value at year end was £6.9m, which is 1.8% of the portfolio value.

	YE March 2016	Since Acquisition
 MWh Generated	6,147	11,854
 Solar Irradiation vs expectations	(1.3%)	+2.7%
 Energy Generation vs Budget	+4.4%	+6.8%

### Shacks Barn

Location	Northants
Capacity	6.3MW
Regulatory Regime	2.0 ROCs
EPC	Moser Baer/Daylighting Power
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 6.3MW plant has been operational since March 2013. Since acquisition to 31 March 2016, the site has produced 12.0GWh (+11.9% vs budget). The acquisition cost was £8.2m and the investment value at year end was £8.0m, which is 2.1% of the portfolio value.

	YE March 2016	Since Acquisition
 MWh Generated	6,440	12,003
 Solar Irradiation vs expectations	+ 2.6%	+3.3%
 Energy Generation vs Budget	+11.4%	+11.9%



## Gover Farm

Gover Farm is the Company's most south-westerly asset, located near to Truro in Cornwall. The acquisition was announced at 9.4MW in June 2014. From acquisition to 31 March 2016, the plant produced 11.7GWh (+9.2% vs budget). The acquisition cost was £11.1m and the investment value at year end was £11.4m, which is 3.0% of the portfolio value. As part of the Company's commitment to biodiversity, the site is in the NextEnergy grazing programme ensuring that the land is dual-purpose and remains employed in food production.

### Gover Farm

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

	YE March 2016	Since Acquisition
MWh Generated	9,942	11,671
Solar Irradiation vs expectations	+0.8%	+2.1%
Energy Generation vs Budget	+7.4%	+9.2%

### Bilsham

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



## Bilsham

Bilsham is located near Bognor Regis in Sussex, close to the southern coast of the UK. The plant was delivered to the Company in two phases with an initial phase of 12.7MW followed by an extension of 2.5MW in March 2015. The site produced 18.2GWh (+3.3% vs budget) since acquisition to 31 March 2016. The acquisition cost was £18.9m and the investment value at year end was £17.6m, which is 4.6% of the portfolio value.

	YE March 2016	Since Acquisition
MWh Generated	16,270	18,227
Solar Irradiation vs expectations	+0.0%	+0.2%
Energy Generation vs Budget	+2.6%	+3.3%



## Brickyard

Brickyard is a site located near Leamington Spa in Warwickshire and has a capacity of 3.8MW. Since acquisition to 31 March 2016, Brickyard produced 4.3GWh (+7.4% vs budget). The acquisition cost was £4.1m and the investment value at year end was £3.7m, which is 1.0% of the portfolio value.

### Brickyard

Location	Warwickshire
Capacity	3.8MW
Regulatory Regime	1.4 ROCs
EPC	Moser Baer
Panels	BYD
Inverter	ABB
Operational Since	Nov-14

	YE March 2016	Since Acquisition
 MWh Generated	3,746	4,275
 Solar Irradiation vs expectations	+1.9%	+2.4%
 Energy Generation vs Budget	+7.9%	+7.4%

### Ellough

Location	Suffolk
Capacity	14.9MW
Regulatory Regime	1.6 ROCs
EPC	Lark Energy
Panels	Hanwha
Inverter	Free Sun
Operational Since	Mar-14



## Ellough

Ellough is a solar plant located on a disused airfield near Ellough in Suffolk and has been operational since March 2014. The 14.9MW site has produced 20.5GWh (+4.7% vs budget) since acquisition to 31 March 2016. The acquisition cost was £20.0m and the investment value at year end was £18.8m, which is 4.9% of the portfolio value. The Company has committed to acquire a second phase to this project which has already been constructed and commissioned.

	YE March 2016	Since Acquisition
 MWh Generated	13,118	20,500
 Solar Irradiation vs expectations	(2.8%)	(2.4%)
 Energy Generation vs Budget	+4.1%	+4.7%



### Poulshot

Location	Wiltshire
Capacity	14.5MW
Regulatory Regime	1.4 ROCs
EPC	Moser Baer/Daylighting Power
Panels	BYD
Inverter	ABB
Operational Since	Mar-15

## Poulshot

The Poulshot plant is located near Trowbridge in Wiltshire and has a capacity of 14.5MW. The plant was acquired in September 2014 and has been operational since March 2015. The site has produced 13.9GWh (+1.8% vs budget) since acquisition to 31 March 2016. The acquisition cost was £15.7m and the investment value at year end was £15.3m, which is 4.0% of the portfolio value.

	YE March 2016	Since Acquisition
 MWh Generated	13,860	13,860
 Solar Irradiation vs expectations	(0.0%)	(0.0%)
 Energy Generation vs Budget	+1.8%	+1.8%

### Condover

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



## Condover

Condover is located near Shrewsbury in Shropshire and has a capacity of 10.2MW. The plant was acquired in October 2014 has been operational since March 2015. The site has produced 8.7GWh (+3.4% vs budget) since acquisition to 31 March 2016. The acquisition cost was £11.7m and the investment value at year end was £10.5m, which is 2.7% of the portfolio value. The Plant 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.

	YE March 2016	Since Acquisition
 MWh Generated	8,739	8,739
 Solar Irradiation vs expectations	(3.8%)	(3.8%)
 Energy Generation vs Budget	+3.4%	+3.4%



## Llwyndu

Currently Llwyndu is the only asset owned by the Company that is not in England. This site is located in Mid-Wales and has a capacity of 8.0MW. The plant was acquired in December 2014 and has been operational since February 2015. This site has produced 6.9GWh (+2.4% vs budget) since acquisition to 31 March 2016. The acquisition cost was £9.4m and the investment value at year end was £9.0m, which is 2.4% of the portfolio value. It is the most westerly plant that the Company has acquired in the mid-country sector, close to the Ceredigion coast.

### Llwyndu

Location	Ceredigion
Capacity	8.0MW
Regulatory Regime	1.4 ROCs
EPC	Greencells
Panels	BYD
Inverter	Huawei
Operational Since	Feb-15

	YE March 2016	Since Acquisition
 MWh Generated	6,890	6,890
 Solar Irradiation vs expectations	(4.7%)	(4.7%)
 Energy Generation vs Budget	+2.4%	+2.4%

### Cock Hill Farm

Location	Wiltshire
Capacity	20.0MW
Regulatory Regime	1.4 ROCs
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 20.0MW. The plant was acquired in December 2014 and has been operational since March 2015. The site has produced 17.3GWh (+0.8% vs budget) since acquisition to 31 March 2016. The acquisition cost was £23.3m and the investment value at year end was £22.2m, which is 5.8% of the portfolio value.

	YE March 2016	Since Acquisition
 MWh Generated	17,278	17,278
 Solar Irradiation vs expectations	(2.6%)	(2.6%)
 Energy Generation vs Budget	+0.8%	+0.8%



## Boxted Airfield

Boxted site is located north of Colchester in Essex on the now disused Boxted Airfield. Boxted has a capacity of 18.8MW and was acquired in March 2015, after it became operational. The site has produced 18.6GWh (+3.0% vs. budget) since acquisition to 31 March 2016. The acquisition cost was £20.6m and the investment value at year end was £20.1m, which is 5.2% of the portfolio value. The site has been sympathetically installed and benefits from wildflower seeding which has been specifically designed to enhance the local wildlife population.

### Boxted Airfield

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

	YE March 2016	Since Acquisition
 MWh Generated	18,632	18,632
 Solar Irradiation vs expectations	(0.6%)	(0.6%)
 Energy Generation vs Budget	+3.0%	+3.0%

### Langenhoe

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



## Langenhoe

Langenhoe is located near Colchester in Essex and has a capacity of 21.2MW. The plant has been operational since March 2015. The site has produced 22.0GWh (+6.8% vs budget) since acquisition to 31 March 2016. The acquisition cost was £22.9m and the investment value at year end was £21.5m, which is 5.6% of the portfolio value. 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 and bumblebee populations. The construction works also energised three previously off-grid properties.

	YE March 2016	Since Acquisition
 MWh Generated	21,990	21,990
 Solar Irradiation vs expectations	+2.7%	+2.7%
 Energy Generation vs Budget	+6.8%	+6.8%



## Park View

Park View is located near Ashburton in Devon, situated at the top edge of a valley with a capacity of 6.5MW. The site has produced 4.9GWh (-1.3% vs budget) since acquisition to 31 March 2016. The acquisition of Park View was first announced in March 2015. The acquisition cost was £7.7m and the investment value at year end was £7.3m, which is 1.9% of the portfolio value.

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

	YE March 2016	Since Acquisition
MWh Generated	4,855	4,855
Solar Irradiation vs expectations	(5.0%)	(5.0%)
Energy Generation vs Budget	(1.3%)	(1.3%)

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



## Croydon

Croydon is a plant located in South Cambridgeshire and has a capacity of 16.5MW. The plant was acquired and has been operational since March 2015. The site has produced 15.5GWh (+2.7% vs budget) since acquisition to 31 March 2016. The acquisition cost was £17.8m and the investment value at year end was £17.0m, which is 4.4% of the portfolio value. 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.

	YE March 2016	Since Acquisition
MWh Generated	15,546	15,546
Solar Irradiation vs expectations	+2.5%	+2.5%
Energy Generation vs Budget	+2.7%	+2.7%



## Hawkers Farm

Hawkers Farm is a site located near Theale in Somerset with a capacity of 11.9MW. The plant was acquired in April 2015 and has been operational since March 2015. The site has produced 12.3GWh (+3.2% vs budget) since acquisition to 31 March 2016. 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. The acquisition cost was £14.5m and the investment value at year end was £13.8m, which is 3.6% of the portfolio value.

### Hawkers Farm

Location	Somerset
Capacity	11.9MW
Regulatory Regime	1.4 ROCs
EPC	Greencells
Panels	Jinko
Inverter	Huawei
Operational Since	Mar-15

	YE March 2016	Since Acquisition
 MWh Generated	12,324	12,324
 Solar Irradiation vs expectations	(0.7%)	(0.7%)
 Energy Generation vs Budget	+3.2%	+3.2%

### Glebe Farm

Location	Bedfordshire
Capacity	33.7MW
Regulatory Regime	1.4 ROCs
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 one of the largest solar plants acquired by the Company with a capacity of 33.7MW. The acquisition was completed in May 2015. The plant has been operational since March 2015. The site has produced 26.0GWh (+10.0% vs budget) since acquisition to 31 March 2016. The acquisition cost was £40.5m and the investment value at year end was £38.8m, which is 10.2% of the portfolio value.

	YE March 2016	Since Acquisition
 MWh Generated	26,033	26,033
 Solar Irradiation vs expectations	+2.0%	+2.0%
 Energy Generation vs Budget	+10.0%	+10.0%



Bowerhouse	
Location	Somerset
Capacity	9.3MW
Regulatory Regime	1.4 ROCs
EPC	Ethical
Panels	LDK
Inverter	SMA
Operational Since	Mar-15

### Bowerhouse

Bowerhouse is located near Banwell in Somerset and has a capacity of 9.3MW. The plant was acquired in June 2015 and has been operational since March 2015. The site has produced 6.4GWh (-6.8% vs budget) since acquisition to 31 March 2016. The acquisition cost was £11.1m and the investment value at year end was £10.5m, which is 2.8% of the portfolio value.

	YE March 2016	Since Acquisition
MWh Generated	6,395	6,395
Solar Irradiation vs expectations	(4.1%)	(4.1%)
Energy Generation vs Budget	(6.8%)	(6.8%)

Wellingborough	
Location	Northants
Capacity	8.5MW
Regulatory Regime	1.6 ROCs
EPC	Lark Energy
Panels	LDK
Inverter	Free Sun
Operational Since	Mar-15



### Wellingborough

Wellingborough is located near the town of Wellingborough in Northamptonshire and has a capacity of 8.5MW. The plant was acquired in June 2015 and has been operational since March 2015. The site has produced 5.6GWh (+3.1% vs budget) since acquisition to 31 March 2016. The acquisition cost was £10.8m and the investment value at year end was £9.9m, which is 2.6% of the portfolio value.

	YE March 2016	Since Acquisition
MWh Generated	5,578	5,578
Solar Irradiation vs expectations	(3.1%)	(3.1%)
Energy Generation vs Budget	+3.1%	+3.1%



## Birch Farm

Birch Farm is a 5.0MW site located near Colchester in Essex. The plant was acquired in September 2015 and has been operational since June 2015. The site has produced 1.6GWh (-1.0% vs budget) since acquisition to 31 March 2016. The acquisition cost was £5.3m and the investment value at year end was £5.5m, which is 1.4% of the portfolio value. The site also enabled an energy supply to be created at an adjoining recycling facility.

### Birch Farm

Location	Essex
Capacity	5.0MW
Regulatory Regime	FiT
EPC	Push Energy
Panels	Yingli
Inverter	Ingeteam
Operational Since	Jun-15

	YE March 2016	Since Acquisition
 MWh Generated	1,590	1,590
 Solar Irradiation vs expectations	(2.0%)	(2.0%)
 Energy Generation vs Budget	(1.0%)	(1.0%)

### Thurlestone Leicester

Location	Leicestershire
Capacity	1.8MW
Regulatory Regime	FiT
EPC	Stepnell
Panels	Znshine Solar
Inverter	Power-One
Operational Since	Apr-13



## Thurlestone Leicester

Thurlestone Leicester is located in Leicestershire and has a capacity of 1.8MW. The plant was acquired in October 2015 and has been operational since April 2013. The site has produced 0.3GWh (-3.0% vs budget) since acquisition to 31 March 2016. The acquisition cost was £2.3m and the investment value at year end was £2.7m, which is 0.7% of the portfolio value. This asset is the only rooftop component of the Company's portfolio providing green energy to tenants of Social housing.

	YE March 2016	Since Acquisition
 MWh Generated	326	326
 Solar Irradiation vs expectations	N/A	N/A
 Energy Generation vs Budget	(3.0%)	(3.0%)



## North Farm

North Farm is a 11.5MW site located in Dorset. The plant was acquired in October 2015 and has been operational since March 2015. The site has produced 3.1GWh (-9.7% vs budget) since acquisition to 31 March 2016. The acquisition cost was £14.5m and the investment value at year end was £13.9m, which is 3.6% of the portfolio value.

North Farm	
Location	Dorset
Capacity	11.5MW
Regulatory Regime	1.4 ROCs
EPC	British Solar Renewables
Panels	Jinko
Inverter	Gamesa
Operational Since	Mar-15

	YE March 2016	Since Acquisition
 MWh Generated	3,097	3,097
 Solar Irradiation vs expectations	(14.6%)	(14.6%)
 Energy Generation vs Budget	(9.7%)	(9.7%)

Ellough Phase 2	
Location	Ellough Phase 2
Capacity	8.0MW
Regulatory Regime	1.3 ROCs
EPC	Lark Energy
Panels	Hanwha
Inverter	Free Sun
Operational Since	Mar-16



## Ellough Phase 2

Ellough Phase 2 is located in Suffolk and has a capacity of 8.0MW. The plant was acquired in November 2015 and has been operational since March 2016. The acquisition cost was £8.0m and the investment value at year end was £8.0m, which is 2.1% of the portfolio value.

	YE March 2016	Since Acquisition
 MWh Generated	N/A	N/A
 Solar Irradiation vs expectations	N/A	N/A
 Energy Generation vs Budget	N/A	N/A



## Hall Farm

Hall Farm is located in Leicestershire and has a capacity of 5.0MW. The plant was acquired in November 2015 and has been operational since May 2016. The acquisition cost was £5.0m and the investment value at year end was £5.0m, which is 1.3% of the portfolio value.

### Hall Farm

Location	Hall Farm
Capacity	5.0MW
Regulatory Regime	FiT
EPC	Push Energy
Panels	Hanwha
Inverter	Ingeteam
Operational Since	May-16

	YE March 2016	Since Acquisition
 MWh Generated	N/A	N/A
 Solar Irradiation vs expectations	N/A	N/A
 Energy Generation vs Budget	N/A	N/A

### Decoy Farm

Location	Lincolnshire
Capacity	5.0MW
Regulatory Regime	FiT
EPC	Push Energy
Panels	Hanwha Q Cells
Inverter	Ingeteam
Operational Since	Jan-16



## Decoy Farm

Decoy Farm is a 5.0MW site located near Colchester in Essex. The plant was acquired in November 2015 and has been operational since January 2016. The acquisition cost was £5.2m and the investment value at year end was £5.6m, which is 1.5% of the portfolio value.

	YE March 2016	Since Acquisition
 MWh Generated	N/A	N/A
 Solar Irradiation vs expectations	N/A	N/A
 Energy Generation vs Budget	N/A	N/A



## Green Farm

Green Farm is located in Essex and has a capacity of 5.0MW. The plant was acquired in November 2015 and has been operational since December 2015. The acquisition cost was £5.8m and the investment value at year end was £5.8m, which is 1.5% of the portfolio value.

Green Farm	
Location	Green Farm
Capacity	5.0MW
Regulatory Regime	FiT
EPC	Moser Baer/Daylighting Power
Panels	Atersa
Inverter	Power Electronics
Operational Since	Dec-15

	YE March 2016	Since Acquisition
 MWh Generated	N/A	N/A
 Solar Irradiation vs expectations	N/A	N/A
 Energy Generation vs Budget	N/A	N/A

Fenland	
Location	Cambridgeshire
Capacity	20.4MW
Regulatory Regime	1.4 ROCs
EPC	Hanwha Q Cells
Panels	Hanwha Q Cells
Inverter	SMA
Operational Since	Mar-15



## Fenland

Fenland is located in Cambridgeshire and has a capacity of 20.4MW. The plant was acquired in January 2016 and has been operational since March 2015. The site has produced 3.2GWh (+11.5% vs budget) since acquisition to 31 March 2016. Fenland is part of the Three Kings portfolio which has project level debt, the equity acquisition cost was £7.6m and the investment value at year end was £8.4m, which is 2.2% of the portfolio value.

	YE March 2016	Since Acquisition
 MWh Generated	3,177	3,177
 Solar Irradiation vs expectations	+7.8%	+7.8%
 Energy Generation vs Budget	+11.5%	+11.5%



## Green End

Green End is a 24.8MW site located in Cambridgeshire. The plant was acquired in January 2016 and has been operational since March 2015. The site has produced 3.9GWh (+12.8% vs budget) since acquisition to 31 March 2016. Green End is part of the Three Kings portfolio which has project level debt, the equity acquisition cost was £9.2m and the investment value at year end was £10.1m, which is 2.6% of the portfolio value.

Green End	
Location	Cambridgeshire
Capacity	24.8MW
Regulatory Regime	1.4 ROCs
EPC	Hanwha Q Cells
Panels	Hanwha Q Cells
Inverter	SMA
Operational Since	Mar-15

	YE March 2016	Since Acquisition
 MWh Generated	3,909	3,909
 Solar Irradiation vs expectations	+5.7%	+5.7%
 Energy Generation vs Budget	+12.8%	+12.8%

Tower Hill	
Location	Gloucestershire
Capacity	8.1MW
Regulatory Regime	1.4 ROCs
EPC	Hanwha Q Cells
Panels	Hanwha Q Cells
Inverter	SMA
Operational Since	Mar-15



## Tower Hill

Tower Hill is located in Gloucestershire and has a capacity of 8.1MW. The plant was acquired in January 2016 and has been operational since March 2015. The site has produced 1.2GWh (+8.2% vs budget) since acquisition to 31 March 2016. Tower Hill is part of the Three Kings portfolio which has project level debt, the equity acquisition cost was £3.0m and the investment value at year end was £3.5m, which is 0.9% of the portfolio value.

	YE March 2016	Since Acquisition
 MWh Generated	1,203	1,203
 Solar Irradiation vs expectations	+1.7%	+1.7%
 Energy Generation vs Budget	+8.2%	+8.2%



Branston	
Location	Lincolnshire
Capacity	18.9MW
Regulatory Regime	1.4 ROCs
EPC	Goldbeck
Panels	REC
Inverter	SMA
Operational Since	Mar-15

### Branston

Branston is located in Lincolnshire and has a capacity of 18.9MW. The plant was acquired in March 2016 and has been operational since March 2015. This solar PV plant is part of the Radius portfolio whose acquisition of £47.5m was financed with project level debt and whose equity investment value at year end was £51.4m, which is 13.5% of the portfolio value.

	YE March 2016	Since Acquisition
MWh Generated	N/A	N/A
Solar Irradiation vs expectations	N/A	N/A
Energy Generation vs Budget	N/A	N/A

Great Wilbraham	
Location	Cambridgeshire
Capacity	38.1MW
Regulatory Regime	1.4 ROCs
EPC	Abakus Bouygues
Panels	REC
Inverter	Schneider
Operational Since	Mar-15



### Great Wilbraham

Great Wilbraham is a 38.1MW site located in Cambridgeshire. The plant was acquired in March 2016 and has been operational since March 2015. This solar PV plant is part of the Radius portfolio whose acquisition of £47.5m was financed with project level debt and whose equity investment value at year end was £51.4m, which is 13.5% of the portfolio value. This site is the largest in the Company's portfolio.

	YE March 2016	Since Acquisition
MWh Generated	N/A	N/A
Solar Irradiation vs expectations	N/A	N/A
Energy Generation vs Budget	N/A	N/A



## Berwick

Berwick is located in Sussex and has a capacity of 8.2MW. The plant was acquired in March 2016 and has been operational since March 2015. This solar PV plant is part of the Radius portfolio whose acquisition of £47.5m was financed with project level debt and whose equity investment value at year end was £51.4m, which is 13.5% of the portfolio value. The site has an adjoining community flower meadow and boards displaying information about the site for use by local residents and schools.

### Berwick

Location	Sussex
Capacity	8.2MW
Regulatory Regime	1.4 ROCs
EPC	Abakus Bouygues
Panels	Renesola
Inverter	SMA
Operational Since	Mar-15

	YE March 2016	Since Acquisition
 MWh Generated	N/A	N/A
 Solar Irradiation vs expectations	N/A	N/A
 Energy Generation vs Budget	N/A	N/A

### Bottom Plain

Location	Dorset
Capacity	10.1MW
Regulatory Regime	1.4 ROCs
EPC	Abakus Bouygues
Panels	Renesola
Inverter	SMA
Operational Since	Dec-14



## Bottom Plain

Bottom Plain is a 10.1MW site located in Dorset. The plant was acquired in March 2016 and has been operational since December 2014. This solar PV plant is part of the Radius portfolio whose acquisition of £47.5m was financed with project level debt and whose equity investment value at year end was £51.4m, which is 13.5% of the portfolio value.

	YE March 2016	Since Acquisition
 MWh Generated	N/A	N/A
 Solar Irradiation vs expectations	N/A	N/A
 Energy Generation vs Budget	N/A	N/A



## Emberton

Emberton is located in Buckinghamshire and has a capacity of 9.0MW. The plant was acquired in March 2016 and has been operational since March 2015. This solar PV plant is part of the Radius portfolio whose acquisition of £47.5m was financed with project level debt and whose equity investment value at year end was £51.4m, which is 13.5% of the portfolio value.

### Emberton

Location	Emberton
Capacity	9.0MW
Regulatory Regime	1.4 ROCs
EPC	Goldbeck
Panels	REC
Inverter	Schneider
Operational Since	Mar-15

	YE March 2016	Since Acquisition
 MWh Generated	N/A	N/A
 Solar Irradiation vs expectations	N/A	N/A
 Energy Generation vs Budget	N/A	N/A

## Current and Long Term Power Prices

During the Company's second financial year, the wholesale power market in the UK experienced further downward volatility which has reduced revenues generated by the sale of electricity generated by the portfolio. Both short- and medium-term electricity prices moved downwards, as a result of, inter alia, lower-than-average winter temperatures, declining commodity prices and regulatory developments. Electricity spot prices fell from c.£40/MWh in March 2015 to c.£34/MWh in March 2016 (UK baseload – day ahead). In addition, the market consensus on long-term power prices has also changed 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 to reflect the latest market developments. The table below illustrates UK power prices from 1 April 2015 to the Date of Distribution of this annual report, illustrating the general downward trend as well as the recent pick-up in energy prices.

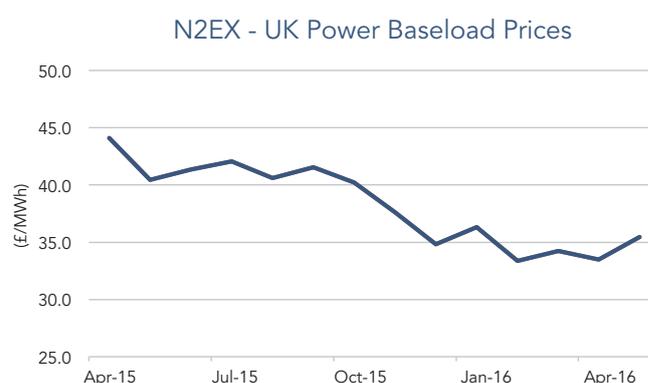
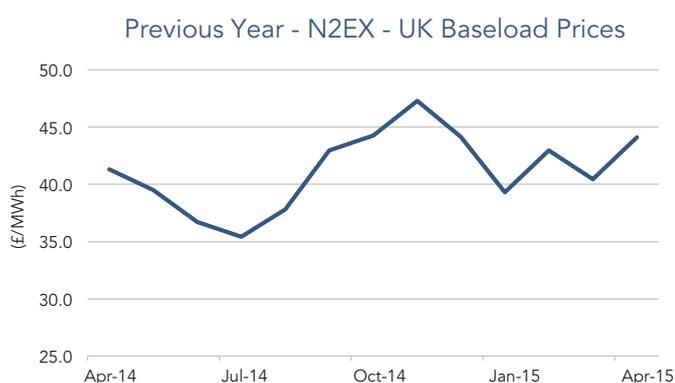
Since the Company's IPO in April 2014 the long-term power price forecast used by the Company has been revised six times (August 2014 to April 2016) with a cumulative reduction of c.21% compared to the assumptions employed at 31 March 2015 and c.30% as at IPO. The Company's current long-term power price forecast implies an average growth rate of approximately 2.3% in real terms over the 20-year period starting April 2016. 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 sensitivity analyses are provided in the Financial Review section on page 47 of the Annual Report and Audited Financial Statements. It is worth noting that this exposure is significantly mitigated by the balanced mix of revenues typical of the solar PV plants acquired by the Company which, as at March 2017 are expected to comprise c.60% of regulated revenues (ROCs and embedded benefits, mainly linked to RPI) and c.40% of sale of electricity on the wholesale market through PPAs.

## Power Purchase Agreements

The Company's electricity sales strategy is designed to maximise revenues whilst mitigating the negative impact of short-term fluctuations in the power markets. During the year, this strategy allowed for the flexibility required by the rapid growth of the portfolio, so that the Company could build significant scale to then optimise the PPA terms on the entire portfolio. As at 31 March 2016, the Company had a mix of PPA with fixed prices for periods ranging from three months to five years. As a result of these PPAs as well as of the UK regulatory framework, the Company had a total of 83% of its revenues linked to fixed power prices and ROCs until March 2017 and 68% until 2021, by mitigating the risk of dividend reductions from volatility in the power price market.

Taking into account the current level of performance of its portfolio, the Company expects to be able to meet its long term dividend targets even in a scenario in which power prices for the period to 2033 were to fall 40% below current forecasts or were to remain flat at current levels in nominal terms (ie. not increased even for inflation).





# Financial Review

Overall the Company performed positively during the year. Significant increases in the values of individual plants were driven by excellent transactional achievements and asset-specific over-performance. These positive factors have contributed to mitigate the negative impact of declining wholesale energy prices and regulatory changes throughout the year. The Company has met its targets for dividend distribution and generation of surplus cash to be re-invested in its portfolio or in further solar assets.

## Dividends to Shareholders

During the year the Company paid the second interim dividend for the financial period ended 31 March 2015 of

2.625p per Ordinary Share and the first interim dividend for the year ended 31 March 2016 of 3.125p per Ordinary Share. A second interim dividend of 3.125p per Ordinary Share totalling £8,686,160 is expected be paid to shareholders in July 2016. As a result, the Company will achieve its target for total dividend distribution for the full financial year ended 31 March 2016 of 6.25p per Ordinary Share. The summary of all dividends paid by the Company until the Date of Distribution of this annual report is set out in the table below.

During the year the Company generated investment cash income of £24.0m and had net operating costs of £3.6m. As a result, the net dividend cover for the year was 1.2x. The table below provides additional details and metrics.

Dividend	Date of Payment	Amount per Ordinary Share (p)	Total Amount (£m)
First interim for year 14/15	December 2014	2.625	4,635,750
Second interim for year 14/15	July 2015	2.625	6,309,188
First interim for year 15/16	December 2015	3.125	8,686,160
<b>Total (Dividends paid to date)</b>		<b>8.375</b>	<b>19,631,098</b>
Second interim for year 15/16	Expected July 2016	3.125	8,686,160

Investment Income	Total (£m)		
Investment Income for year 15/16	24,046,160		
Net operating costs	3,507,468		
<b>Net Investment Income</b>	<b>20,538,692</b>	<b>Gross Dividend Cover</b>	<b>Net Dividend Cover</b>
Dividend paid during the year	14,995,347	1.6 x	1.4 x
Dividend in relation to the year	17,372,319	1.4 x	1.2 x

The Investment Manager currently estimates a 1.2x long-term dividend cover (assuming refinancing of the existing short-term debt positions with long-term debt at a conservative all-inclusive fixed rate of 4.5%).

As stated in the Chairman's Statement on page 3 the Company is targeting to pay a dividend of 6.31p per share for the 2016/17 financial year. Following the Board's decision to move to a quarterly dividend, as announced in April 2016, the forward looking dividend calendar is set out in the table below:

Dividend for year 16/17	Date of Expected Payment	Amount per Ordinary Share (p)
First interim	September 2016	1.575
Second interim	December 2016	1.575
Third interim	March 2017	1.575
Fourth interim	July 2017	1.585
<b>Total</b>		<b>6.310</b>

## Operating Costs and Profits for the Year

The operating costs of the Company amounted to £3.5m, in line with expectations. The profit before tax for the year ended 31 March 2016 was £2.0m and the earnings per share was 0.78p, negatively impacted by reduction in fair value of investments.

The Company's ongoing charges for the year ended 31 March 2016 are 1.2%, lower than budgeted (1.3%) and lower than previous year (1.5%). The budgeted ongoing charges ratio for the next year ending 31 March 2017 is 1.2%.

## Valuation of the Investment Portfolio

The Investment Manager is responsible for carrying out the fair market valuation of the Company's underlying investment portfolio, as described in Note 5. The resulting fair market value of the Company's investment portfolio is 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 are based on a discounted cash flow methodology, and take into account Invest Europe (formerly European Private Equity and Venture Capital Association) guidelines.

The Investment Manager reviews multiple sources and inputs in determining the fair market value of the underlying investments, including analysing all announced solar transactions in the UK during the year as well as undertaking a discounted cash flow analysis of each investment made by the Company. 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. In the discounted cash flow analysis, the 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 the time of valuation, the acquisition cost is used as an appropriate estimate of fair value.

The Board reviews the operating and financial assumptions, including the discount rates, used in the valuation of the Company's underlying portfolio and

approves them based on the recommendation of the Investment Manager. As part of the annual audit, PricewaterhouseCoopers CI LLP ("PwC CI") reviews the valuation model used by the Investment Adviser, including the discount rate. 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 continues to adopt a 7.5% discount rate for unlevered operating solar assets and started to adopt a discount rate up to 8.5% for solar assets with project level debt.

For those operating solar assets with fully-amortizing long-term project level debt (the Radius portfolio comprising Branston, Berwick, Bottom Plain, Emberton and Great Wilbraham, and the Three Kings portfolio comprising Fenland, Green End and Tower Hill) the Company has decided to adopt a higher discount rate to capture the greater level of risk associated with the cash flows available to equity investors after debt service. The appropriate level of risk premium due to project level debt was evaluated taking into account various factors for each specific asset including level of financial gearing, maturity profile and cost of debt. As a result, the discount rates applied to these projects range up to 8.5%.

The resulting weighted average discount rate for the Company's portfolio is 7.7%.

The Company does not adopt Weighted Average Cost of Capital ("WACC") as a discount rate for its investments, as it believes that the reduction in WACC deriving from introduction of long-term debt financing does not reflect the greater level of risk to equity investors associated with levered assets or levered portfolios. However, the following sensitivity analysis was prepared to illustrate the potential impact of using

WACC as a discount rate. The Company's pre-tax WACC as of 31 March 2016 is 5.8%, driven by the low cost of debt of the short-term facilities. Assuming the entire short-term debt position of the Company was refinanced with long-term debt at a conservative all-inclusive rate of 4.5%, the resulting pre-tax WACC would be 6.1%. Had the Company adopted this pre-tax WACC of 6.1% as a discount rate for its portfolio, the NAV per share would be 117.9p (i.e. 20% higher than current NAV). For sake of comparison with other listed solar investment funds, had the Company adopted a pre-tax WACC of 6.6% as a discount rate for its portfolio, its NAV would be 111.3p per share (i.e. 13% higher than current NAV).

The value uplift generated by the assets valued on a Discounted Cash Flow ("DCF") basis is supported by an analysis performed by the Investment Manager demonstrating how the Company's portfolio (including all acquisitions since IPO) has been acquired through transactions closed at prices lower than the market average by approximately 2%. This analysis reviewed all publicly disclosed information related to acquisition of UK solar assets since 2014 and included adjustments for project specific ROC banding and site irradiation based on the Investment Manager's estimates and best knowledge and publicly available PVGIS database. 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 MW capacity.

The DCF methodology implemented in the Portfolio Valuation assumes a valuation time-horizon capped to the current terms of the lease on the properties where each individual solar PV asset is located. These leases have been typically entered into for a 25-year period from commissioning of the relevant PV plants (specific terms may vary). However, the useful operating life of the Company's portfolio of solar PV plants is expected to be longer than 25 years. This is due to many factors, including: a) solar PV plants with technology components similar to the ones deployed in the Company's portfolio have demonstrated to be capable of operating for over 40 years, with levels of technical degradation lower than that assumed or guaranteed by the manufacturers; b) local planning authorities have already granted initial planning consents that do not expire and/or have granted permissions to extend initial consented periods; and c) the Company owns rights to inject electricity into the grid through connection agreements that do not expire. The Company has begun extending the useful life of its assets, mainly by extending the terms of the

property leases for some projects with the intention of extending leases for others in due course.

As of 31 March 2016, the remaining weighted average lease duration of the Company's portfolio was 25.7 years. In this portfolio, the 33MW Glebe Farm is valued on the basis of an extended remaining lease term of 34 years and the 5 assets in the 84MW Radius portfolio on an average lease term of 29.5 years. For illustration purposes, should the entire portfolio of assets be valued on a 35 years basis from connection (assuming current lease terms) the Company's NAV would increase by c.11%.

As to the other main operating assumptions adopted in the DCF valuation of the portfolio, the Company conservatively values each solar PV plant on the basis of the minimum Performance Ratio guaranteed by the vendor or on the basis of the Performance Ratio estimated by the appointed technical adviser during due diligence. These estimates are generally lower than the actual performance ratios that the Company has been experiencing during subsequent operations. The Investment Manager deems it appropriate to adopt the actual Performance Ratio after two years of operating history, when typically the plants have satisfied the Final Acceptance tests. As of 31 March 2016, only three out of the 33 solar PV plants in the investment portfolio had at least two years of operating history, and their actual Performance Ratio was crystallized into the relevant financial model, therefore generating a material uplift in their valuation. As to the other 30 solar PV plants, these are expected to reach their two year operating life milestone according to the calendar below, and the Investment Manager currently expects to update the relevant Performance Ratio inputs based on the actual performance observed at that time.

Financial quarter ending June 2016:	201 MW
Financial quarter ending September 2016:	130 MW
Financial quarter ending December 2016:	9 MW
Financial quarter ending March 2017:	0 MW
Financial quarter ending June 2017:	35 MW

For illustration purposes, had the entire portfolio of solar PV assets be valued based on actual Performance Ratios observed from date of commissioning until 31 March 2016, the Company's NAV would have increased by c.£6m representing c.2.0p per share.

The Company's NAV is calculated on a quarterly basis based on the valuation of the investment portfolio

determined by the Investment Manager and the overlay of 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 identifying 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.

The Company experienced NAV growth during the year ended 31 March 2016 mainly driven by the issuance of new capital in September 2015 for c.£38.8m and the acquisition of additional investments during the year. As a result, NAV grew over the year from £248.4m to £273.8m as at 31 March 2016.

The evolution of NAV per share during the year was affected by a number of positive and negative factors. During the year NAV decreased from 103.3p to 98.5p. As the Company reports its financial results under IFRS 10 (see note 2(c)) the change during the year in fair value of its assets drives the profit and loss of the Company.

The change in NAV per share in the year from 103.3p to 98.5p was mainly driven by the following factors:

- The downward revisions in the forecasts for long-term power prices adopted by the Investment Manager for a cumulative reduction of c.21% compared to the assumptions employed at 31 March 2015;
- The removal of LECs in the July 2015 Summer Budget, which together with power price reductions had a cumulative negative impact on NAV of 14.6p per share;
- 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;
- The operating results achieved by the Company's solar PV plants; and
- The cash dividends paid in July 2015 and December 2015 and the Company's operating costs.

These factors can be viewed alongside the other drivers in the NAV bridge chart on page 45.

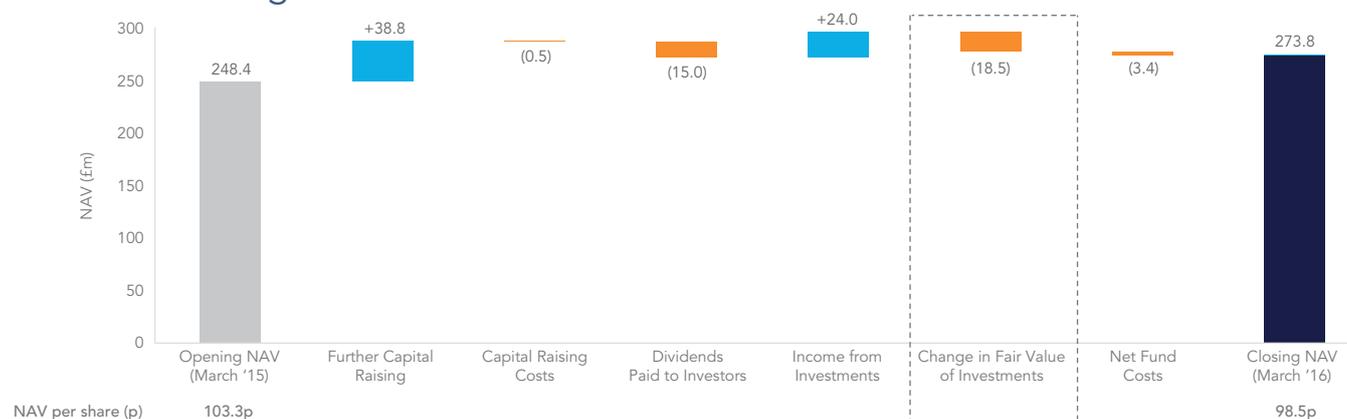
NAV Bridge (Movement)	(GBPm)
Opening NAV (March '15)	248.4
Further Capital Raising	38.8
Capital Raising Costs	(0.5)
Dividends Paid to Investors	(15.0)
Income from Investments	24.0
Change in Fair Value of Investments	(18.5)
Net Fund Costs	(3.4)
Closing NAV (March '16)	273.8

An important driver for the movement in NAV was the revaluation of the Investment Portfolio which accounted for £18.5m. This represented the difference between the acquisition cost and closing fair value of the portfolio at the end of the year. The portfolio revaluation bridge chart on page 45 highlights the main factors driving the portfolio revaluation and reconciles the total revaluation for the year. The revaluation is summarised in the net changes in financial assets at fair value in the Statement of Comprehensive Income on page 78.

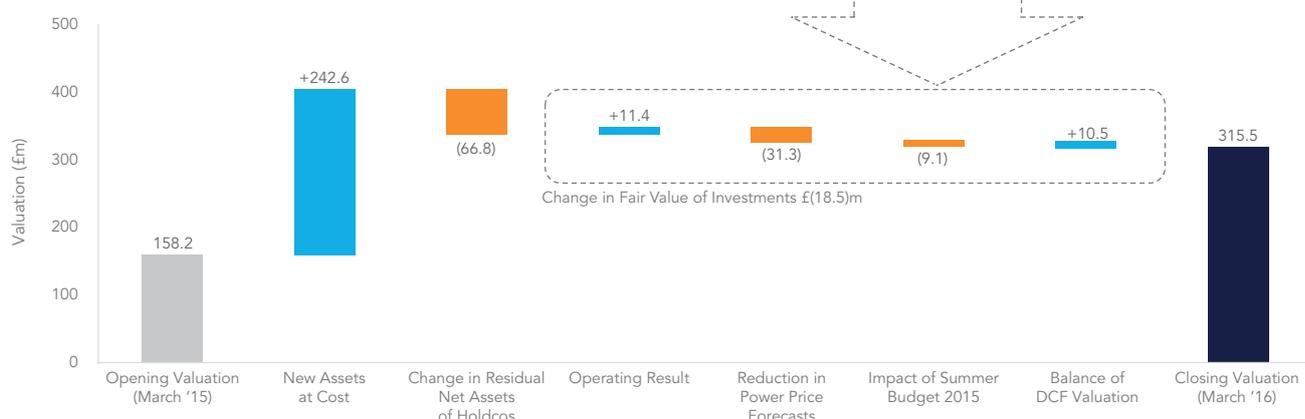
The Company's investment portfolio is valued at £315.5m, comprising 26 investments valued through discounted cash flow methodology and three investments valued at investment cost. Among the 26

investments, Radius (which is considered as one portfolio investment consisting of five solar PV plants) was completed shortly after 31 March 2016, but the contractual conditions in its acquisition and financing agreements implied effective transfer of ownership before the year end and as such is included in the investment portfolio at year end. The valuation of the investment portfolio is net of the project level debt (£45.4m project financing advanced by Bayerische Landesbank to the 53MW Three Kings portfolio (comprising Fenland, Green End and Tower Hill), acquired by the Company in January 2016; and £55m project financing arranged by Macquarie Infrastructure Debt Investment Solutions ("MIDIS") in conjunction with

### NESF NAV Bridge – 31st March 2015 to 31st March 2016



### Portfolio Valuation Bridge – 31st March 2016



the acquisition of the 84MW Radius portfolio signed by the Company in March 2016).

The three investments valued at investment cost (Ellough Phase II, Green Farm and Hall Farm) comprise the investments in solar PV plants for which the relevant

milestones and technical tests had not yet been finalised at the year end and as such their completion was not deemed imminent. At the year end all of these three solar PV plants were operational and the Investment Manager was in the process of completing their acquisitions.

(1) The change in Residual Net Assets of the HoldCo include £74.1m of external debt. Please refer to note 19 of the audited Financial Statements

Investment	Directors' Valuation 31 March 2015 (GBP)	Investment Movements during the year (GBP)	Directors' Valuation 31 March 2016 (GBP)
Higher Hatherleigh	8,957,377		6,907,206
Shacks Barn	9,711,376		7,993,437
Gover Farm	12,459,841		11,390,789
Bilsham	19,993,448		17,573,137
Brickyard	4,308,890		3,729,258
Ellough	20,987,800		18,780,284
Poulshot	16,254,521		15,347,350
Boxted Airfield	21,932,788		20,059,008
Langenhoe	24,619,753		21,517,834
Croydon	18,460,754		16,958,191
Condover		11,738,624	10,451,176
Llwyndu		9,383,685	9,010,754
Cock Hill Farm		23,622,062	22,214,893
Hawkers Farm		14,465,961	13,841,456
Glebe Farm		40,507,323	38,832,745
Park View		7,675,725	7,341,299
Bowerhouse		11,140,707	10,519,042
Wellingborough		10,842,840	9,911,957
Birch Farm		5,333,000	5,508,836
Thurlestone Leicester		2,318,948	2,713,983
North Farm		14,469,096	13,884,261
Ellough Phase 2 <sup>(1)</sup>		8,047,967	8,047,967
Hall Farm <sup>(1)</sup>		4,980,825	4,980,825
Decoy Farm		5,160,698	5,557,217
Green Farm <sup>(1)</sup>		5,775,461	5,775,461
Fenland <sup>(3)</sup>		7,554,768	8,437,289
Green End <sup>(3)</sup>		9,151,362	10,091,867
Tower Hill <sup>(3)</sup>		3,001,869	3,507,200
Project Radius <sup>(3)</sup>		47,468,640	51,448,533
<b>Total Investment Portfolio</b>	<b>157,686,548</b>	<b>242,639,561</b>	<b>382,333,255</b>
Residual Net Assets of NESH	474,324		(43,788,593)
Residual Net Assets of NESH II			(23,147,238)
Residual Net Assets of NESH III			69,255
Residual Net Assets of NESH IV			0
<b>Total Investment in Holding Company<sup>(2)</sup></b>	<b>158,160,872</b>	<b>242,639,561</b>	<b>315,466,679</b>

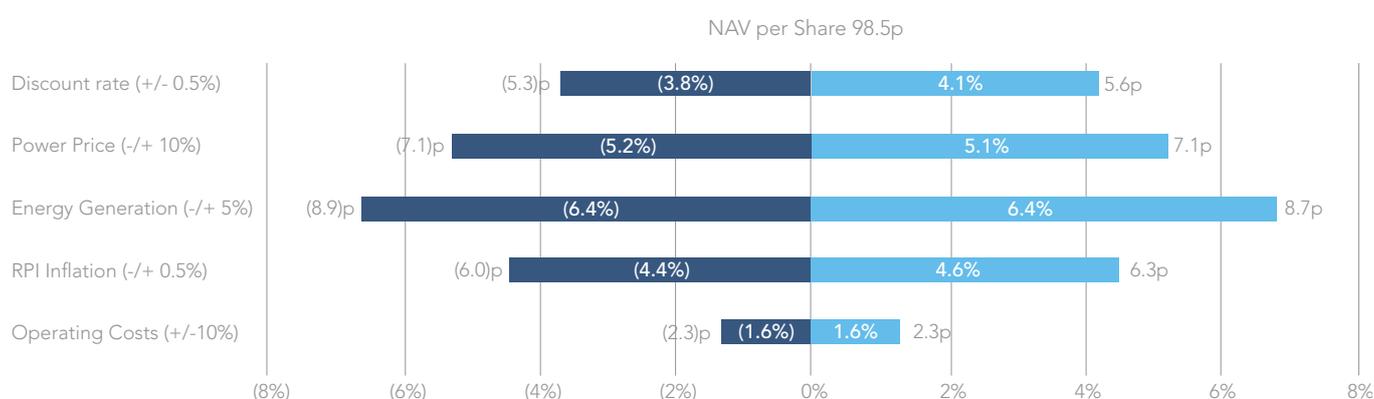
<sup>(1)</sup> These investments were not yet completed as at 31 March 2016.

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

<sup>(3)</sup> These investments have financial leverage at project level.

## Sensitivity Analysis

Sensitivities on the Company's NAV and detailed disclosure on the asset valuation methodologies are provided below and in note 12 (Financial instruments) of the Financial Statements. The sensitivity chart below highlights a) the percentage change in the Total Investment Portfolio valuation of £382.3m resulting from a change in the underlying variables affecting the whole portfolio for the entire asset life; and b) the consequential impact of such change in the portfolio valuation on the NAV per share as at 31 March 2016, which helps to highlight the increased sensitivity due to the employment of financial leverage.



In the previous reporting period, the sensitivity on energy yield was driven by a P10/P90 probability analysis on solar irradiation over 10 years, which is a technical standard employed across the broader renewable energy asset class (particularly relevant for Wind assets given the significant volatility of Wind energy sources year on year). The Investment Manager, based on its experience, considers that for solar PV assets more appropriate and meaningful information is provided by the sensitivity analysis of the aggregated effect of solar irradiation and technical performance (in a reasonable range of +/- 5% over the life of the DCF valuation horizon). For reference purposes, the sensitivity based on P10/P90 would have resulted in a +/-9.6% impact on Portfolio valuation.

In addition to the above sensitivities on NAV, the Investment Manager has performed further sensitivities on actual cash generation. This analysis takes into account the impact of selected changes in valuation assumptions over the twelve months to March 2017. In this analysis, should energy prices fall by a further 10% from current forecasts, NESF would experience a reduction of only 2.6% in its net operating cashflows, such impact being mitigated by the fixed price PPAs in place over the period. Also, should the portfolio achieve an over performance of 5% throughout the twelve months to March 2017 (whether due to higher solar irradiation or asset management), total operating cashflows would increase by 6.6%. Conversely, these

sensitivities on cash generation would have similar but opposite results in their respective inverted scenario.

Since the Company's IPO in April 2014 the long-term power price forecast used by the Company was revised six times (August 2014 to April 2016) with a cumulative reduction of c.30%. For sake of illustration, had the power price forecasts remained in line with those at the time of the IPO, the Company's NAV would be 131.2p per share.

## Summary of Capital Raising and Capital Deployment

The Company completed five capital raisings since inception: its IPO of 85.6m New Ordinary Shares in April 2014, a second issue of 91.0m New Ordinary Shares in November 2014, a placing of 4.0m New Ordinary Shares in December 2014, a further 59.8m New Ordinary Shares in February 2015 and a further placing of 37.6m New Ordinary Shares in September 2015. All issues following the IPO have been completed pursuant to the Placing Programme announced on 10 November 2014.

On 9 November 2015, the Company issued 30,850,000 New Ordinary Shares to Cantor Fitzgerald at a price of 104.0p per Share under the Placing Programme. On the same day, the New Ordinary Shares were repurchased by the Company, at the same price, to be held in treasury.

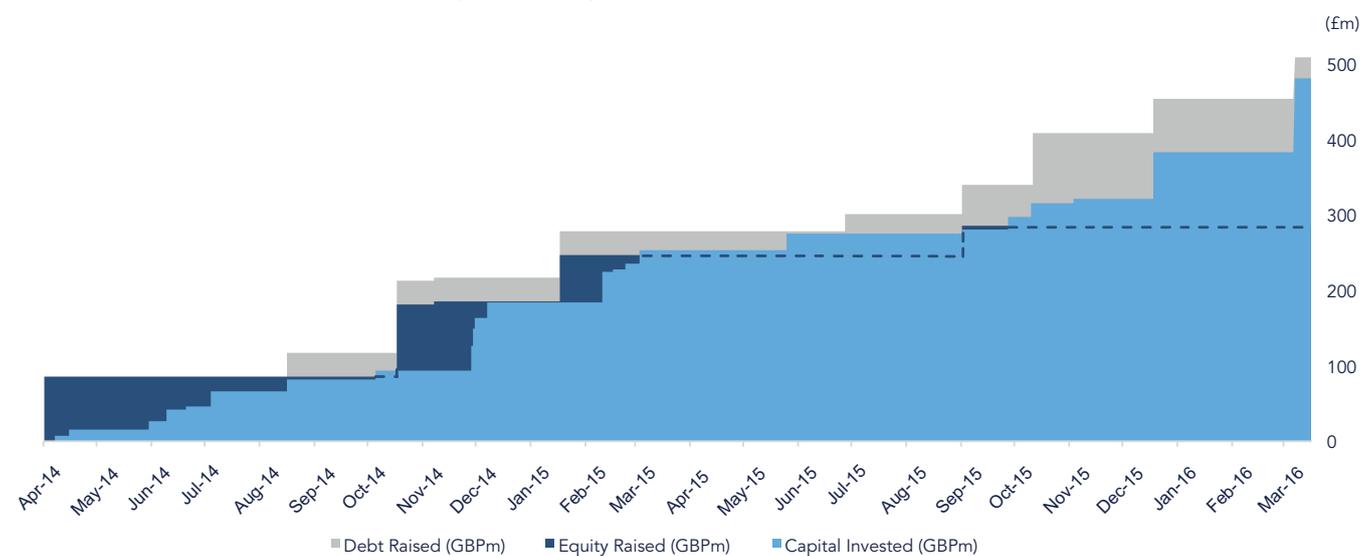
The NAV per Share and the net cash position of the Company have not been affected by this transaction. This issuance and repurchase transaction was undertaken to provide the Company with flexibility to raise additional capital in an efficient and cost-effective manner in due course. The shares purchased have been placed in treasury and will be available to be sold out of treasury on a non-pre-emptive basis, subject to shareholder approval, to meet future market demand. The net proceeds of any sales of shares out of treasury will provide the Company with additional capital to enable it to take advantage of new investment opportunities. Shares will only be sold out of treasury at a premium to the then prevailing NAV per Ordinary Share.

Following the repurchase outlined above, the Company's issued share capital comprised 308,807,105 Ordinary

Shares and the total number of voting rights in the Company was 277,957,105. The figure of 277,957,105 may be used by Shareholders and other investors as the denominator for the calculations by which they will determine if they are required to notify their interest in, or a change to their interest in, the Company under the FCA's Disclosure and Transparency Rules.

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 debt financing raised, allowed the Company to rapidly grow its investment portfolio during the year.

## NextEnergy Solar Fund Capital Deployment Timeline



Date	Equity Raised (£GBPm)	Equity 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
September 2015	38.8	c.100% by November 2015	c.6 weeks

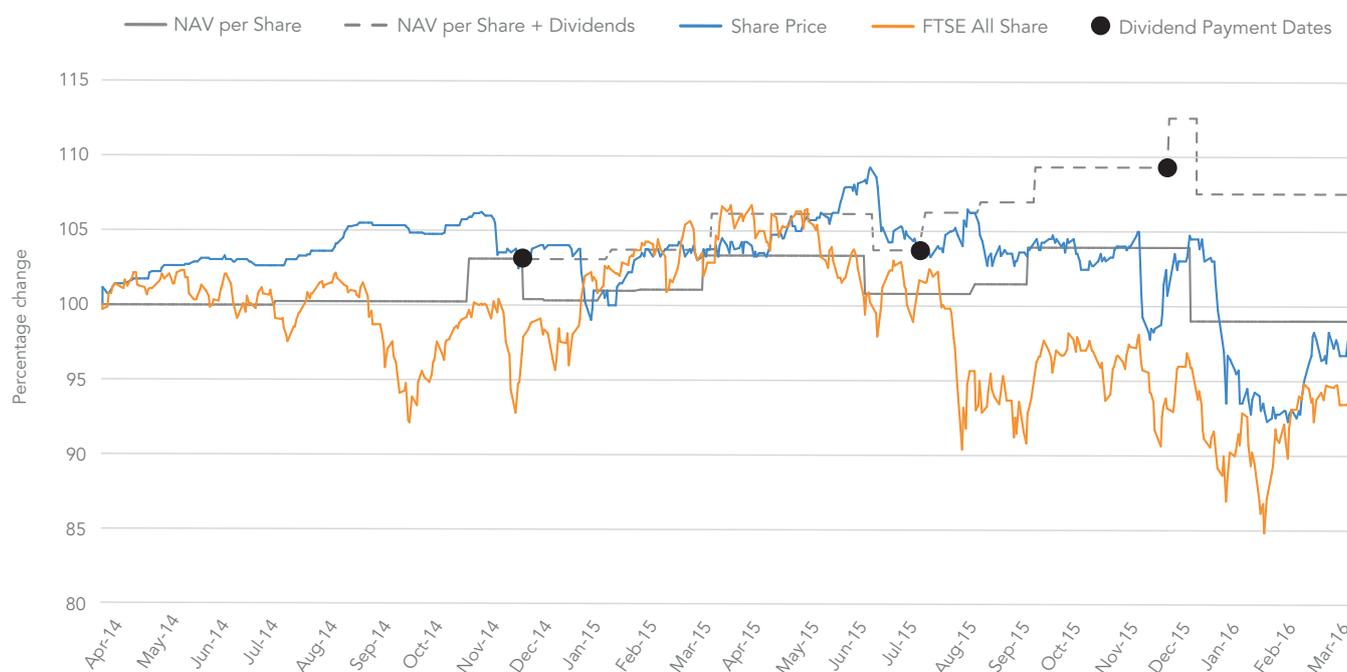
Date	Debt Raised (£GBPm)	Lender	Amount Deployed
July 2015	22.7	NIBC	c.100%
November 2015	100.0	Macquarie	c.93.5%
January 2016	45.4	Bayern Landesbank	c.100%
March 2016	55.0	Arranged by MIDIS	c.100%
May 2016	20.0	Macquarie	c.0%

## Share Price Development

During the year the share price fell from 103.25p to 97.75p. The NAV and share price chart below highlights the share price performance and shows how it traded at a premium over NAV during the first part of the year and then started to trade at a discount over NAV in the second part of the year.

As a result of share price developments, and taking into account dividends paid, NESF total shareholders return was 0.2% for the year ended 31 March 2016 (and 3.2% since IPO). NAV total return for the year was 1.1% (and 3.7% since IPO).

NESF shares are included in the FTSE All-Shares Index as well as the FTSE Small Cap Index. Without taking into account dividends paid, NESF shares outperformed its FTSE All-Shares benchmark by 2.4% during the period end and by 3.2% since IPO.



## Financing and Cash Management

As of 31 March 2016, the Company had a total of £74.2m in short-term financial debt outstanding, resulting from the following:

- £51.5m drawn under the two-year revolving credit facility ("RCF") advanced by Macquarie Bank Limited on 17 September 2014 (and subsequently syndicated for 40% to Santander) and extended to a total of £100m on 30 October 2015 (and further extended to £120m post year end); and
- £22.7m drawn under the debt facility advanced by NIBC Bank B.V ("NIBC") on 21 July 2015 to finance the acquisition of two assets (Cock Hill and Llwyndu).

The NIBC Facility has a 12-month duration, with a further 12-month extension available. As of the Date of Distribution of this annual report, the Company is executing the extension of this facility with NIBC for a further 3 years. NIBC previously financed the construction of the two projects for the vendor. The upfront costs to the Company favourably reflected NIBC's previous involvement in and knowledge of the two projects and the remaining terms of the facility are in line with current market conditions.

In addition, during the year the Company made two investments in solar PV portfolios with project level long-term fully-amortising debt in place:

- £45.4m project financing advanced by Bayerische

Landesbank to the 53MW Three Kings portfolio (comprising Fenland, Green End and Tower Hill), acquired by the Company in January 2016; and

- £55m project financing arranged by Macquarie Infrastructure Debt Investment Solutions ("MIDIS") in conjunction with the acquisition of the 84MW Radius portfolio signed by the Company in March 2016

As a result, the total pro-forma debt position of the Company on a look-through basis as of 31 March 2016

is £216.6m. This represents a gearing of 44% in terms of total debt vs. Gross Asset Value (which is equal to NAV plus total financial debt outstanding). The corresponding average cost of debt is 3.5%. After the end of the year, and as the Date of Distribution of this annual report, the Company has further extended its RCF to a total of £120m. The table below provides detailed information on the total debt outstanding as of the Date of Distribution of this report:

Provider/Arranger	Type	Borrower	Tranches	Facility Available (GBP)	Amount Outstanding (GBPm)	Termination (including options to extend)	Applicable Rate
Macquarie & Santander	Revolving Credit Facility	Fund/HoldCo level	RCF – Tranche A	31,500,000	25,000,000	17-Mar-17	1m Libor + 2.75%
			RCF – Tranche B	68,500,000	68,500,000	17-Jun-17	1m Libor + (1.95-2.50)%
			RCF – Tranche C	20,000,000	–	19-Nov-17	1m Libor + (1.95-2.50)%
NIBC	Acquisition facility	Fund/HoldCo level		22,680,000	22,680,000	17-Jul-17 (being extended to Jul-20)	3m Libor + 2.75% (being reduced to 2.20%)
MIDIS	Fully-amortising long-term debt	Radius Portfolio level debt	Inflation linked Tranche	27,500,000	27,500,000	30-Sep-34	RPI index + 1.44%
			Fixed Tranche	27,500,000	27,500,000	30-Sep-34	4.11%
Bayern LB	Fully-amortising long-term debt	Three Kings Portfolio level debt		45,398,000	45,398,000	30-Jun-33	3.96%
<b>Total</b>					<b>216,578,000</b>		

It is intended that the short-term facilities will be repaid through one or a combination of the following: rollover of the same short-term facilities, refinancing with a long-term debt facility and/or further equity issuance. The Investment Manager is actively working on the refinancing of the £120m RCF and has selected a leading financial adviser to the Company to run a competitive tender process with a view to finalise the refinancing during the fourth quarter of 2016. The Investment Manager is also working with NIBC with a view to extend the existing short-term debt facility for a further 3 years and to potentially extend it to £50m to finance the acquisition of further assets.

The Investment Manager has not charged any additional fees to the Company in conjunction with the structuring, execution and monitoring of any of these financial debt facilities.

The debt financing strategy of the Company is supported by strong indications of support from equity investors for both further capital increases to increase the Company's size and the employment of financial leverage up to the

50% target level to optimise equity returns. Additional comfort on the employment of structural debt comes from the evidence of robust and increasing appetite from institutional debt capital providers for long-term dated securities backed by solar PV assets, with levels of gearing that range up to 75-80% Loan to Value. This buoyant debt market is supportive for highly geared debt strategies, which usually require accepting long-term PPAs of up to 15 years at discount to market price, a requirement that limits the overall revenue obtainable for energy generated over such a term. However, the Investment Manager negotiated debt financing agreements that left flexibility to the Company to negotiate PPAs over time with a view to maximise revenues.

As at 31 March 2016 the Company's total assets included cash totalling £5.9m split between Barclays Bank PLC and Lloyds Bank PLC.

## Outlook

The UK solar PV market continued to experience exceptional growth during the year, reaching a total installed capacity of 9.5 GW, an increase of 19% over the last twelve months. In addition, the announcement of regulatory changes that introduced a phase-out of the ROC and FiT regimes for new solar installations after 31 March 2016 caused a further acceleration in the rate of new installations expected to be commissioned.

During the year the regulatory framework for UK solar PV underwent significant changes:

On 8 July 2015 the Chancellor of the Exchequer introduced as part of the Summer Budget 2015 the removal of the Climate Change Levy exemption for renewable electricity generation, effective 1 August 2015. This has negatively impacted the valuation of the portfolio and the Company's NAV (by an estimated 4p per share, partly offset by a reduction in corporate tax rates introduced in the same Summer Budget 2015, resulting in total impact of 3.2p per share).

Over the course of 2015, the Department of Environment and Climate Change (DECC) undertook a review of the subsidy regime for renewable energy in the UK. The consultation process led to the government bringing to an end the regime for ROCs in its entirety for Solar by 31 March 2017 where projects benefit from a grace period; and significantly truncated the Feed in Tariff (FiT) regime with a quota led approach to curtailing wide spread use. These changes imply that growth in the solar installed base will be curtailed. The government was clear throughout the consultation process that changes would not be retrospective. At the conclusion of the review the UK government confirmed that the subsidy regime achieved at accreditation would be maintained for the original life of the subsidy regime.

The Company believes that there remains a material pipeline of opportunities for growth. The NEC Group continues to leverage its long-standing experience as an investor and leading asset manager in the solar sector to focus on reducing solar investment and operating costs to meet a decreasing support and no-support market in the future.

Over the next 12 months, the Company will benefit from the pipeline of opportunities identified by the Developer, ranging from large industrial scale plants in operation and

benefiting from the previous ROCs regimes, or under construction and benefiting from the 1.3 ROCs or FiT regimes as well as portfolios of residential and commercial rooftops. At the Date of Distribution of this annual report the Investment Manager, together with the Developer, have identified a pipeline of over c.540MW of short-term acquisition targets and are actively developing further opportunities.

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 portfolio by optimising the technical and financial performances of its assets and by extending the useful lifespan of its plants. Furthermore, the Investment Manager remains fully engaged in monitoring technological change in the energy sector and is already exploring the feasibility of the application of energy storage facilities to the Company's portfolio of solar PV plants. Consequently, the Company is well-positioned to incorporate the continuing innovation in energy technology and benefit from the associated incremental returns and/or cost reductions in solar energy generation and storage.

## 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, and includes:

- 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 Board's assessment, the main risks faced by the Company are likely to be related to the following areas, the other ones being less likely or less significant:

- Uncertainty for the future regulatory framework for solar PV in the UK and risk that as a consequence further planned acquisitions do not take place, affecting the Company's growth potential, or that regulatory changes may affect the profitability and valuation of the current portfolio
- Risk that the heightened competition for solar assets will make it more difficult for the Company to continue acquiring assets at attractive values. This increased competition may be fuelled by investors with aggressive financial structures seeking lower returns than the Company for the same solar PV assets
- Exposure to the wholesale energy market impacts the prices received for energy generated and revenues forecasted by the operating assets of the company. This also exposes the company to a risk of further reduction in forward price curves
- The UK government held a referendum on 23 June 2016 for the UK to vote either to remain in or leave the European Union. As a result of the referendum, the majority of those voting elected to leave the European Union ("Brexit"). The Investment Manager believes Brexit is likely to have a very limited effect, if any at all, on the Company's financial and operating prospects. The UK's 2008 Climate Change Act enshrines the Government's commitment to reduce the country's greenhouse gas emissions by 80 per cent compared to 1990 levels, and we do not think government will introduce primary legislation to reverse this commitment as a result of Brexit. Given the recent referendum result there is uncertainty in the market around the impact of the vote, however we currently have no reason to expect the availability of debt financing in the UK solar sector to be affected significantly following Brexit. In addition, the Company's exclusive focus on the solar sector in the UK protects it from any adverse foreign currency fluctuations emerging as a result of Brexit. Further implications of Brexit on the Company are not identifiable at present.

## Post Year-End Update

Since 31 March 2016, the following relevant events occurred:

- On 14 April 2016 the Company completed the acquisition of the Radius portfolio. For this investment, the contractual conditions of its acquisition and financing agreements implied an effective transfer of ownership at time of exchange on 31 March 2016. As a result, this investment has been valued in the investment portfolio through the discounted cash flow methodology.
- As at 31 March 2016, the Company had announced three other investments that were operational but for which the relevant contractual milestones and technical tests had not been achieved (namely Hall Farm, Green Farm and Ellough Phase II) and as such their completion was not deemed imminent. These three investments have not been valued through discounted cash flow methodology in the investment portfolio. As of the Date of Distribution of this Annual Report and Audited Financial Statements, the Investment Manager had completed the acquisition of Hall Farm on 7 April 2016 and was in the process of completing the other two investments shortly.
- On 17 May 2016 the Company extended its RCF with Macquarie and Santander from £100m to £120m

NextEnergy Capital IM Limited  
27 June 2016



# 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 2014 ("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, and updated in February 2015, addresses all of the principles 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 year ended 31 March 2016.

The Guernsey Financial Services Commission Finance Sector Code of Corporate Governance ("GFSC Code") came into force in Guernsey on 1 January 2012. The Company is deemed to satisfy the GFSC Code provided that it continues to conduct its governance in accordance with the requirements of the AIC Code, which incorporates the UK Code.

The Board is of the view that throughout the year ended 31 March 2016, the Company has complied with the recommendations of the AIC Code and the relevant provisions of the UK 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 Code, the Board considers that given the Company's current size and the structure of the Board, these provisions are not currently relevant or appropriate to the position of the Company.

## Chairman

Mr Lyon was appointed to the 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 role. 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 and further within the Supplementary Prospectus dated 19 August 2015, both 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 62.

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.

## 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 Investment Manager or service providers to scrutinise the achievement of agreed goals and objectives, and monitor performance. 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 judgments 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 year 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 judgment. 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 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 and further within the Supplementary Prospectus dated 19 August 2015 both relating to the Company's Placing Programme. No subsequent changes have required to be declared during the year. Each Director's commitments can be identified in their biographies detailed on pages 62 to 64. 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.

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 delegated 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 the Investment Manager, members of the senior management team from the 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.

At this time, the Board has chosen not to adopt a formal diversity policy for diversity. However, the Board recognises the importance of diversity, including gender, for the effective functioning of the Board and is committed to supporting diversity in the boardroom. It is the Board's on-going aspiration to have a well-diversified representation. The Board also values diversity of business skills and experience because Directors with diverse skills sets, capabilities and experience gained from different geographical backgrounds enhance the Board by bringing a wide range of perspectives to the Company. The Board believes that the current mix of skills, experience, knowledge and age of the Directors is appropriate to the requirements of the Company.

The Board has established an Audit Committee composed of all 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 would not be appointed as its Chair.

## Annual performance evaluation

The Board's balance 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. Kevin Lyon is therefore submitting himself for re-election at the AGM on 24 August 2016. 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.

The Audit Committee Chairman and other Members of the Board confirm that Kevin Lyon has proven his ability to fulfil all legal responsibilities and to provide effective independent judgment on issues of strategy, performance, resources and conduct. The Board therefore has no hesitation in recommending to shareholders that Kevin Lyon be re-elected.

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.

## 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 a 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 15 times during the year ended 31 March 2016; 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 judgments of the Investment Manager and also the terms of the Investment 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 69 to 70.

## 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 three times during the year ended 31 March 2016; the meeting attendance record is displayed on page 58. 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 pages 71 to 74.

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 <sup>1</sup>	Ad hoc Board <sup>2</sup>	Audit Committee
Kevin Lyon <sup>1</sup>	3	6	3
Patrick Firth	3	12	3
Vic Holmes	3	8	3
Total Meetings for year	3	12	3

<sup>1</sup> In place of the fourth quarterly scheduled board meeting, the Board met with the Investment Adviser to conduct site visits of a number of portfolio assets, receiving an informal update on the portfolio at that time.

<sup>2</sup> The ad hoc Board meetings are convened at short notice 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, and he 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 Audited Financial Statements for the year ended 31 March 2016 is provided in the Statement of Directors' responsibilities on page 65.

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 5, the Strategic Report on pages 7 to 11 and the Report of the Directors on pages 66 to 68.

## Viability Statement

In accordance with provision C.2.2 of the 2014 revision of the Code, the Directors have assessed the prospect of the Company over a period of five years, which was selected for the following reasons:

- The Group's strategic review covers a five year period, and
- If in the third or any subsequent financial year of the Company the Ordinary Shares have traded, on average over that year, at a discount in excess of ten per cent. to the Net Asset Value per Share, the Board shall propose a special resolution at the Company's next annual general meeting that the Company ceases to continue in its present form.

The five year strategic review considers the Group's cash flows, dividend cover, and other financial ratios over the period. These metrics are subject to sensitivity analysis which involves fixing a number of the main assumptions underlying the forecast. Where appropriate, this analysis is carried out to evaluate the potential impact of the Group's principal risks actually occurring. The five year review also makes certain assumptions about the impact of unfavourable weather conditions and unfavourable electricity markets and considers whether additional financing facilities would be required.

Based on the results of this analysis, and subject to passing any continuation vote, the Directors have a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the five year period of their assessment up to and including 31 March 2021.

## Principal Risk Management and Risk Control

Details of the Company's principal risks can be found in the Financial Review on pages 51 to 52.

## 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 Administration and Company Secretarial service providers. 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 auditors 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.

The Board is made aware of the business controls of the Investment Advisor and Investment Manager during periodic Board Updates enabling oversight of the key business processes. The Investment Advisor also provides an update of the control environment for the HoldCo and SPVs to ensure the Board have oversight of business controls for the entire Group.

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 investment portfolio, 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. 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; and
- 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 year ended 31 March 2016.

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.

## Alternative Investment Fund Management Directive ("AIFMD")

The AIFMD, which was implemented across the EU on 22 July 2013 with the transition period ending on 22 July 2014, aims to harmonise the regulation of Alternative Investment Fund Managers ("AIFMs") and imposes obligations on managers who manage or distribute Alternative Investment Funds ("AIFs") in the EU or who market shares in such funds to EU investors.

After seeking professional regulatory and legal advice, the Company was established in Guernsey as a Non-EU AIF, appointing NextEnergy Capital IM Limited to act as the Non-EU AIFM.

In accordance with AIFMD disclosure obligations, Note 5 provides a summary of realised gains and losses.

The Investment Manager does not receive an additional fee, to that stated in Note 15, as a result of acting as the AIFM. The Board of the Investment Manager received an aggregate fee of £2,615,662 for the year ended 31 March 2016.

The marketing of shares in AIFs that are established outside the EU (such as the Company) to investors in that EU member state is prohibited unless certain conditions are met. Certain of these conditions are outside the Company's control as they are dependent on the regulators of the relevant third country (in this case Guernsey) and the relevant EU member state entering into regulatory co-operation agreements with one another.

Currently, the National Private Placement Regime ("NPPR") provides a mechanism to market Non-EU AIFs that are not allowed to be marketed under the AIFMD domestic marketing regimes. The Board is utilising NPPR in order to market the Company, specifically in the UK, the Republic of Ireland and the Netherlands. The Board is working with the Company's advisers to ensure the necessary conditions are met, and all required notices and disclosures are made under NPPR. Eligible AIFMs will be able to continue to use NPPR until at least 2018, and until at least 2016 NPPR will be the sole regime available to market in the EU. After 22 July 2015, a non-EU marketing passport may be introduced, but this depends

on a number of conditions being satisfied (as set out in the AIFMD and its Regulations).

Any regulatory changes arising from implementation of AIFMD (or otherwise) that limit the Company's ability to market future issues of its shares may materially adversely affect the Company's ability to carry out its investment policy successfully and to achieve its investment objective, which in turn may adversely affect the Company's business, financial condition, results of operations, NAV and/or the market price of the Ordinary Shares.

The Board, in conjunction with the Company's advisers, will continue to monitor the development of AIFMD and its impact.

The Board has considered the disclosure obligations under Articles 22 and 23 and can confirm that the Investment Manager company complies with the various organisational, operational and transparency obligations.

## Foreign Account Tax Compliance Act ("FATCA") and the OECD Common Reporting Standards ("CRS")

FATCA became effective on 1 January 2013 and is being gradually implemented internationally. The legislation is aimed at determining the ownership of US assets in foreign accounts and improving US Tax compliance with respect to those assets.

More than 90 jurisdictions, including all 34 member countries of the Organisation for Economic Co-operation and Development ("OECD") and the G20 members, have committed to implement the Common Reporting Standard for automatic exchange of tax information ("CRS"). Building on the model created by FATCA, the CRS creates a global standard for the annual automatic exchange of financial account information between the relevant tax authorities.

The Board in conjunction with the Company's service providers and advisers will ensure the Company's compliance with FATCA and CRS's requirements to the extent relevant to the Company

## Dialogue with Shareholders

The Directors place a great deal of importance on communication with shareholders. The Investment

Manager and 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 Audited 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 shareholders, 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

Kevin Lyon  
Chairman

27 June 2016

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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 10 Directors and 40 executives. Mr Lyon is currently chairman of Drilling Systems Ltd, a designer and manufacturer of simulators for the oil and

gas industry, of Inoapps Ltd, a vendor of Oracle software and of ROVOP, an independent provider of subsea remotely operated vehicle services. He was former chairman of Smart Metering Systems plc, Valiant Petroleum plc, RBG, Wyndeham Press Group, Craneware plc, Incline GTS and Ambrian plc 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.



## 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 Ltd. (all four of which are London listed) and GLI Finance 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 qualified Chartered Certified Accountant 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), Highbridge Multi-Strategy Fund Limited, (both London listed) DBG Management GP (Guernsey) Limited and a range of Ashmore funds. Mr Holmes was the first chairman of what is now known as the Irish Fund Industry Association which he was instrumental in establishing in 1991, and served as chairman of the Executive Committee of the Guernsey Investment Fund Association from 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 as amended. 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 2014 UK Corporate Governance Code, as adopted through the AIC Code by the Company, also requires Directors to ensure that the Annual Report and Audited Financial Statements 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 Audited Financial Statements fulfil these requirements. The process by which the Committee has reached these conclusions is set out in the Audit Committee Report on pages 71 to 74. Furthermore, the Board believes that the disclosures set out on pages 7 to 52 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 for the year ended 31 March 2016, as outlined in the Corporate Governance Statement, Strategic Report and the Audit Committee Report, the Board has concluded that the Annual Report and Audited Financial Statements for the year ended 31 March 2016, 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  
27 June 2016

# 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 7 to 11.

The structure of the Group, as detailed fully on pages 8 to 9 of the Strategic Report, facilitates the holding of and management of the Company's assets to enable the Company to pursue its principal activities and objectives.

## Dividends

For details regarding the Dividend Policy applied by the Company, please refer to page 4.

During the year, the Company has declared two dividends totalling £17,372,319 relating to the year ended 31 March 2016 as follows:

- 3.125 pence per share declared on 26 November 2015, to shareholders on the register on 4 December 2015 and paid on 18 December 2015; and
- 3.125 pence per share declared on 28 June 2016, to shareholders on the register on 8 July 2016 and paid on 22 July 2016

## 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 100 pence 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 has increased to 277,957,105 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
30 September 2015	Issue of Shares – Placing	37,607,105	277,957,105
6 November 2015	Issue of Shares – Placing	30,850,000	308,807,105
6 November 2015	Transaction in Own Shares – buy back to Treasury	30,850,000	277,957,105

## Revolving Credit Facility

Details on the Company's revolving credit facility can be seen in the Financial Review on pages 41 to 52.

## Business Review

As at the Date of Distribution of this Annual Report and Audited Financial Statements the Company had announced the acquisition of 33 solar PV plants for a total of 414 MW and a total investment value of c. £481m, representing 169% 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 year ended 31 March 2016, 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 40.

## Substantial Interests

As of 31 May 2016, the Company is aware of the following material shareholdings:

Name	Ordinary shares purchased	% shareholding at 31 May 2016
Prudential plc group of companies	69,495,459	25%
Artemis Investment Management LLP on behalf of discretionary funds under management	53,998,379	19.43
Investec Wealth & Investment Limited	38,745,335	13.94
Baillie Gifford	15,937,500	5.73
Smith & Williamson	12,522,737	4.51

## Directors and Directors' Interests in Shares

The Directors who have served throughout the year ended 31 March 2016 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 62 to 64.

The Directors' interests in shares are shown below:

Name	Ordinary shares at 31 March 2016	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 54 to 61 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 principals 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 7 to 11. 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.

## Investment Manager and Service Providers

The Investment Manager during the year 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 year were Cantor Fitzgerald Europe, Macquarie Capital (Europe) Limited and Shore Capital and Corporate Limited.

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

## Share Repurchase/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.

On 6 November 2015, 30,850,000 shares had been repurchased and held in Treasury. Authority to purchase Ordinary Shares to be held in Treasury / Cancellation 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.

## Annual General Meeting

The Company's Annual General Meeting is convened for 10.30 a.m. on 24 August at the offices of Ipes (Guernsey) Limited, 1 Royal Plaza, Royal Avenue, St Peter Port, Guernsey, GY1 2HL.

## Accountability and Audit

The respective responsibilities of the Directors and the Auditors in connection with the financial statements are set out on page 65.

## Independent Auditors

Our independent Auditors, PricewaterhouseCoopers CI LLP, have indicated their willingness to remain in office. The Directors will place a resolution before the Annual General Meeting to re-appoint them as independent Auditors for the ensuing year, and to authorise the Directors to determine their remuneration.

## Disapplication of Pre-emption Rights

Resolution 6 will be proposed as a special resolution at the AGM to provide the Directors with an annual authority to disapply pre-emption rights in respect of up to 27,795,711 shares, equivalent to 10% of the current issued share capital (excluding shares held in treasury at the date of this Annual Report), when issuing shares and/or selling shares from treasury for cash. This authority will expire at the conclusion of the AGM in 2017. Any future issues, or sales of shares from treasury, will only be undertaken at a premium to the prevailing NAV per share.

## Purchase of the Company's Securities

As part of the discount control mechanisms, the Board may undertake share buy-backs (subject to the limitations to be set out in Resolution 7 in the Notice of the Annual General Meeting of the Company and all other applicable laws and regulations) Resolution 7 will be

proposed as a special resolution at the AGM to provide the Company with an authority to purchase, through the market, up to 14.99% of the issued share capital. Shares repurchased by the Company may be held within treasury and resold or cancelled. Annual shareholder approval will be sought to renew this authority. This authority will expire at the conclusion of the AGM in 2017.

Whether the Company buys back any shares, and the timing and the price paid on any such purchase, will be at the discretion of the Directors. The Directors will consider repurchasing shares in the market if they believe it to be in shareholders' interests, in particular as a means of correcting any imbalance between supply of and demand for the shares. Any purchase of shares will be in accordance with the Articles and the Listing Rules in force at the time.

## Recommendation

Your Board considers each of the AGM resolutions to be in the best interests of the Company and its members as a whole. Accordingly, your Board recommends that shareholders should vote in favour of each of the resolutions to be proposed at the Annual General Meeting, as they intend to do in respect of their own beneficial shareholdings amounting to 90,000 shares.

By order of the Board

Kevin Lyon  
Chairman  
27 June 2016

# 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 year 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 are 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 year under review.

The aggregate remuneration and benefits in kind of the Directors in respect of the Company's year ended 31 March 2016 which will be payable out of the assets of the Company has not exceeded £153,000 per annum. 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 £
Kevin Lyon – Chairman	60,000
Patrick Firth – Audit Committee Chairman	33,000
Vic Holmes – Non-Executive Director	30,000
<b>Total Directors' Fees</b>	<b>123,000</b>

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 year ended 31 March 2016 is £1,024 (31 March 2015 – £710).

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 has 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 year 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 (6 months for the Chairman and 3 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) Acting 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 year under review, totalling £123,000 (2015: £176,575):

Director	Director fee for the year ended 31 March 2016 £	Additional remuneration paid for extra/special services £	Total fee for year £	Total fee for the period from 22 January 2014 to 31 March 2015 £
Kevin Lyon	60,000	–	60,000	81,500
Patrick Firth	33,000	–	33,000	49,325
Vic Holmes	30,000	–	30,000	45,750
Aggregate Fees	123,000	–	123,000	176,575

By order of the Board  
Kevin Lyon  
Chairman  
27 June 2016

# 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. 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. All three Directors are qualified accountants.

## 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 and the Company's website, 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;
- take into account the new provision of going concern basis of accounting that Directors should state whether they considered it appropriate to adopt the going concern basis of accounting in preparing the annual and half-yearly financial statements, and to identify any material uncertainties to the Company's ability to continue to adopt this approach over a period of at least twelve months from the date of approval of the financial statements;
- take into account the recommendation of providing a longer term viability statement in respect of a broader assessment of the Company's long-term solvency and liquidity. Such statement to explain in the annual report how Directors have assessed the prospects of the Company, over what period and why they consider that period to be appropriate and whether they have a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the period of assessment, and
- Reporting to the Board on how the Committee discharged all relevant responsibilities at each Board meeting.

The Committee met three times during the year under review; individual attendance of Directors is outlined on page 58. The main matters discussed at those meetings were:

- Establish the audit requirements for the Company;
- 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;
- Review and approval of the interim review plan of the external Auditors;
- Discussion of reports from the external Auditors following their interim reviews;

- Review and approval of the annual audit plan of the external Auditors; and
- Review of the Company's key risks and internal controls.

The Committee has assessed the effectiveness and independence of the external Auditors following the conclusion of the 31 March 2015 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 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 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 pages 59 to 60.

## Internal Audit

The Audit Committee considers at least once a year whether or not there is a need for an internal audit function. Currently it does not consider there to be a need for an internal audit function, given that there are no employees in the Company and all outsourced functions are with parties who have their own internal controls and procedures.

## 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.

The Committee conducted a review of PwC CI, as external Auditors following the conclusion of the previous period end audit process and in doing considered:

- 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;
- Furthermore, 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; and

- Compilation of a checklist with which to provide a means to objectively assess the Auditors' performance.

The Audit Committee is satisfied with PwC CI's effectiveness and independence as Auditor having considered the degree of diligence and professional scepticism demonstrated by them. Having carried out the review described above and having satisfied itself that the Auditor remains independent and effective, the Audit Committee has recommended to the Board that PwC CI be reappointed as Auditor for the year ending 31 March 2017.

## 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 of policy will therefore occur in the second half of 2019, subject to regular reviews by the Board and shareholder approval.

The Company's current Auditors, 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 investment 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 year ended 31 March 2016, PricewaterhouseCoopers LLP ("PwC UK") has not

provided any material non-audit services to the Company.

## Conclusions in Respect of the Financial Statements

The production and the audit of the Company's Annual Report and Audited 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 Annual Report and Audited Financial Statements are fair, balanced and understandable, as required under the UK Corporate Governance Code dated September 2014, the Board has requested that the Audit Committee advise on whether it considers that the Annual Report and Audited 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, Auditor 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 Audit Committee has concluded and reported to the Board that the Annual Report and Audited Financial Statements for the year ended 31 March 2016, 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 Responsibility Statement of the Directors on page 65.

Patrick Firth  
Audit Committee chairman  
27 June 2016

# 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 2016 and the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the year 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 2016, and of its financial performance and its cash flows for the year 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 comprises only the Report of the Directors, Highlights, Corporate Summary, Chairman's Statement, Strategic Report, Corporate Social Responsibility, Investment Manager's Report, Financial Review, Corporate Governance, Biographical Information of the Directors, Statement of Directors' Responsibilities, Directors' Remuneration Report, Audit Committee Report, Corporate Information and Notice of Annual General Meeting.

In our opinion the information given in the Report of the Directors 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 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 set out on page 67 in relation to going concern. As noted in the directors' statement, the directors have concluded that it is appropriate to adopt the going concern basis in preparing the financial statements. The going concern basis presumes that the Company has adequate resources to remain in operation, and that the directors intend it to do so, for at least one year from the date the financial statements were signed. As part of our audit we have concluded that the directors' use of the going concern basis is appropriate. However, because not all future events or conditions can be predicted, these statements are not a guarantee as to the Company's ability to continue as a going concern;
- the directors' statement that they have carried out a robust assessment of the principal risks facing the Company and the directors' statement in relation to the longer-term viability of the Company. Our review was substantially less in scope than an audit and only consisted of making inquiries and considering the directors' process supporting their statements; checking that the statements are in alignment with the relevant provisions of the UK Corporate Governance Code; and considering whether the statements are consistent with the knowledge acquired by us in the course of performing our audit;
- the part of the Corporate Governance Statement relating to the Company's compliance with the ten further 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  
27 June 2016



# Financial Statements

## Statement of Comprehensive Income

For the year ended 31 March 2016

	Notes	1 April 2015 to 31 March 2016 (GBP)	20 December 2013 to 31 March 2015 (GBP)
<b>Income</b>			
Investment income		24,046,160	–
Net changes in fair value of financial assets at fair value through profit or loss	5	(18,503,991)	10,570,553
<b>Total net income</b>		<b>5,542,169</b>	<b>10,570,553</b>
<b>Expenditure</b>			
Management fees	15	2,615,662	1,210,566
Legal and professional fees		490,324	515,130
Administration fees		201,152	152,500
Directors' fees	18	123,000	176,575
Audit fees	14	75,000	50,000
Regulatory fees		72,652	70,638
Insurance		31,194	14,134
Sundry expenses		6,595	73,375
Marketing and Advertising		–	30,917
<b>Total expenses</b>		<b>3,615,579</b>	<b>2,293,835</b>
<b>Operating profit</b>		<b>1,926,590</b>	<b>8,276,718</b>
Finance income		108,111	257,931
<b>Profit and comprehensive income for the year/period</b>		<b>2,034,701</b>	<b>8,534,649</b>
<b>Earnings per share</b>		<b>0.78p</b>	<b>9.13p</b>

There were no potentially dilutive instruments in issue at 31 March 2016.

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.

The accompanying Notes are an integral part of these financial statements.

## Statement of Financial Position

As at 31 March 2016

	Notes	2016 (GBP)	2015 (GBP)
<b>Non-current assets</b>			
Investments	5,12	315,466,679	158,160,872
<b>Total non-current assets</b>		<b>315,466,679</b>	<b>158,160,872</b>
<b>Current assets</b>			
Cash and cash equivalents		5,937,663	90,217,126
Trade and other receivables		13,000	69,482
<b>Total current assets</b>		<b>5,950,663</b>	<b>90,286,608</b>
<b>Total assets</b>		<b>321,417,342</b>	<b>248,447,480</b>
<b>Current liabilities</b>			
Trade and other payables		137,825	88,942
Investment payable	6	47,468,639	–
<b>Total current liabilities</b>		<b>47,606,464</b>	<b>88,942</b>
<b>Net assets</b>		<b>273,810,878</b>	<b>248,358,538</b>
<b>Equity</b>			
Share Capital and Premium	8	314,956,625	244,459,639
Treasury shares	8	(32,084,000)	–
Reserves		(9,061,747)	3,898,899
<b>Total equity attributable to shareholders</b>		<b>273,810,878</b>	<b>248,358,538</b>
<b>Net assets per share – (pence)</b>	<b>9</b>	<b>98.5p</b>	<b>103.3p</b>

The accompanying Notes are an integral part of these financial statements.

The financial statements were approved and authorised for issue by the Board of Directors on 27 June 2016 and signed on its behalf by:

Patrick Firth  
Director

Vic Holmes  
Director

## Statement of Changes in Equity

For the year ended 31 March 2016

	Share Capital and Premium (GBP)	Treasury shares (GBP)	Retained earnings (GBP)	Total Equity (GBP)
For the period 1 April 2015 to 31 March 2016				
Shareholders' equity at 1 April 2015	244,459,639	–	3,898,899	248,358,538
Profit and comprehensive income for the year	–	–	2,034,701	2,034,701
Shares issued	70,496,986	(32,084,000)	–	38,412,986
Dividends paid	–	–	(14,995,347)	(14,995,347)
<b>Shareholders' equity at 31 March 2016</b>	<b>314,956,625</b>	<b>(32,084,000)</b>	<b>(9,061,747)</b>	<b>273,810,878</b>
For the period 20 December 2013 to 31 March 2015				
Shareholders' equity at 20 December 2013	–	–	–	–
Profit and comprehensive income for the period	–	–	8,534,649	8,534,649
Shares issued	244,459,639	–	–	244,459,639
Dividends paid	–	–	(4,635,750)	(4,635,750)
<b>Shareholders' equity at 31 March 2015</b>	<b>244,459,639</b>	<b>–</b>	<b>3,898,899</b>	<b>248,358,538</b>

The accompanying Notes are an integral part of these financial statements.

## Statement of Cash Flows

For the period ended 31 March 2016

Cash flows from operating activities	Notes	1 April 2015 to 31 March 2016 (GBP)	20 December 2013 to 31 March 2015 (GBP)
Profit and comprehensive income for the year/period		2,034,701	8,534,649
<b>Adjustments for:</b>			
Purchase of investments		(128,341,159)	(147,590,319)
Change in fair value on investments	5	18,503,991	(10,570,553)
Finance income		(108,111)	(257,931)
<b>Operating cash flows before movements in working capital</b>		<b>(107,910,578)</b>	<b>(149,884,154)</b>
<b>Changes in working capital</b>			
Movement in trade receivables		56,482	(69,482)
Movement in trade payables		48,883	88,942
<b>Net cash used in operating activities</b>		<b>(107,805,213)</b>	<b>(149,864,694)</b>
<b>Cash flows from investing activities</b>			
Finance income		108,111	257,931
<b>Net cash generated from investing activities</b>		<b>108,111</b>	<b>257,931</b>
<b>Cash flows from financing activities</b>			
Proceeds from issue of shares	8	38,412,986	244,459,639
Dividends paid	10	(14,995,347)	(4,635,750)
<b>Net cash generated from financing activities</b>		<b>23,417,639</b>	<b>239,823,889</b>
Net movement in cash and cash equivalents during year/period		(84,279,463)	90,217,126
Cash and cash equivalents at the beginning of the year/period		90,217,126	–
<b>Cash and cash equivalents at the end of the year/period</b>		<b>5,937,663</b>	<b>90,217,126</b>

The accompanying Notes are an integral part of these financial statements.

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## Notes to the Audited Financial Statements

For the year ended 31 March 2016

### 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 is 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 £85.6 million. 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, 27 February 2015 raising £60.7m and 30 September 2015 raising £38.4m, increasing total equity to £282.9m as at 31 March 2016 (31 March 2015: £244.4m). Details can be found in note 8. Treasury Shares of £32.1m were also raised on 6 November 2015.

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 ("PV") 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 preparation

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 cashflows

The Company has cash and short-term deposits as well as projected positive income streams and an available credit facility (see note 19) 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 preparation in preparing the financial statements.

## 2. Significant accounting policies (continued)

### c) Basis of non-consolidation

The Company has acquired SPVs through its investment in the holding companies. 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. There are four Holding Companies, NextEnergy Solar Holding Limited, NextEnergy Solar Holding II Limited, NextEnergy Solar Holding III Limited and NextEnergy Solar Holding IV Limited, collectively the "HoldCos". The HoldCos are also direct investment entities and as described under IFRS 10 value their 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 paid. In the case of final dividends, this is when approved at the Annual General Meeting.

### g) Investment Income

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

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

### 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) 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.

## 2. Significant accounting policies (continued)

### 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.

### m) 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 following accounting standards and interpretations which have not been applied in these financial statements were in issue but not yet effective:

IFRS 7 (amendments)	Financial Instrument: Disclosure
IFRS 9	Financial Instruments (revised, early adoption permitted)
IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
IFRS 15	Revenue from Contracts with Customers
IFRS 16	Leases
IAS 1	Disclosure Initiative
IAS 7	Additional disclosure of changes in liabilities arising from financial activities
IAS 16 and IAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation
IAS 27	Equity Method in Separate Financial Statement

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. 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 cashflows. 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 7.

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.

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

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

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 2016 valuation was 7.5% (31 March 2015: 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 12), Level 3 financial instruments.

Level 3 investments amount to £315,466,679 (31 March 2015: £157,686,548) and consist of 33 investments in solar PV plants (held indirectly through the HoldCo's) (31 March 2015: 14 (held indirectly through one HoldCo)), all of which have been valued on a look through basis (except for those solar plants not yet operational) based on the discounted cash flows of the solar PV plants and the residual value of net assets at the HoldCo level. Level 3 valuations are reviewed regularly by the Investment Manager who reports to the Board of Directors on a periodic basis. The Board considers the appropriateness of the valuation model and inputs, as well as the valuation result.

### b) Significant judgement: consolidation of entities

The Directors have concluded that the Group controls Ellough Phase 2, Green Farm, Hall Farm and project Radius (Emberton, Bottom Plain, Berwick, Great Wilbreham and Branston) even though it does not hold 100% ownership of these entities as at 31 March 2016. This is because the Group has contracted to acquire these investments before year end and has subsequently completed on these acquisitions post year end. They are therefore included within investments as at year end.

The Company, under the Investment Entity Exemption rule, holds its investments at fair value.

The table below sets out information about significant unobservable inputs used at 31 March 2016 in measuring financial instruments categorised as Level 3 in the fair value hierarchy. Unlisted investments reconcile to the Closing Investment Portfolio Value as per the Investments table in note 5.

Description	Fair value at 31 March 2016 (GBP)	Valuation technique	Unobservable input	Input value	Sensitivity to change in significant unobservable inputs
Unlisted investments	363,529,002	Discounted cash flows based on underlying valuation of residual assets at the four hold cos.	Discount rate	7.50%	The estimated fair value would increase if the discount rate was lower and vice versa.
Investments held at cost	18,804,253	Cost	n/a	n/a	n/a
Residual value of net assets at HoldCo's	(66,866,576)	Adjusted net asset value attributable to the Company at fair value	n/a	n/a	n/a
Total	315,466,679		n/a	n/a	n/a

## 5. Investments

The Company owns the Investment Portfolio through its investments in NextEnergy Solar Holdings Limited, NextEnergy Solar Holdings II Limited, NextEnergy Solar Holdings III Limited and NextEnergy Solar Holdings IV Limited. This is comprised of the Investment Portfolio and the Residual Net Assets of the Holding Companies. The Total Investments at fair value are recorded under Non-Current Assets in the Statement of Financial Position.

Total Investments	Year ended 31 March 2016 (GBP)	Period ended 31 March 2015 (GBP)
Brought forward cost of investments	147,590,319	–
Total investment acquired in the period	175,809,798	147,590,319
Carried forward cost of investments	323,400,117	147,590,319
Brought forward unrealised gains/(losses) on valuation	10,570,553	–
Movement in unrealised gains on valuation	(18,503,991)	10,570,553
Carried forward unrealised gains/(losses) on valuation	(7,933,438)	10,570,553
<b>Total Investments at fair value</b>	<b>315,466,679</b>	<b>158,160,872</b>

The total change in the value of the investments in the Holding Companies are recorded through profit and loss in the Statement of Comprehensive Income.

## 6. Investment payable

	As at 31 March 2016 (GBP)	As at 31 March 2015 (GBP)
Project Radius investment payable	(47,468,639)	–
<b>Total investment payable</b>	<b>(47,468,639)</b>	<b>–</b>

On 31 March 2016 the Company agreed the purchase of Project Radius. The acquisition is part funded by a debt facility arranged by Macquarie Infrastructure Debt Investment Solutions (MIDIS) on behalf of NextEnergy Solar Holding IV Limited for £55.0m. As at 31 March 2016 the facility was undrawn pending completion of the acquisition.

## 7. Subsidiaries

The Company holds investments through subsidiary companies which have not been consolidated as a result of the adoption of IFRS 10: Investment entities exemption to consolidation. Below is the legal entity name for the Holding Companies and the remaining legal entities owned indirectly through the investment in the holding companies. The country of incorporation is also their principal place of business.

Name	Country of Incorporation	Direct or Indirect Holding	Principal Activity	Ownership at 31 March 2016	Ownership at 31 March 2015
Berwick Solar Park Ltd	UK	Indirect	SPV	100%	0%
BL Solar 2 Limited UK	UK	Indirect	SPV	100%	100%
Bottom Plain Solar Park	UK	Indirect	SPV	100%	0%
Bowerhouse Solar Limited	UK	Indirect	SPV	100%	0%
Branston Solar Park Ltd	UK	Indirect	SPV	100%	0%
Ellough Solar 2 Ltd	UK	Indirect	SPV	0%	0%
Emberton Solar Park Ltd	UK	Indirect	SPV	100%	0%
Empyreal Energy Ltd	UK	Indirect	SPV	0%	0%
ESF Llwyndu Ltd	UK	Indirect	SPV	100%	0%
Fenland Renewables Ltd	UK	Indirect	SPV	100%	0%
Glebe Farm SPV Limited	UK	Indirect	SPV	100%	0%
Glorious Energy Limited	UK	Indirect	SPV	100%	100%
Great Wilbraham Solar Park Ltd	UK	Indirect	SPV	100%	0%
Green End Renewables Ltd	UK	Indirect	SPV	100%	0%
Greenfields (A) Limited	UK	Indirect	SPV	100%	0%
Hanwha UK Solar 1 Ltd	UK	Indirect	SPV	100%	0%
NESF – Ellough LTD	UK	Indirect	SPV	100%	100%
NextEnergy Solar Holding II Limited	UK	Direct	HoldCo	100%	0%
NextEnergy Solar Holding III Limited	UK	Direct	HoldCo	100%	0%
NextEnergy Solar Holding IV Limited	UK	Direct	HoldCo	100%	0%
NextEnergy Solar Holding Limited	UK	Direct	HoldCo	100%	100%
NextPower Ellough LLP	UK	Indirect	SPV	100%	100%
NextPower Gover Farm Ltd	UK	Indirect	SPV	100%	100%
NextPower Higher Hatherleigh Ltd	UK	Indirect	SPV	100%	100%
NextPower Radius Ltd	UK	Indirect	SPV	100%	0%
NextPower Shacks Barn Ltd	UK	Indirect	SPV	100%	100%
North Farm Solar Park Limited	UK	Indirect	SPV	100%	0%
Push Energy (Birch) Ltd	UK	Indirect	SPV	100%	0%
Push Energy (Boxted Airfield) Ltd	UK	Indirect	SPV	100%	100%
Push Energy (Croydon) Ltd	UK	Indirect	SPV	100%	100%
Push Energy (Decoy) Ltd	UK	Indirect	SPV	100%	0%
Push Energy (Hall) Ltd	UK	Indirect	SPV	0%	0%
Push Energy (Langenhoe) Ltd	UK	Indirect	SPV	100%	100%

## 7. Subsidiaries (continued)

Name	Country of Incorporation	Direct or Indirect Holding	Principal Activity	Ownership at 30 September 2015	Ownership at 31 March 2015
SSB Condover Ltd	UK	Indirect	SPV	100%	0%
ST Solarinvest Devon 1 Limited	UK	Indirect	SPV	100%	0%
Sunglow Power Limited	UK	Indirect	SPV	100%	100%
Thurlestone-Leicester Solar Ltd	UK	Indirect	SPV	100%	0%
Tower Hill Farm Renewables Ltd	UK	Indirect	SPV	100%	0%
Trowbridge PV Ltd	UK	Indirect	SPV	100%	0%
Wellingborough Solar Limited	UK	Indirect	SPV	100%	0%

## 8. Share capital and reserves

Share issuance	Number of shares	Gross amount raised (GBP)	Issue Costs (GBP)	Share premium (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>
Issued on 30 September 2015	37,607,105	38,848,139	(435,153)	38,412,986
Issued on 6 November 2015	30,850,000	32,084,000	–	32,084,000
<b>Total issued at 31 March 2016</b>	<b>308,807,105</b>	<b>317,516,214</b>	<b>(2,559,589)</b>	<b>314,956,625</b>

The Company currently has one class of ordinary share in issue. All the holders of the ordinary shares, excluding Treasury Shares, which total 277,957,105 are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company.

### Treasury shares

On 6 November 2015 the Company issued 30,850,000 new ordinary shares which the Company purchased at a price of 104.0p per share. The shares purchased have been placed in treasury. The Treasury shares are not entitled to receive dividends and do not hold any voting rights.

### Retained reserves

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

## 9. Earnings per share

	Year ended 31 March 2016	Period ended 31 March 2015
Profit and comprehensive income for the year/period (GBP)	2,034,701	8,534,649
Weighted average number of ordinary shares	259,256,304	93,525,375
Earnings per ordinary share – pence	0.78p	9.13p

## 10. Dividends

Amounts recognised as distributions to equity holders:	Year ended 31 March 2016 (GBP)	Period ended 31 March 2015 (GBP)
Interim dividend for the period ended 30 September 2014 of 2.625p per share, paid 17 December 2014	–	4,635,750
Interim dividend for the period ended 31 March 2015 of 2.625p per share, paid on 30 July 2015	6,309,188	–
Interim dividend for the period ended 30 September 2015 of 3.125p per share, paid on 18 December 2016	8,686,159	–
<b>Total</b>	<b>14,995,347</b>	<b>4,635,750</b>

## 11. Net assets per ordinary share

	As at 31 March 2016	As at 31 March 2015
Shareholders' equity (GBP)	273,810,878	248,358,538
Number of ordinary shares (excluding Treasury shares)	277,957,105	240,350,000
Net assets per ordinary share – pence	98.5p	103.3p

## 12. Financial instruments

### 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.

## 12. Financial instruments (continued)

### 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 and currency risk), credit risk and liquidity risk. The Company has minimal interest rate risk.

### 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.

### 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 2016 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.

31 March 2016	Credit rating Standard & Poor's	Cash (GBP)	Short term fixed deposits (GBP)	Total as at 31 March 2016 (GBP)
Barclays Bank PLC	Long – A- Short – A-2	4,621,568	–	4,621,568
Lloyds Bank PLC	Long – A Short – A-1	1,316,095	–	1,316,095
<b>Total</b>		<b>5,937,663</b>	<b>–</b>	<b>5,937,663</b>

## 12. Financial instruments (continued)

### Credit risk (continued)

31 March 2015	Credit rating Standard & Poor's	Cash (GBP)	Short term fixed deposits (GBP)	Total as at 31 March 2015 (GBP)
Barclays Bank PLC	Long – A- Short – A-2	7,682,146	81,226,000	88,908,146
Lloyds Bank PLC	Long – A Short – A-1	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.

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.

31 March 2016	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	5,937,663	–	–	5,937,663
Trade and other receivables	13,000	–	–	13,000
<b>Liabilities</b>				
Investment Payable	(47,468,639)	–	–	(47,468,639)
Trade and other payables	(137,825)	–	–	(137,825)
<b>Total</b>	<b>(41,655,801)</b>	<b>–</b>	<b>–</b>	<b>(41,655,801)</b>

31 March 2015	Up to 3 months (GBP)	12 months (GBP)	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>

### Valuation methodology

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

## 12. Financial instruments (continued)

### 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:

	31 March 2016	31 March 2015
Weighted Average discount rate	7.70%	7.50%
Range of discount rates (unlevered – levered)	7.50% to 8.50%	N/A

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

Discount rate	+0.5% change	Total Portfolio value	-0.5% change
Fair value at 31 March 2016 (GBP)	(14.6m)	382.3m	15.7m
Fair value – percentage movement	(3.8%)		4.1%
Fair value at 31 March 2015 (GBP)	(6.3m)	157.7m	6.6m
Fair value – percentage movement	(4.0%)		4.2%

### 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 2.3% 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
Fair value at 31 March 2016 (GBP)	(19.7m)	382.3m	19.6m
Fair value – percentage movement	(5.2%)		5.1%
Fair value at 31 March 2015 (GBP)	(7.3m)	157.7m	7.1m
Fair value – percentage movement	(4.6%)		4.5%

## 12. Financial instruments (continued)

### Energy generation

The portfolio's aggregate energy generation yield depends on the combination of solar irradiation and technical performance of the solar PV plants. The table below shows the sensitivity of the Portfolio valuation to a sustained increase or decrease of energy generation by plus or minus 5% over the DCF valuation horizon.

Energy generation	5% Under performance	Total Portfolio value	5% Out performance
Fair value at 31 March 2016 (GBP)	(24.6m)	382.3m	24.3m
Fair value – percentage movement	(6.4%)		6.4%
Fair value at 31 March 2015 (GBP)	(8.8m)	157.7m	8.6m
Fair value – 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 rate	-0.5% change	Total Portfolio value	+0.5% change
Fair value at 31 March 2016 (GBP)	(16.7m)	382.3m	17.6m
Fair value – percentage movement	(4.4%)		4.6%
Fair value at 31 March 2015 (GBP)	(4.2m)	157.7m	4.3m
Fair value – percentage movement	(2.7%)		2.7%

### 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
Fair value at 31 March 2016 (GBP)	(6.3m)	382.3m	6.3m
Fair value – percentage movement	(1.6%)		1.6%
Fair value at 31 March 2015 (GBP)	(1.9m)	157.7m	2.5m
Fair value – percentage movement	(1.2%)		1.6%

### Tax rates

The UK corporation tax assumption for the Portfolio valuation was 20% to 2017, 19% to 2020, and 18% thereafter in accordance with the UK Government announced reductions.

### 13. 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.

### 14. Audit fees

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

	Year ended 31 March 2016 GBP	Period 31 March 2015 (GBP)
Fees payable to the auditor for the audit of the Company's 31 March 2016 financial statements	75,000	–
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>75,000</b>	<b>50,000</b>

### 15. 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 year ended 31 March 2016 the Company has incurred £2,615,662 in management fees of which £nil was outstanding at 31 March 2016. For the period ending 31 March 2015 the Company incurred £1,210,566 in management fees of which £nil was outstanding at 31 March 2015.

### 16. 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 15.

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 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 year amounted to £1,449,044 (31 March 2015: £167,487).

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## 16. Related parties (continued)

NextPower Development 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, its subsidiaries and NextPower Development Limited.

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

## 17. 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.

## 18. Remuneration of the Directors

The remuneration of the Directors was £123,000 for the year (for the period 20 December 2013 to 31 March 2015: £176,575) which consisted solely of Directors fees.

## 19. Revolving credit and debt facilities

In September 2014 NextEnergy Solar Holding Limited entered into a revolving credit facility with Macquarie Bank Limited (subsequently 40% of which was syndicated to Santander) for up to £31.5m and extended to £100.0m in October 2015 (and further extended to £120.0m post year end). As at 31 March 2016 £51.5m of the facility was drawn (31 March 2015: undrawn). As part of the revolving credit facility agreement Macquarie Bank Limited and Santander hold a charge over the assets of NextEnergy Solar Holding Limited.

In July 2015, NextEnergy Solar Holdings II Limited, a subsidiary of the Company, agreed a loan with NIBC Bank N.V. ("NIBC") for £22.7m ("NIBC Facility").

In January 2016, NextEnergy Solar Holdings III Limited, a subsidiary of the Company, acquired a portfolio of three operating plants totalling 53MWp for £61.7m which had a long term fully-amortising project financing of £45.4m in place.

On 31 March 2016 NextEnergy Solar Holdings IV Limited, a subsidiary of the Company agreed the purchase of Project Radius. The acquisition is part funded by a debt facility entered between NextEnergy Solar Holding IV Limited and Macquarie Bank Limited for £55.0m. As at 31 March 2016 the facility was undrawn. Subsequently, on 14th April 2016 the facility was fully drawdown to complete the acquisition of the Radius portfolio. As part of the debt facility agreement Macquarie Bank Limited holds a charge over the assets of NextEnergy Solar Holding Limited.

## 20. Investment Commitments

The Company has the following commitments to its investments.

	As at 31 March 2016 GBP	As at 31 March 2015 (GBP)
Total Commitments	–	106,674,782

In the HoldCo, the prior year contingent commitments became payable when their respective contractual terms were met, usually when the asset becomes fully operational and accredited. The Board 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 the prior year end, the amounts not yet paid were as above. The fair value of these liabilities approximates the fair value of the investments and were included in the prior year calculation as described in note 12.

## 21. Events after the reporting period

On 14 April 2016 the Company completed the acquisition of the Radius portfolio. For this investment, the contractual conditions of its acquisition and financing agreements implied an effective transfer of ownership at time of exchange on 31 March 2016. As a result, this investment has been fair valued in the investment portfolio through the discounted cash flow methodology.

As at 31 March 2016, the Company had announced three other investments that were operational but for which the relevant contractual milestones and technical tests had not been achieved (namely Hall Farm, Green Farm and Ellough Phase II,) and as such their completion was not deemed imminent. These three investments have not been fair valued through discounted cash flow methodology in the investment portfolio and are being held at cost where cost is an approximation of the fair value at year end. As of the Date of Distribution of this Annual Report and Audited Financial Statements, the Investment Manager had completed the acquisition of Hall Farm on 7 April 2016 and was in the process of completing the other two investments shortly.

On 17 May 2016, the revolving credit facility was extended from £100m to £120m. Other than these, there have been no events to report on after the end of the reporting period.



# Notice of Annual General Meeting

Notice is hereby given that the Second Annual General Meeting of NextEnergy Solar Fund Limited (the "Company") will be held at 1 Royal Plaza, Royal Avenue, St Peter Port, Guernsey GY1 2HL on 24 August 2016 at 10.30 am, to consider and, if thought fit, approve the following resolutions, Resolutions 1 to 5 as Ordinary Resolutions, and Resolutions 6 and 7, as Special Resolutions:

## Ordinary Business

As Ordinary Business, to consider and, if thought fit, pass resolutions 1 to 5 as Ordinary Resolutions of the Company:

1. To receive the Annual Report and Financial Statements for the year ended 31 March 2016, together with the reports of the Directors and auditors therein.
2. To approve the Directors' Remuneration Report for the year ended 31 March 2016, contained within the Annual Report and Financial Statements.
3. To re-elect as a Director of the Company, Kevin Lyon.
4. To re-appoint PricewaterhouseCoopers CI LLP as auditors of the Company to hold office until the conclusion of the next Annual General Meeting of the Company.
5. To authorise the Directors to agree the remuneration of the auditors.

## Special Business

As Special Business, to consider and, if thought fit, pass resolutions 6 and 7 as Special Resolutions of the Company:

6. That in accordance with Article 7.7 of the Articles of Incorporation of the Company, the Directors be and hereby generally and unconditionally authorised pursuant to the Articles of Incorporation of the Company to allot and issue up to 27,795,710 ordinary shares of no par value in the capital of the Company ("shares") (representing 10% of the Share capital in issue on 27 June 2016) as if the pre-emption rights in Article 7.2 do not apply to such allotment and issue. This authority shall expire at the conclusion of the Annual General Meeting of the Company to be held in 2017 (unless renewed, varied

or revoked by the Company prior to or on such date) save that the Company may before such expiry make any offer or agreement which would or might require shares to be allotted or issued after such expiry and the Directors may allot and issue shares in pursuance of any such offer or agreement as if the authority conferred hereby had not expired.

7. That the Company be and is hereby generally and unconditionally authorised in accordance with section 315 of the Companies (Guernsey) Law, 2008, as amended, (the "Law") to make market purchases (as defined in Section 316 of the Law) of ordinary shares (which may be cancelled or held as treasury shares), provided that:

- (i) the maximum number of ordinary shares hereby authorised to be purchased is equal or lesser than 14.99 per cent of the total number of ordinary shares in issue as at the date of the passing of this resolution;
- (ii) the minimum price which may be paid for an ordinary share shall be 1 pence;
- (iii) the maximum price (exclusive of expenses) that the Company may pay for each ordinary share is the higher of (i) an amount equal to 105% of the average of the mid-market quotations for the ordinary shares of the Company as derived from the Daily Official List of the London Stock Exchange plc for the five business days immediately before the day on which such ordinary share is contracted to be purchased and (ii) an amount equal to the higher of the price of the last independent trade and the highest current independent bid on the trading venues where the purchase is carried out; and

unless renewed, the authority hereby conferred shall expire at the conclusion of the Company's third annual general meeting in 2017 save that the Company may, prior to such expiry, enter into a contract to purchase ordinary shares which will or may be completed or executed wholly or partly after such expiry.

BY ORDER OF THE  
DIRECTORS  
Ipes (Guernsey) Limited  
Date: 27 June 2016

Registered Office:  
1 Royal Plaza  
Royal Avenue  
St Peter Port, Guernsey  
Channel Islands GY1 2HL

## Notes:

1. Members who want to attend and vote should either attend in person or appoint a proxy or corporate representative. A member is entitled to appoint one or more proxies to exercise all or any of his/her rights to attend, speak and vote at the meeting and any adjournment(s) thereof. A member may appoint more than one proxy in relation to the meeting, provided that each proxy is appointed to exercise the rights attaching to a different share or shares held by him/her. A proxy need not be a member of the Company.
2. A proxy can be appointed by completing a personalised proxy form in paper or electronic form or through the CREST electronic proxy appointment service.
3. A paper form of proxy is enclosed. Please read carefully the instructions on how to complete the form. To be effective, a duly completed paper proxy form, together with the power of attorney or other authority (if any) under which it is signed or a notarially certified copy of such power of attorney or other authority, must be received by Capita Asset Services at PXS, 34 Beckenham Road, Beckenham BR3 4TU not later than 10.30 am on 22 August 2016.
4. The appointment of a proxy does not preclude a member from subsequently attending and voting at the meeting in person if he/she so wishes.
5. Any person to whom this notice is sent who is a person nominated to enjoy information rights (a "Nominated Person") may, under an agreement between him/her and the shareholder by whom he/she was nominated, have a right to be appointed (or to have someone else appointed) as a proxy for the meeting. If a Nominated Person has no such proxy appointment right or does not wish to exercise it, he/she may, under any such agreement, have a right to give instructions to the shareholder as to the exercise of voting rights.
6. The statement of the rights of shareholders in relation to the appointment of proxies in paragraphs 1 to 5 above does not apply to Nominated Persons. The rights described in these paragraphs can only be exercised by shareholders of the Company.
7. A copy of this notice and further information about the Meeting can be found at the website of the Company [www.nextenergysolarfund.com](http://www.nextenergysolarfund.com).
8. Only those shareholders registered in the register of members of the Company as at 10.30 am on 22 August 2016 or, in the event that the meeting is adjourned, in such register 48 hours before the time of the adjourned meeting, shall be entitled to attend or vote at the meeting in respect of the number of shares registered in their names at the relevant time. Changes to entries after the relevant time will be disregarded in determining the rights of any person to attend or vote at the meeting.
9. As at 27 June 2016 (being the last business day prior to the publication of this Notice) the Company's issued share capital consists of 277,957,105 ordinary shares carrying one vote each. Therefore, the total voting rights in the Company as at 27 June 2016 are 277,957,105. There are also 30,850,000 treasury shares. Treasury shares do not carry voting rights.

10. CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so by using the procedures described in the CREST Manual. CREST personal members or other CREST sponsored members, and those CREST members who have appointed a voting service provider, should refer to their CREST sponsor or voting service provider who will be able to take the appropriate action on their behalf.

In order for a proxy appointment made using the CREST service to be valid, the appropriate CREST message (a "CREST Proxy Instruction") must be properly authenticated in accordance with Euroclear UK & Ireland Limited's specifications and must contain the information required for such instructions, as specified in the CREST Manual (available via <http://www.euroclear.com/CREST>). The message, regardless of whether it constitutes the appointment of a proxy or is an amendment to the instruction given to a previously appointed proxy must, in order to be valid, be transmitted so as to be received by the Company's agent (ID RA10) not later than the time stated in Note 3 above. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Applications Host) from which the Company's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time any change in instructions to proxies appointed through CREST should be communicated to the appointee through other means.

CREST members and, where applicable, their CREST sponsors or voting service providers should note that Euroclear UK & Ireland Limited does not make available special procedures in CREST for any particular messages. Normal system timings and limitations will therefore apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member or sponsored member or has appointed a voting service provider to procure that his CREST sponsor or voting service provider takes) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. Reference should be made to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.

The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 34 of the Uncertified Securities (Guernsey) Regulations 2009.

11. Any corporation which is a member can appoint one or more corporate representatives who may exercise on its behalf all of its powers as a member provided that they do not do so in relation to the same shares.
12. Any member attending the meeting has the right to ask questions. The Company has to answer any questions raised by members at the meeting which relate to the business being dealt with at the meeting unless:

- \* to do so would interfere unduly with the preparation for the meeting or involve the disclosure of confidential information

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- \* the answer has already been given on a website in the form of an answer to a question, or
  - \* it is undesirable in the interests of the company or the good order of the meeting to answer the question.
13. The following documents are available for inspection at the place of the General Meeting from 9.00 a.m. on the date of the General Meeting until its closure and also at the offices of NextEnergy Capital at 23 Hanover Square, London W1S 1JB:
- (a) Copies of the Article of Incorporation of the Company
  - (b) copies of this document.

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# Corporate Information

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<b>Directors</b>	Kevin Lyon, Chairman Patrick Firth Vic Holmes
<b>Registered Office</b>	1 Royal Plaza Royal Avenue St Peter Port Guernsey GY1 2HL
<b>Investment Manager</b>	NextEnergy Capital IM Limited 1 Royal Plaza Royal Avenue St Peter Port Guernsey GY1 2HL
<b>Investment Adviser</b>	NextEnergy Capital Limited 23 Hanover Square London UK W1S 1JB
<b>Secretary and Administrator</b>	Ipes (Guernsey) Limited 1 Royal Plaza Royal Avenue St Peter Port Guernsey GY1 2HL
<b>Independent Auditor</b>	PricewaterhouseCoopers CI LLP Royal Bank Place 1 Gategny Esplanade St Peter Port Guernsey GY1 4ND





## NextEnergy Solar Fund Limited

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St Peter Port

Guernsey GY1 2HL

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Website:

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