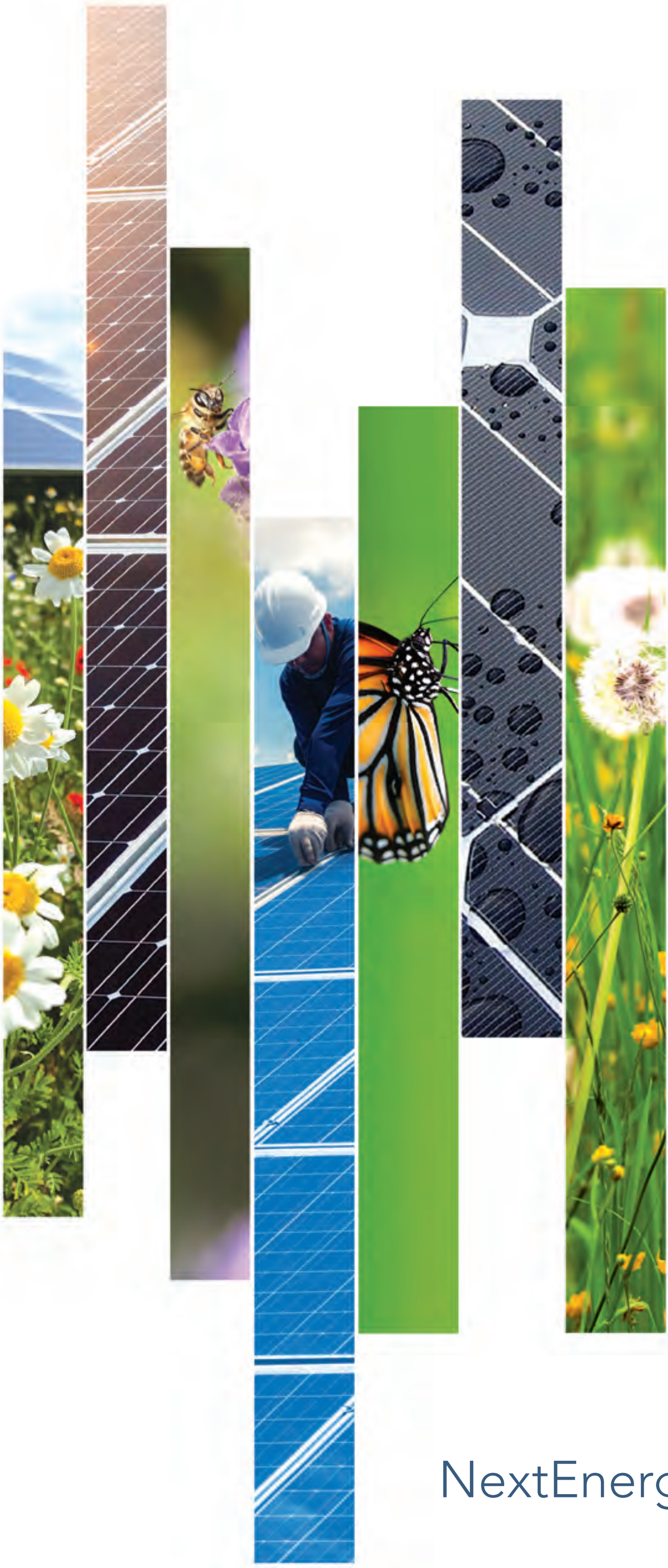

NextEnergy Solar Fund Limited

Annual Report and Audited Financial Statements
for the year ended 31 March 2019

Contents

Performance Highlights

Financial Highlights

110.9p (2018: 105.1p)
NAV per ordinary share

11.8% (2018: 6.2%)
Ordinary shareholder total return for the year

6.65p (2018: 6.42p)
Dividends per ordinary share for the year ended 31 March 2019

1.3x (2018: 1.1x)
Cash dividend cover before scrip for the year ended 31 March 2019

£645m (2018: £605m)
Ordinary shareholders' NAV as at 31 March 2019

36% (2018: 31%)
Gearing as at 31 March 2019

Operational Highlights

691 MW (2018: 569 MW)
Total capacity installed as at 31 March 2019

693 GWh (2018: 451 GWh)
Total electricity generation for the year ended 31 March 2019

87 (2018: 63)
Operating solar assets as at 31 March 2019

+9.1% (2018: +0.9%)
Generation above budget for the year ended 31 March 2019

ESG Highlights

184,000 (2018: 158,600)
UK homes (equivalent to Northampton and Portsmouth combined) powered for one year

195,600 (2018: 124,000)
Tonnes of CO_2 emissions avoided per annum

Key Performance Indicators ("KPIs")

The Company sets out below its KPIs which it utilises to track its performance over time against its objectives. Alternative Performance Measures used by the Company are defined on page 102.

Financial KPI	Year ended 31 March 2019	Year ended 31 March 2018	Year ended 31 March 2017	Year ended 31 March 2016	Period ended 31 March 2015
Ordinary shares in issue	581.7m	575.7m	456.4m	278.0m	240.3m
Ordinary share price	117.5p	111.0p	110.5p	97.75p	103.75p
Market capitalisation of ordinary shares	£683m	£639m	£504m	£272m	£249m
NAV per ordinary share*	110.9p	105.1p	104.9p	98.5p	103.3p
Total ordinary NAV*	£645m	£605m	£479m	£274m	£248m
Premium/(discount) to NAV*	6.0%	5.6%	5.3%	(0.8%)	0.4%
Earnings per ordinary share	12.37p	5.88p	13.81p	0.78p	9.13p
Dividend per ordinary share	6.65p	6.42p	6.31p	6.25p	5.25p
Dividend yield*	5.66%	5.78%	5.71%	6.39%	5.06%
Cash dividend cover – pre-scrip dividends*	1.3x	1.1x	1.1x	1.2x	1.8x
Preference shares in issue	100m	–	–	–	–
Debt outstanding at subsidiaries level	£269m	£270m	£270m	£217m	£0m
Gearing level (debt + preference shares/GAV)*	36%	31%	36%	44%	0%
GAV	£1,014m	£875m	£749m	£489m	£248m
Weighted average cost of capital	5.4%	5.8%	5.9%	5.8%	7.5%
Weighted average lease life	25.2 years	23.3 years	24.6 years	25.7 years	26.2 years
Ordinary shareholder total return – cumulative since IPO	46.7%	33.6%	26.7%	6.1%	5.9%
Ordinary shareholder total return – annualised since IPO	9.5%	8.5%	9.1%	3.2%	6.3%
Ordinary shareholder total return	11.8%	6.2%	21.1%	0.2%	5.9%
FTSE All-Share total return	8.8%	1.4%	20.9%	(3.6%)	5.5%
Ordinary NAV total return*	11.8%	6.3%	14.4%	3.7%	3.3%
Ordinary NAV total return – annualised since IPO*	8.1%	7.0%	4.9%	1.9%	4.0%
Invested capital*	£896m	£734m	£522m	£481m	£252m
Ongoing charges ratio*	1.1%	1.1%	1.2%	1.2%	1.5%
Weighted average discount rate	7.0%	7.3%	7.9%	7.7%	7.5%

Operational KPI					
Number of assets	87	63	41	33	16
Total installed capacity	691 MW	569 MW	454 MW	414 MW	217 MW
Annual generation	693 GWh	451 GWh	394 GWh	225 GWh	23 GWh
% increase (year-on-year)	54%	14%	75%	878%	–
Generation since IPO	1.8 TWh	1.1 TWh	0.6 TWh	0.2 TWh	0.0 TWh
Irradiation (delta vs. budget)	+9.0%	(0.9%)	(0.3%)	+0.4%	(0.4%)
Generation (delta vs. budget)	+9.1%	+0.9%	+3.3%	+4.1%	+4.8%
Asset Management Alpha*	+0.1%	+1.8%	+3.6%	+3.7%	+5.2%

* Alternative Performance Measures

Chairman's Statement

Patrick Firth Sue Inglis Vic Holmes Sharon Parr Kevin Lyon

"We have experienced strong generation throughout the year driven by high levels of solar irradiation, with periods last summer and this February being particularly significant.

Over the course of the last twelve months, as we head into the subsidy free era, we have focused on optimising our portfolio of assets, which continues to outperform budget. Our simultaneous programme of lease extensions and re-structuring across these assets has added significant value to the NAV.

We continue to be on track in building our first subsidy-free plant with plans to build more in the future.

One of our strengths in the sector is our financial innovation. This year we issued preference shares, which have increased cashflow and have significantly enhanced returns for ordinary shareholders and provided financial stability for the future."

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 2019.

One of our key focus areas during the year has been the continued optimisation of our 87 assets. Our efforts have focused on generating incremental value via technical, operating and debt financing improvements across the portfolio. As a result, we have continued to deliver significant electricity generation outperformance and higher cash flows when compared to acquisition budgets. Over the past year, we have acquired fewer operating solar plants as asset prices have increased to levels we deem unattractive. Due to the current demand for operating solar plants, we expect that prices will remain elevated for the foreseeable future.

We started work on the construction of our first subsidy-free asset in the UK. Construction commenced in February on Hall Farm II, a 5.5MW plant adjacent to our existing Hall Farm 5MW plant. Hall Farm II is expected to be commissioned and start exporting electricity to the grid in the third quarter of 2019. Immediately thereafter, we expect to begin constructing our Staughton plant, a 50MW plant located in Bedfordshire. It will be the largest plant in our portfolio and will be subsidy-free. These achievements are notable as they demonstrate the economic case for new solar PV assets in the UK compared to other energy generation technologies, many of which still require extensive and expensive subsidies.

Our subsidy-free strategy envisages adding between 100 and 150MW in subsidy-free capacity to the portfolio. This amounts to an estimated investment of between £55m and £80m (5% – 8% of GAV). Assuming 125MW of subsidy-free capacity and average generation levels, our subsidy-free portfolio would be equivalent to c.15% of 2018/19 generation. We are working on strategies for the sale of electricity from these subsidy-free plants.

We have continued to work on optimising the returns from the portfolio, including:

- extending the useful life of more of our assets;
- reducing operating costs through re-negotiating contractual terms and entering into new agreements;
- deploying excess cashflows in acquiring smaller assets, principally commercial and industrial rooftop plants with attractive risk-weighted financial returns; and
- making technical improvements.

Further details on these four areas can be found in the Investment Manager's Report.

During the year, electricity generation was significantly above expectations at 9.1% above budget. This was primarily due to higher irradiation across our portfolio amounting to 9.0% over projections. Normally, electricity generation levels would not necessarily increase correspondingly during periods of high irradiation as performance of the panels is reduced by high temperatures and grid curtailment occurs when capacity is reached. Nonetheless, we secured an Asset Management Alpha result of 0.1%, achieving an electricity generation output higher than the increase in irradiation. This result is due to the performance of our asset manager, WiseEnergy, and this is the fifth continuous year of positive Asset Management Alpha.

Our Italian Solis portfolio acquired in December 2017, performed well during the year with 5.4% extra generation over budget and an Asset Management Alpha of 2.5%. The portfolio was acquired with long-term debt of €76.9m (£68.1m) which was fully repaid following the issuance of the preference shares in November 2018.

We have also leveraged our asset manager's expansion of its expertise in power sales. WiseEnergy has driven a focus on refining the way we sell electricity and identifying opportunities to maximise revenues. Over the course of the year we optimised a number of our power sales agreements. Going forward we also plan to look into long-term corporate Power Purchase Agreements ("PPA"); building 15-year contracts at fixed prices with commercial or industrial companies requiring large amounts of electricity for their premises.

This past year also saw us advance our innovative approach to the financing of our portfolio. In November we raised £100m through an issue of preference shares. The preference shares have a fixed 4.75% p.a. coupon, resulting in significantly lower all-in cash costs to the Company over the regulatory regime period of our assets when compared to ordinary shares and existing or new financial debt products. More details on the issue can be found below and in the Investment Manager's report.

Our financial performance continues to be strong. Over the five years since IPO, NESF has achieved an annualised ordinary shareholder total return of 9.5% and an annualised NAV total return of 8.1%, in line with or in excess of the target range of 7% – 9% equity return for investors based on the IPO price.

Financial Results

Profit before tax was £70.6m (2018: £32.2m) with earnings per ordinary share of 12.37p (2018: 5.88p). Cash dividend cover pre-scrip dividends was 1.3x (2018: 1.1x).

Portfolio Performance

Energy generated was 693 GWh (2018: 451GWh), 9.1% above budget, resulting in the fifth continuous year of outperformance.

During the year, solar irradiation across the portfolio was 9.0% above expectation (2018: 0.9% below expectation).

Asset Management Alpha for the year was 0.1% (2018: 1.8%), which would have been 1.1% (2018: 2.7%) if we excluded distributor network outages.

The electricity generated by our portfolio is equivalent to a saving of 195,600 tonnes of CO_2 emissions per annum and sufficient to power some 184,000 UK homes for a year. This is roughly equivalent to powering a city with 442,000 inhabitants (e.g. Northampton and Portsmouth combined) for an entire year.

Net Asset Value

At the year end, the Company's ordinary NAV was £645m, equivalent to 110.9p per ordinary share (2018: NAV of £605m, 105.1p per ordinary share).

During the year, the unlevered discount rate was reduced by 0.25% to 6.50% which reflected the observed increase in market value for operating solar PV assets. The discount rate employed for levered asset portfolios in the UK was between 7.2% and 7.5% (2018: between 7.45% and 7.75%). The weighted average discount rate moved from 7.3% to 7.0%.

Portfolio Growth

During the year, the portfolio's installed capacity increased by 122MW. The Investment Adviser is in negotiations on further pipeline assets, most of which are subsidy-free. This reflects the difficulty of acquiring operating solar plants at attractive prices in the current market.

Capital Raising and Debt Financing

In November 2018, the Company issued the first tranche of £100m of preference shares. The Company deployed the proceeds from the first tranche of preference shares to repay certain debt facilities, resulting in significantly reduced annual cash costs to NESF. The Company is considering an issue of a second tranche of £100m of preference shares which would be deployed to repay the Company's short-term credit facility of £70m, with the balance available for investment.

At the year end, the Company's subsidiaries had financial debt outstanding of £269m (2018: £270m), on a look-through basis including project level debt. Of the financial debt, £199m was long-term fully amortising debt, and £70m was drawn under a short-term credit facility. The total financial debt, together with the preference shares, represented a gearing level of 36% (2018: 31%), which is below the stated maximum debt-to-GAV level of 50%.

Dividends

The Company continues to achieve all its dividend objectives. For the year 2018/19, the Company will have paid out a total dividend of 6.65p per ordinary share (2017/18: 6.42p).

For the year 2019/20, the UK RPI applicable to the value of ROCs is 3.3% (as published by the Office for National Statistics). We are therefore targeting to grow the total dividend to 6.87p per ordinary share.

The cash dividend cover pre-scrip dividends increased to 1.3x partially attributable to the issue of the preference shares, the proceeds of which were used to repay certain debt facilities and increase cash flow.

Environmental, Social and Governance

We are committed to ESG principles and responsible investment. We continue to develop our ESG policy and are committed to evolving it and delivering sustainable growth across the Company. One particular area we have focused on is biodiversity. Solar PV assets represent an excellent opportunity to secure long-term biodiversity across the countryside. In the area protected by the fencing around our assets, we are able to create sectors fostering local plant and wildlife. Where previously this would have been limited, we have now created an approach in which we are not just implementing and maintaining the original planning conditions, we are creating biodiversity exemplar sites across our portfolio. This approach includes initiatives such as: pairing up with a local beekeeper association to locate beehives seasonally on our sites, encouraging local pollinators by planting wild flower mixes, erecting bird boxes and supporting landowner engagement. Further details can be found in the ESG section.

Corporate Governance

We have further enhanced Board diversity and broadened expertise and skills through the appointment of a new Director, Sue Inglis, after the period end.

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's effectiveness review on a yearly basis. Further details (including adhering to the UK Corporate Governance Code and viability statement reporting) on the Company's Corporate Governance can be found in the Corporate Governance section.

Admission to the FTSE-250 Index

In April 2019, the Company's ordinary shares were included in the FTSE-250 Index. The Board is aware of the additional reporting and disclosure requirements that this involves.

Distribution of Annual Reports

Our Annual Report will be accessible on the Company's website (www.nextenergysolarfund.com). As part of our Company's principles of environmental governance, the Company will no longer be issuing a printed copy of the Annual Report to shareholders, except where a shareholder has expressly requested a hard copy. A communication will be sent to ordinary shareholders before the next AGM advising how to register their communication preference.

Outlook

Looking forward, we have a clear strategy to continue generating attractive financial returns for our shareholders while having positive social and environmental impacts.

We expect to continue taking advantage of the new-build opportunities we have secured in the subsidy-free solar sector in the UK. Having identified this opportunity early, we have been able to secure development opportunities at attractive valuations. This will facilitate the construction of new plants with satisfactory financial returns. We are targeting a total of between 100 and 150 MW in subsidy-free solar plants. We shall seek to achieve attractive risk-adjusted returns from these activities via corporate PPAs or direct-wire agreements with off-takers.

Any opportunity to acquire operating solar PV assets in the UK will be closely scrutinised by our Investment Adviser but we expect to have limited growth from those opportunities due to our financial discipline in acquisitions.

Our teams will continue to work on achieving technical improvements, cost reductions, financing efficiencies and the implementation of new technology across the portfolio. Achieving these objectives should contribute to posting increased cash dividend cover results. An area of particular focus will continue to be the life extension of individual assets across the portfolio.

In addition, we will continue to expand our biodiversity programme to include an increasing number of our solar PV assets. This work is just one of our contributions to ensuring a better environment for this and future generations.

We currently have no plans to issue further ordinary shares to achieve the objectives outlined above.

Since our initial public offering in April 2014, we have paid out a total of £119m in dividends (including scrip issuance). Each year we have achieved the dividend targets set at the time of the IPO and we intend to continue this track record as we move into the next year. All of our financial innovation during this time – ideas such as preference shares – has been about future proofing our financial performance and dividends. We are therefore targeting to grow the dividend to 6.87p per ordinary share for the year ended 2019/20 as mentioned above.

Given the successes this year and our plans for the year ahead the outlook for the Company remains strong.

Kevin Lyon
Chairman
17 June 2019

Strategic Report

Structure

The Company is a Guernsey registered closed-ended investment company.

The Company has a premium listing and its ordinary shares are traded on the London Stock Exchange under the ticker "NESF". The Group comprises the Company and HoldCos which invest in SPVs which hold the underlying solar PV assets.

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 ordinary shareholders 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 seeks to achieve its investment objective by investing exclusively in solar PV assets. The Company invests in solar PV assets primarily in the UK. Not more than 15% of the Company's GAV (calculated at the time of investment) may be invested in solar PV assets that are located outside the UK. Investments outside the UK will be made only in OECD countries that the Investment Manager and Investment Adviser believe have a stable solar energy regulatory environment and provide investment opportunities with similar, or better, investment characteristics and returns relative to investments in the UK.

The Company intends to continue to acquire solar PV assets 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 Company targets solar PV assets that are anticipated to generate stable cash flows over their asset lifespan.

The Company typically seeks to acquire sole ownership of individual solar PV assets 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 asset is acquired, the Company intends to secure controlling shareholder rights through shareholders' agreements or other legal arrangements. Investments by the Company in solar PV assets may be either by way of equity or a mix of equity and shareholder loans.

The Company has built up a diversified portfolio of solar PV assets 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 asset will constitute (at the time of investment) more than 30% of the GAV. In addition, the four largest solar PV assets will not constitute (at the time of investment) more than 75% of the GAV.

The Company will continue, primarily, to acquire operating solar PV assets, but may also invest in solar PV assets that are 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 GAV in aggregate.

The Company may also agree to forward-fund by way of secured loans the construction costs of solar PV assets where it retains the right (but not the obligation) to acquire the relevant asset once operational. Such forward-funding will not fall within the 10% development restriction above but will be restricted to no more than 25% of the GAV (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).

The right to forward fund, subject to the above limitations, enables the Company to retain flexibility in the event of changes in the development pipeline over time. In addition, the Company will not employ forward funding and engage in development activity in relation to the same project or asset.

A significant proportion of the Group's income is expected to result from the sale of the entirety of the electricity generated by the solar PV assets within the terms of power purchase agreements ("PPAs") to be executed from time to time. These are expected to include the monetisation of ROCs and other regulated benefits and the sale of electricity generated by the assets to energy consumers and energy suppliers ("brown power"). Within this context, the Company expects to execute 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 borrowing together with the aggregate subscription monies paid in respect of all preference shares in issue and including any unpaid or undeclared dividends thereon) will not exceed (at the time the relevant arrangement is entered into) 50% of the GAV in aggregate. Such leverage will be deployed for the acquisition of further solar PV assets 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 invests with a view to holding its solar PV assets 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 interests 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 assets 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 ongoing operating expenses) in further investments, thereby supporting its long-term net asset value.

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.

Where investments are made in currencies other than sterling, currency hedging may be carried out to seek to provide protection to the level of sterling dividends and other distributions that the Company aims to pay on its shares and in order to reduce the risk of currency fluctuations and the volatility of returns that may result from such currency exposure. This may involve the use of forward foreign exchange contracts to hedge the income from assets that are exposed to exchange rate risk against sterling and foreign currency borrowings to finance foreign currency assets.

Hedging transactions (if carried out) will only be undertaken for the purpose of efficient portfolio management to protect or enhance returns from the Company's portfolio and will not be carried out for speculative purposes.

As required by the Listing Rules, any material change to the Investment Policy of the Company will be made only with the approval of the FCA and of the Company's ordinary shareholders by ordinary resolution.

In the event of any breach of the Company's Investment Policy, shareholders will be informed of the actions to be taken by the Investment Manager by an announcement issued through a Regulatory Information Service or a notice sent to shareholders at their registered addresses in accordance with the Articles.

The Company's Board and Committees

The Company's Board of Directors comprises five independent, non-executive Directors. The Board's role is to manage and monitor the Company. 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 NAVs prepared by the Administrator. The Board 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 and 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 Investment Manager in respect of the Company's potential and actual investments.

- Michael Bonte-Friedheim is Founding Partner and CEO of the NextEnergy Capital Group ("NEC Group"). He has over 22 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 a number of listed energy companies.

- Aldo Beolchini is Managing Partner and CIO of the NEC Group. He has over 17 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 CEO of the WiseEnergy Group and was previously the UK Managing Director of the NEC Group. He has over 27 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 entered into an asset management framework agreement with the asset manager, WiseEnergy, a member of the NEC Group. Under the framework agreement, WiseEnergy 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 NEC Group in managing and monitoring solar PV assets 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 NEC 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. Its asset management activities have included the management and monitoring of more than 1,300 utility-scale solar power plants for a total capacity of over 1.9GW 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 and financiers in the solar sector. It has developed proprietary hardware and software products and solutions to facilitate delivery of its services to its client base. The NEC Group also manages two private equity funds: NextPower II LP, a €232m fund dedicated to solar PV asset investments in Italy, and NextPower III LP, a USD96m fund dedicated to solar PV asset investments globally.

NEC Group consists of nearly 150 dedicated staff focused on the solar sector. The team has significant experience in energy and infrastructure transactions across international jurisdictions.

The Company, through its contractual arrangements with the NEC Group, has access to a highly experienced investment team and to a leading asset manager in the 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 NEC 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 assets are operated as efficiently as possible to optimise their technical and financial performances with a view to achieve and exceed the target cash flow yield over their useful life span.

Activities of the NEC Group for NESF

Investment Manager

- Full discretion to make investments in accordance with the Company's investment policy.
- Acts as AIFM of the Company.
- Responsible for risk management and portfolio management activities.
- Considers investment proposals, exclusively advanced by the Investment Adviser.
- Reports to the Company's Board on all technical, operational and financial issues, and the valuation of the investments.

Investment Adviser

- Provides investment advice and recommendations to the Investment Manager.
- Identifies investment opportunities for the Company.
- Evaluates investment opportunities and co-ordinates external due diligence activities.
- Negotiates all project contracts with counterparties.
- 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 asset manager.

Asset Manager

- 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 performance and identify potential improvements.
- Manages each SPV's administrative and financial functions and requirements.
- Ensures each 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.

Viability Statement

In accordance with the UK Corporate Governance Code, the Directors have assessed the prospects of the Company over a period of five years to March 2024.

The Directors have determined that five years constitutes an appropriate period over which to provide this statement . A five-year period is consistent with the period focussed on by the Board when considering the Company's strategy and business plans, including cash flows, and is considered reasonable having regard the Company's size and the nature of its investments.

As the Company owns a portfolio of solar assets in the UK and Italy which are fully operational and generating renewable electricity it benefits from predictable and reliable long-term cash flows and is subject to a set of risks that can be identified and assessed. Each solar asset is supported by detailed financial models at acquisition and incorporated into NESF's valuation model for quarterly valuations. The Directors believe that the diversification within the portfolio of projects helps to withstand and mitigate the principal risks the Company is facing.

The Investment Adviser prepares a five-year cash flow forecast annually and the Investment Manager and the Board review this as part of business planning and to address the sustainability of the dividends.

The forecast considers the Company's cash balances, cash flows, dividend cover, other financial ratios, compliance, investment policy and key operational and financial indicators over the period. Furthermore, the forecast also considers the terms of the Company's debt facilities (mainly interest payable, amortisation and financial covenants) and the terms of the preference shares and their limited redemption rights.

Certain metrics are subject to sensitivity analysis which involves flexing a number of the main assumptions underlying the forecast. Where appropriate, this sensitivity analysis is performed to explore and evaluate the potential impact of the Company's principal risks actually occurring.

The forecast also makes certain assumptions about the impact of unfavourable weather conditions, unfavourable electricity markets and considers whether additional financing facilities would be required. It also considers the individual asset performances, expected cashflow and is consistent with the Company's valuation model. Any changes to these drivers, assumptions and risks are reviewed quarterly by the Board of Directors and the Investment Manager.

The forecast assumes continued payment of subsidies from the government for the solar assets that have received accreditation.

If the ordinary shares trade, on average, at a discount to the NAV in excess of 10% over any financial year of the Company, the Board is required to propose, at the next annual general meeting of the Company, a special resolution that the Company ceases in its current form. Accordingly, the forecast considers the historic ratings of the Company's ordinary shares and the Company's peers.

Based on the results of the review of the five-year forecast, the sensitivity analysis and assessment of the principal risks facing the Company, 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 period to March 2024.

Kevin Lyon
Chairman
17 June 2019

Principal Risks

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 over the Company and its subsidiaries as a whole. 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.

Under the FCA's Disclosure Guidance and Transparency Rules, the Board is required to identify those material risks to which the Company is exposed and take appropriate steps to mitigate those risks. The material risks identified by the Board can be categorised as follows:

- portfolio management and performance risks;
- operational and strategic risks; and
- external risks.

Each of these categories of risk, together with the principal risks within that category, is summarised in the table below which includes a summary of the steps taken to mitigate them.

Portfolio Management and Performance Risk

Risks	Summary	Mitigation
1. Electricity generation falling below expectation	Solar is an intermittent energy source compared to traditional energy resources such as coal and gas. The volume of solar irradiation available on a given day is out of the Company's control and this is a risk on the performance of the assets. Unplanned DNO outages, weather patterns and technical issues can impact generation.	There is a level of predictability for solar irradiation compared to other renewables, in that irradiation levels tend to follow a set trend throughout the year. The geographical location of the asset has an impact on irradiation levels, due to climate variations and small differences in day lengths across regions. Assets are chosen with this in mind. The asset manager has value-enhancing tools that optimise the Company's portfolio generation and resolve interruptions efficiently.
2. Portfolio valuation	Valuation of a solar PV asset is dependent on financial models based on several drivers: principally discount rates, rate of inflation, power price curves and amount of electricity the solar assets are expected to produce. Certain assumptions may prove to be inaccurate, particularly during periods of volatility.	Drivers of the SPV valuation model are frequently reviewed by the Investment Manager to ensure they are at the appropriate level. Documentation to prove these calculations are presented to the Board quarterly for approval and adoption. To mitigate the impact of the power price volatility, the Investment Adviser uses an average of the power price curves from the Consultants.

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Operational and Strategic Risks

Risks	Summary	Mitigation
1. Plant operational risk	The Company relies on third-party contractors to provide corrective and preventative maintenance through O&M contracts. The O&M contractor could fail to fulfil its obligation and the solar plant's performance could deteriorate. Degradation of the solar modules reduce the performance of the plant over time. An increase in the rate of degradation may lead to under performance.	The Company can seek legal recourse against failure by an O&M contractor. The asset manager monitors and ensures that the O&M contract maintains a detailed preventative schedule, with contract warranties and penalty payments in the event of failure. The Company looks at technological improvements on an ongoing basis to offset the effect of degradation. Also, the Company has contract warranties to secure the performance of the plants.
2. Counterparty risk	This is the risk of counterparty failure. The Company has entered into O&M contracts and PPAs, which affect the costs and revenues of the Company. The Company has also contracted with various EPCs for construction of the subsidy-free assets. If the counterparty becomes insolvent there is a risk of disruption and financial loss until the counterparty is replaced.	The asset manager continuously monitors its contracts in line with the market. There are contractual arrangements in place that have warranties in case of defaults. The asset manager ensures that counterparties are of an acceptable financial standing to minimise risk.
3. A decline in the price of electricity	Revenues of solar PV assets are dependent on the electricity market. Exposure to the wholesale energy market impacts the prices received for energy generated by and revenues forecast for the operating assets of the Company. The acquisition of subsidy-free assets will increase this risk as all their revenues are wholly derived from the wholesale energy market. The Company is exposed to a reduction in the price of electricity.	Short-term: The Company enters into PPAs and forward contracts to fix electricity prices for a future period ranging from six to 12 months. Long-term: The power prices are often beyond the control of the Company. The Investment Adviser reviews wholesale electricity price forecasts and enters into both long-term and short-term PPA contracts where appropriate. Subsidy free assets: The Investment Adviser will plan for short-term and long-term contracts before the asset is operational.

External and Market Risks

Risks	Summary	Mitigation
1. Adverse changes in government policy and political uncertainty	Brexit negotiations continue between the UK government and the European Union. An unfavourable outcome could affect an investor's appetite to invest in the Company. Changes by the coalition government in Italy could affect the value of the Italian assets.	The Investment Manager believes Brexit is likely to have a very limited effect on the Company's financial and operating prospects. The UK's Climate Change Act 2008 enshrines the Government's commitment to reduce the country's greenhouse gas emissions by 80% compared to 1990 levels. The Investment Manager does not think the UK government will introduce primary legislation to reverse this commitment as a result of Brexit. The implications of Brexit and the policies of the Italian government on the Company are not identifiable at present. These risks are beyond the control of the Company, but the Company closely monitors developments and their impact on the solar industry.
2. Adverse changes to regulatory framework for solar PV	Uncertainty for the future regulatory framework for solar PV creates a risk that further planned acquisitions do not take place. This would affect the Company's growth potential, valuation and profitability.	The Company actively monitors regulatory changes within the industry and participates in contributing towards government discussions on the industry.
3. Changes to tax legislation and rates	Changes to the existing rates and rules could have an adverse effect on the valuation of the portfolio and levels of dividends paid to shareholders.	The Investment Manager has tax advisers to ensure constant awareness of any upcoming changes to tax legislation and rates, to implement the necessary changes as quickly and smoothly as possible.

Environmental, Social and Governance

Introduction from the CEO of the NEC Group

The mission of the NEC Group is to generate a more sustainable future by leading the transition to clean energy. We place this mission at the heart of everything we do and stand for; leadership on this is very important to us.

In 2015, the United Nations Member States adopted 'The 2030 Agenda for Sustainable Development' to chart a way forward for peace and prosperity for people and the planet. Central to this agenda, and to ours, lie the 17 Sustainable Development Goals ("SDGs"), which represent a holistic approach to achieving the objectives of this agenda. Our group has adopted and integrated key elements of the SDGs into our Environmental, Social and Governance policy and operational practices.

Aligned with our mission-driven values, we are committed to managing, measuring and reporting our contribution to the SDGs. As part of this we have developed a framework to evaluate ourselves and measure our impact on the world around us. We are able to determine certain impacts on a quantitative basis, while by necessity other impacts must be appraised on a qualitative basis. For our investors, we provide an opportunity that combines financial returns from solar projects with positive impacts to the local community and the global society more broadly.

SDG based strategy – Based on its mission and company values, and with the support of the Green Investment Group, NEC has mapped those SDGs for which the company, its various funds (including the Company) and the NextEnergy Foundation positively contributes.: SDG1 Poverty alleviation, SGD3 Good Health and Well-being, SDG6 Clean Water and Sanitation, SDG7 Affordable and Clean Energy, SDG8 Decent Work and Economic Growth, SDG9 Industry Innovation and Infrastructure, SDG11 Sustainable Cities and Communities, SDG12 Responsible Consumption and Production, SDG13 Climate Action and SDG15 Life on Land. As NEC continues to grow, it aims to develop its SDGs strategy further by pursuing other aspirational goals.

NEC has appointed a dedicated senior ESG manager responsible for the implementation of its ESG strategy, including the definition of SDG-related indicators, internal training and external stakeholder engagement. To fulfil its commitment towards sustainable development, NEC has developed a responsible investment policy and an ESG management system to measure and keep track of ESG performance across its activities.

Responsible investment policy and procedures – In 2018 NEC adopted a responsible investment policy that defines the ESG principles and the operating standards of the company across all its funds (including the Company). The policy reflects the commitment towards the UN Principle for Responsible Investment ("UNPRI") to which NEC has been a signatory since 2016 and includes references to underlying ESG standards; it aims to manage any ESG risks associated with the investment activities but also to identify positive impacts and contribution to the SDGs for each fund. The policy is regularly reviewed, approved by the NEC board and signed by the CEO.

NEC has developed ESG procedures to guide its investment managers and analysts on the implementation of the responsible investment policy throughout the investment process. The ESG review applies to any new acquisition, and includes ESG screening during the project selection phase and ESG due diligence ahead of the investment decision. The objective of the ESG review is to confirm that the project to be acquired is ESG sound, complies with national regulation and, where applicable, is developed in line with international standards such as the International Finance Corporation Performance Standards and Equator Principles. Depending on the outcome of the project due diligence, the ESG manager can require additional documentation, including but not limited to specific action plans to ensure compliance with applicable standards as indicated by NEC's responsible investment policy.

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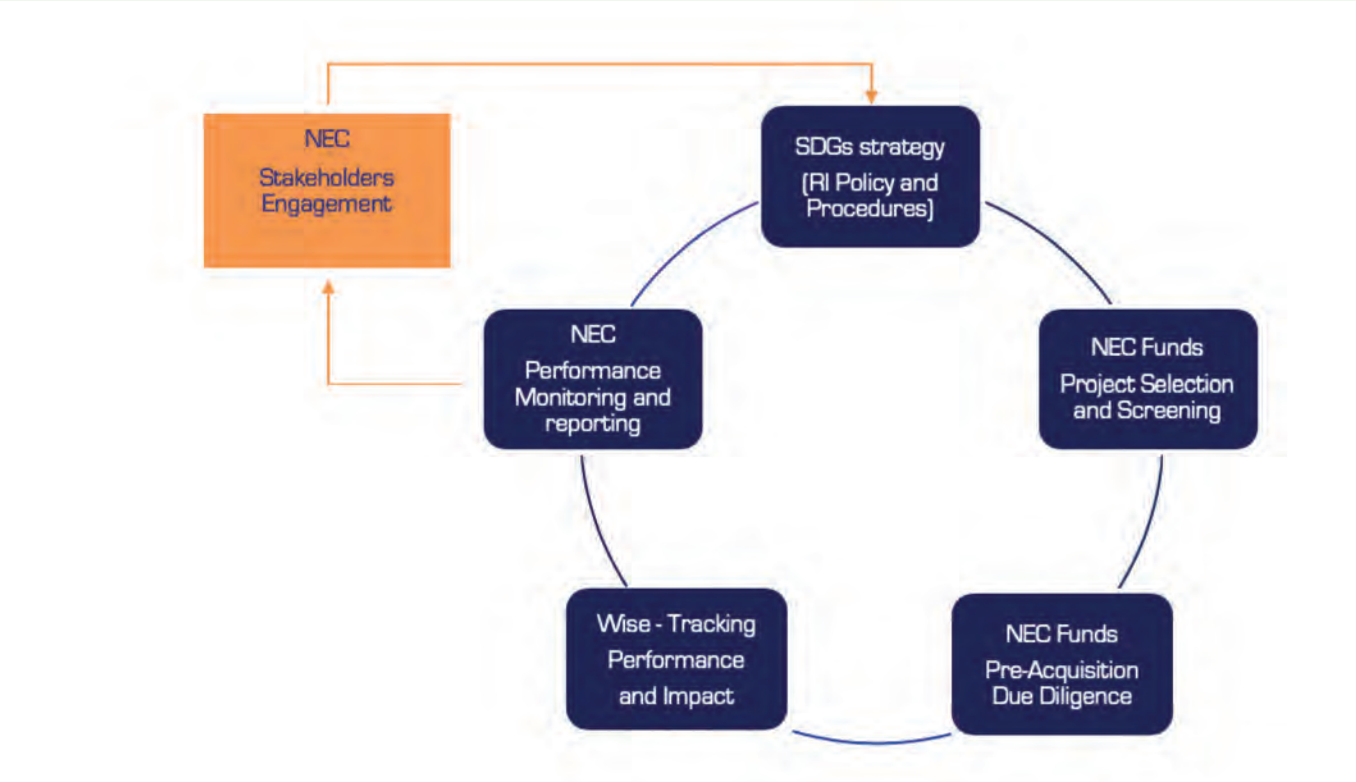
Following an acquisition, NEC's asset manager, WiseEnergy, monitors and reports on specific ESG KPIs throughout the operational phase until divestment.

The ESG KPIs have been selected based on the SGDs framework and can be either quantitative or qualitative. Examples include: focusing exclusively on generating electricity from 100% clean energy, targeting a reduction of CO_2 emission of over two million tonnes per year, taking full account of biodiversity impact, water and energy efficiency, waste management, health and safety impacts and local job creation, and conducting dealings with local authorities in a transparent manner, adhering to the rule of law and procedures of each jurisdiction in which it operates.

Transparency and reporting – NEC is committed to measuring and reporting annually on its performance based on indicators that are aligned to the SDGs framework. It will be able to report on SDG performance after its first-year of implementation of its strategy. Measuring and reporting against the SDGs allows NEC to establish dialogue with other stakeholders committed to sustainable development.

Stakeholder engagement – NEC has mapped its various stakeholders, from the broader financial community, to sector-specific sustainable initiatives to local communities where it invests and operates. The stakeholder dialogue is an integral part of NEC's business strategy and its objective is not only to foster transparency but also to share best practice, and continue to inform NEC strategy and improve operational standards through a continuous evolving process.

NEC is a signatory of the UNPRI and is a member of the Institutional Investors Group on Climate Change ("IIGCC"). By being a signatory to UNPRI, NEC works to enhance the effectiveness by which it implements the Principles for Responsible Investment, reflecting NEC's initiative to incorporate ESG issues into investment analysis, decision-making processes, ownership policies and practices.



Integrated Strategy

The UN Sustainable Development Goals form the basis of our Integrated Strategy

Policy

Responsible Investment Policy to deliver sustainable growth for the long term

Procedures

Full integration to NEC's operating model applyng throughout the acquisition and management phases

Reporting

Measure and report on performance indicatros

Stakeholder Engagement

Communication of our performance and provides a feedback loop to inform Policy and Procedures

NextEnergy Foundation

The NextEnergy Foundation was founded in 2016 with the mission to provide power and light from clean energy sources to underserved regions as well as to benefit local communities in which it is present and beyond. The Foundation is NEC's personal participation effort to support small or other commendable projects that would otherwise not be in the remits of its operations. NEC has pledged 5% of its profits annually to the Foundation and recognises the importance of benefiting society as a whole and this is reflected through its vision and mission to deliver through research and learning activities. For example, most recently it has taken part in funding thousands of solar lights in refugee camps in Syria; provided solar plants to schools in Malawi; and scholarships to students from Zimbabwe. Details of each project are disclosed on the Foundation website (www.nextenergyfoundation.org) and some SDG-specific KPIs are monitored throughout the life of the projects. The Foundation will be able to report on any SDGs impact indicator after its first-year of implementation.

Case Study 1 – Eastbourne College attends Berwick Solar Farm

On 10 October 2018 a group of ten pupils, in Years 11 to 13, from Eastbourne College attended Berwick Solar Farm. The main objective of the day was for the children to learn more about renewable energy and how it is incorporated into their school curriculum, how a solar farm works and what NESF is doing to enhance the current biodiversity features of a solar farm.

"My thanks for a terrific afternoon out in the field. The pupils were buoyant on the journey home and this is testament to your efforts." Sam Mason, Head of Geography.

Whilst on site, the pupils completed a tour to understand how a solar farm works and how the land use has changed from agricultural to an energy source. As Berwick solar farm was selected as a biodiversity exemplar site in 2017, the pupils created habitats for the native species including a bug hotel and two homes for solitary bees as part of the Biodiversity Management Plan. These features will be monitored over the coming years to record any changes.

Photo 1: Eastbourne College Pupils and Teachers, WiseEnergy and Wychwood employees

"So good to see that local school children are able to use our exemplar sites for field study. Learning the value of nature benefiting in a sustainable way from solar power" – Sulwen Vaughan, SPV Director.

Case Study 2 – Biodiversity exemplar sites update

Across the four exemplar sites, Berwick, Boxted, Emberton and Langenhoe, implementation of Biodiversity Management Plans was continued throughout 2018/19. This including Wild Flower Meadow planting, building bug hotels, hibinaculars, weed management, engaging with bee keeping community, and planting nesting habitats.

Photo 2: Langenhoe

Photo 3: Boxted

Results from the annual survey reports show significant increase in bees and butterflies of up to ten times in new wild flower meadow areas at Langenhoe and Boxted. Breeding bird and botany surveys were completed across the Company's portfolio.

These aspects will be monitored annually over the lifetime of the site.

Following the success of the first exemplar projects, NEC has expanded the number of exemplar sites from four to ten sites now including: Balheary, Brafield on the Green, Poulshot, Raglington and Temple Normanton.

Initial surveys and Biodiversity Management Plans were completed in Spring 2019 with the intention of rolling out measures at the end of 2019.

Photo 4: Planting wild flower meadow at Berwick entrance

Case Study 3 – Community engagement - Panel recycle

NEC values strong relationships with the local communities of its solar farms. For example, it has fostered a strong partnership with the village of Wedmore in Somerset. Wedmore is the local village of NESF's solar asset Hawkers Farm and has set ambitious zero carbon targets for 2045. As part of the process of becoming zero carbon, Wedmore is aiming to become a solar village and installing solar across all its community buildings and wherever possible. Last year, NESF group companies contributed towards the solar installations on their village hall and this year they have donated towards the solar installations on the village tennis pavilion and bowls club house.

NESF group companies donated fifty 250kW panels that had been previously decommissioned from another rooftop asset and was committed to finding them an alternative purpose. They believe strongly in recycling and in this case the panels were in perfect condition with a 20 year life remaining.

The panels were installed on both buildings in March 2019 and as a result both buildings are now receiving renewable energy and have thus reduced their electricity bills. As part of the panel donation, NESF group companies also funded the inverter and installation costs.

NESF group companies are committed to continuing this precedence of ensuring all decommissioned panels that are in working condition are recycled to the benefit of local communities.

Photo 5: Panels on tennis clubhouse

Environmental

During the year, the Company's portfolio produced 693 GWh (2018: 451 GWh) of **clean energy**. This is the equivalent of:

- **184,000** UK homes powered for one year, the equivalent needed to power the cities of Northampton and Portsmouth combined
- **195,600** tonnes of CO_2 emissions avoided per annum

UNEP FINANCE INITIATIVE

PRI Principles for Responsible Investment

Investment Manager's Report

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

Portfolio Highlights

During the year, the portfolio grew from 63 to 87 assets, which represented an increase of 122MW to the total capacity.

In May 2018, the Company announced the acquisition of two solar PV assets of 7.2MW with integrated battery energy storage systems of 1MW capacity.

In June 2018, the Company acquired ten operating solar PV assets with total installed capacity of 46.6MW with subsidies including ROC and FiTs.

In July 2018, the Company acquired a portfolio of ten operating solar PV assets of 67MW for £58.3m. On acquisition we were aware that the portfolio required significant remedial action to achieve an optimal level of technical performance, and priced the asset accordingly (effectively through a lower than normal acquisition price). We immediately started a remedial works programme which is currently ongoing and is on track to be completed during the year ending March 2020, at which point the portfolio is expected to be operating at optimal level. Had this portfolio been excluded from the overall portfolio performance, generation delta during the year would have been 9.7% and Asset Management Alpha would have been 0.9%, highlighting the strong performance of NESFs other assets.

In February 2019, the Company announced a partnership with Zestec Asset Management Limited for future acquisition of solar PV assets to be installed on commercial properties. The Company is targeting up to £20m investment in the calendar year 2019 in new solar installations from Zestec.

These acquisitions utilised the remaining proceeds from the capital raised in the previous year. The Company has now fully invested all its ordinary share capital.

At the year end, all the Company's completed assets were operational and connected to the grid and qualified for ROC or FiT subsidies.

In the UK, the summer of 2018 and the month of February 2019 were some of the hottest in history and multiple solar irradiation records were broken. Whilst the greater irradiation drove an overall greater than expected level of generation, the asset manager had to cope with the adverse effects of high temperatures on the technical performances of solar PV components, which are optimal at lower than 25 degrees Celsius. The estimated loss of generation over the summer of 2018 due to high temperatures was 1.8% of the total energy production. Furthermore, some plants suffered from grid curtailment, as generation peaks driven by exceptional irradiation levels exceeded at times the export capacity allocated by the grid authority to each plant.

In Italy, the weather pattern was unusual, albeit not as unusual as the UK, the Solis portfolio had an irradiation delta of +2.9% and a generation delta of +5.4% which resulted in an Asset Management Alpha of +2.5%.

Overall, the operational performance of the portfolio during the year was positive and above budget. The resulting Asset Management Alpha of +0.1% (2018: +1.8%) was an expected outcome of these exceptional weather conditions and does not represent any change in the ability to achieve a greater level of outperformance in the future.

As at 31 March 2019, the actual performance versus expectations for 84 of the portfolio solar PV assets had been monitored by the asset manager for at least two months post completion. The three rooftop portfolios were excluded as irradiation was not monitored.

Period	Assets monitored	Irradiation (delta vs. budget)	Generation (delta vs. budget)	Asset Management Alpha
Period 2014/15	6	(0.4%)	+4.8%	+5.2%
Full year 2015/16	23	+0.4%	+4.1%	+3.7%
Full year 2016/17	31	(0.3%)	+3.3%	+3.6%
Full year 2017/18	55	(0.9%)	+0.9%	+1.8%
Full year 2018/19	84	+9.0%	+9.1%	+0.1%
Cumulative from IPO to 31 March 2019	84	+2.1%	+5.0%	+2.9%

The Asset Management Alpha measurement allows the Company to identify the "real" outperformance of the portfolio due to active management, excluding the effect 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.

Portfolio Optimisation

Extending the useful life of the Company's assets is a value-creating opportunity we have focused on since 2015, when we secured a ten-year option to extend the lease on the Company's largest plant Glebe Farm. Over the year, we have secured options or rights to extend the leases on 14 individual plants. The positive impact on NAV of these life-extensions amounts to +1.2p per ordinary share at the year end. We continue to work on extending the life of the remaining portfolio and are in advanced stages of negotiations on another six sites. For illustrative purposes, should the entire portfolio of assets be valued on a 35-year lease basis from the date of connection to the grid (assuming current lease terms) the Company's ordinary NAV at 31 March 2019 would have increased by c.4.9% (5.4p per ordinary share).

We have begun a programme of re-structuring and implementing new contracts across the portfolio. Re-negotiating the contracts means we are able to make savings, refine service levels, maximise revenue and increase dividend cover. Notable contractual negotiations we have carried out this year include the replacement of operation and management ("O&M") contracts in the ten assets acquired in July 2018 and four other assets that achieved final acceptance certification during the year. Consequently, we have achieved a cost reduction of c.£0.5m p.a. Additionally we have undertaken a tender process to source the most competitive import power costs. Power is imported to operate the solar equipment when there is insufficient irradiation. Import power renewals have been placed for 40 of the Company's sites, resulting in a cost saving of 10% (£44k p.a.). Other tenders are ongoing across the portfolio regarding power imports. We have completed the majority of insurance renewals across the portfolio and we secured a 14% discount (£46k p.a.) on the main insurance policy. Furthermore, the aggregation of 14 SPVs into two SPVs created operational and administrative efficiencies.

A market opportunity we have developed this year has been the Company's move into the commercial and industrial solar rooftop sector, funding a developer to locate and build solar plants on rooftops of commercial and industrial buildings. Currently this is focused on London and the South of England. This is a particularly attractive venture, typically requiring small individual investments (often £200,000-£300,000 per rooftop) but securing very attractive risk-weighted financial returns. It will also be a good avenue to deploy excess cash flows generated by the portfolio in excess of the dividend and operating cost base.

Our asset manager has recently identified and tested a technical improvement on one of its utility-scale facilities in Italy that can achieve notable increases in generation from operating solar plants. Their tests have indicated increases in generation of above 2% compared to "non-improved" portions of the same plant over the test period. We are reviewing which assets in the portfolio could benefit from this improvement and expect to begin deploying it across selected assets during the current financial year.

Preference Shares

On 8 November 2018, ordinary shareholders agreed to amend the Company's Articles of Incorporation to create a class of preference share and approved the allotment of up to £200m of shares with no pre-emption rights. Subsequently, on 13 November 2018, the Company issued an initial tranche of £100m of preference shares. The Company is considering an issue of a second tranche of £100m preference shares.

The preference shares are generally non-redeemable, are generally non-voting and carry a fixed preferred dividend of 4.75% p.a. as well as a preferred capital entitlement at nominal value. From 1 April 2036, the preference shareholders have the right to convert all or some of their preference shares into either ordinary shares or B shares, at the election of the holder, with B shares being unlisted shares carrying the same rights to dividends and capital in a liquidation as the ordinary shares. The conversion price will be based on the ratio of the nominal value (plus unpaid dividends, if any) per preference share relative to NAV per ordinary share at the date of conversion.

From 1 April 2030, the Company may elect to redeem all or some of the preference shares. Dividends and, save as referred to in the preceding paragraph, redemption will remain at the sole discretion of the Board during the life of the preference shares. Should more competitive sources of capital become available, the Company may choose at its sole discretion to issue new capital (debt or equity) to fund a full or partial redemption after March 2030.

Preference shares are entitled to their dividend before any dividend is distributed to ordinary shareholders. Should the Company be unable to pay a preferred dividend in full, this will be rolled over into the following periods until it can be paid. Unpaid preferred dividends accrue at 4.75% p.a. and are not compounded. Payment of preferred dividends remains at the discretion of the Board. The preference shareholders have no redemption rights or voting rights in the event of unpaid dividends.

The preference shares represent a cheaper and more flexible source of funds in terms of lower annual cash cost compared to alternative financing sources, ranging from long-term debt financing to issuance of new ordinary shares. This reduced cost is achieved mainly in exchange for priority of dividend payments over the ordinary shares.

The proceeds of the initial £100m preference shares were used to repay a portion of the existing long-term project financing facilities associated with portfolio investments.

Benefits of the preference shares for NESF include:

- increase in cash dividend cover and returns for ordinary shareholders by replacing debt facilities which have high cash costs (including interest and principal amortisation);
- improving the cash flows by £4.5m in the financial year ended 31 March 2019 and we expect to see further improvement of cash flows by c£6.5m in the financial year end 31 March 2020;
- no refinancing risk to the Company other than in the event of a change of control or delisting of the Company;
- simplification of the Company's capital structure by reducing the number of loans outstanding and the number of financial covenants for the Company; and
- reduction in the Company's exposure to secured debt financing.

The preference shares form part of the Company's share capital but, for accounting purposes, they are treated as liabilities. Accordingly, for the purpose of the borrowing limit in the investment policy the Company has classified the preference shares as liabilities, and the investment management fee is calculated based on ordinary shareholders' NAV.

The Italian Solis Portfolio

In December 2017 the Company acquired the portfolio of eight operating solar plants with an installed capacity of 34.5MWp located in Italy for a total value of €131.9m (equivalent to £116.2m, being 12% of the Company's GAV at the time of investment). Five of the plants are in the Puglia region, and the remaining three are in the Campania region. All eight plants were connected to the grid between 2010 and 2011. Therefore, pre-acquisition they had already built up a significant operating history.

The plants are ground mounted with land leases expiring in 2036. The PV modules were supplied by top tier manufacturers, Yingli Solar and Chint, and the inverters provided by Bonfiglioli and Power One.

The portfolio was acquired with long-term non-recourse project finance debt of €76.9m (£68.1m) which was fully repaid following the issuance of the first tranche of preference shares in November 2018. During the year ended 31 March 2019, as a consequence of the repayment of the project finance debt, the Company, through a HoldCo, increased the size of the EUR/GBP foreign currency hedging structure to cover 92% of the expected cash flows generated by the portfolio over the next 15 years; this reduces currency fluctuation exposure on returns. The average forward exchange rate is 0.89 EUR/GBP including costs. This FX hedging structure is particularly effective as the Company is not obliged to provide any cash collateral as credit support to the bank.

The key benefits of the Solis portfolio continue to be:

- **High risk-adjusted return** – due to the experience of the Investment Adviser in Italy, the acquisition price resulted in a favourable net IRR of 9.4%.

- **Low risk-profile** – The Company benefits from the portfolio's operating history and the high quality of its components. In addition, it reduces NESF's exposure to wholesale energy markets, as around 85% of its revenues are fixed for the next 15 years. The Italian FiT was subject to a retroactive reduction in 2014, but a number of mitigants reduce significantly the risk of this occurring again during the life of the Solis portfolio investment.

- **Positive contribution to dividend cover** – The higher return on investment is coupled by an attractive cashflow generation profile, which is higher than ROC assets, and evenly spread over the life of the investment, as the Italian FiT is fully fixed. For the purposes of comparison, the Solis portfolio has a cash dividend cover equivalent metric of 1.4x, which supports the Company's overall dividend target.

- **NAV accretion** – As at 31 March 2019, the Solis portfolio was valued on a DCF basis with an overall discount rate of 8.0% (2018: 9.0%) as a result of the increasing competition to acquire solar PV assets in Italy.

- **Diversifying market risk** – Italy is the fifth largest solar market globally and is supported by a FiT incentive mechanism. The FiT is granted by a state-owned company which promotes and supports renewable energy in Italy, where the sole shareholder is the Ministry of Economy and Finance. Tariffs differ depending on the capacity, type of plant and the time of commissioning. The FiTs for the Solis portfolio range between €195/MWh to €318/MWh. Once a PV plant is accredited, the FiT is granted over a period of 20 years and is not inflated.

- **Low revenue risk** – Of the Solis portfolio revenues, 85% result from FiT where a 20-year regulated fixed price per MWh has been generated. The FiTs specific to this portfolio expire in 2031. The remaining 15% is from the sale of the brown electricity fed into the grid at market price or via PPAs to other market participants. With this revenue mix there is low revenue risk. In addition, low operating costs result in stable EBITDA margins in excess of 80%.

Financial Results

Profit before tax was £70.6m (2018: £32.2m), with earnings per ordinary share of 12.37p (2018: 5.88p).

Dividends

For the year ended 31 March 2019, the fourth quarterly dividend of 1.6625p per ordinary share is expected to be paid on 28 June 2019 to ordinary shareholders on the register at the close of business on 24 May 2019. As a result, the Company will achieve its target for total dividends for the financial year 2018/19 of 6.65p per ordinary share.

The Company offers scrip dividends, details of which can be found on the website www.nextenergysolarfund.com.

Dividends paid	Month of payment	Amount per ordinary share (p)	Total pre-scrip dividends £'000	Total post-scrip dividends £'000
For the period 2014/15		5.2500	10,946	10,946
For the year 2015/16		6.2500	17,372	17,372
For the year 2016/17		6.3100	25,039	20,681
For the year 2017/18		6.4200	36,840	27,737
First quarterly dividend for year 2018/19	Sep-18	1.6625	9,608	7,105
Second quarterly dividend for year 2018/19	Dec-18	1.6625	9,646	8,350
Third quarterly dividend for year 2018/19	Mar-19	1.6625	9,666	9,303
Total dividends declared to date		29.2175	119,117	101,494
Fourth quarterly dividend for year 2018/19	Jun-19	1.6625	9,671	8,915

Cash income(2)	£'000	Pre-scrip dividends £'000	Post-scrip dividends £'000
Cash income for year to 31 March 2019	57,071(1)		
Net operating expenses for year to 31 March 2019	(6,748)		
Preference shares dividend	(1,822)		
Net cash income available for distribution	47,501		
Ordinary shares dividend paid during year		38,159	31,518
Cash dividend cover		1.3x	1.5x

(1) Cash income differs from the Income in the Statement of Comprehensive Income. This is because the Statement of Comprehensive Income is on an accruals basis.

(2) Alternative Performance Measure.

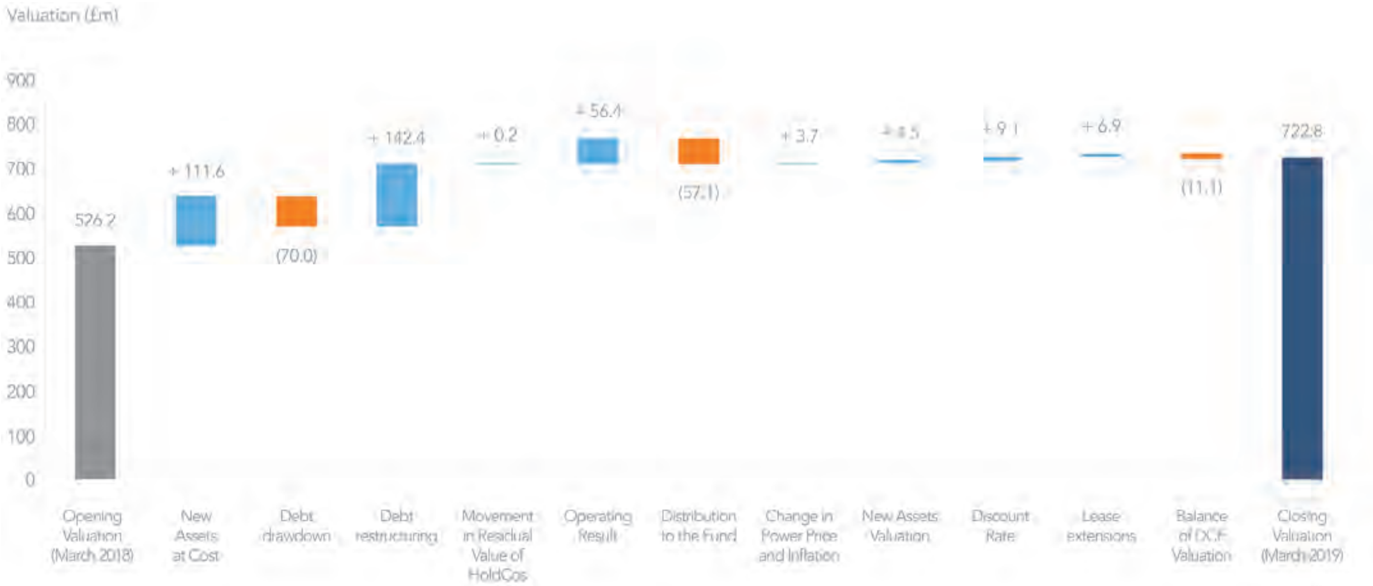
The expected ordinary dividend calendar is set out in the table below:

Proposed ordinary dividend for year 2019/20	Date of expected payment	Expected amount per ordinary share (p)
First interim	September 2019	1.7175
Second interim	December 2019	1.7175
Third interim	March 2020	1.7175
Fourth interim	June 2020	1.7175
Total		6.8700

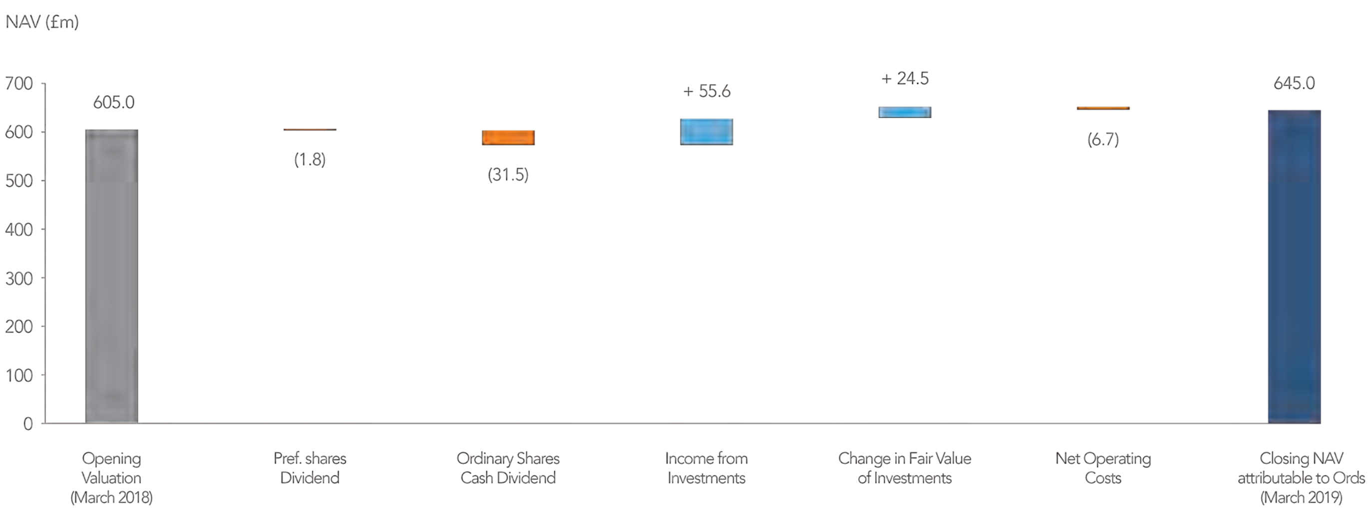
Operating Expenses

The net operating expenses of the Company amounted to £6.7m (2018: £6.3m). The Company's OCR was 1.1% (2018: 1.1%). The budgeted OCR for the year ending 31 March 2020 is 1.1%. The OCR has been calculated in accordance with AIC recommended methodology. OCR is an Alternative Performance Measure.

Portfolio Valuation Bridge – For the year to 31 March 2019



NAV Bridge – For the year to 31 March 2019



NAV Movement

The Company's ordinary NAV is calculated on a quarterly basis based on the valuation of the investment portfolio provided by the Investment Manager and the other assets and liabilities of the Company provided by the Administrator. The ordinary NAV is 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 of the DCF valuation. The Company reports its financial results on a non-consolidated basis under IFRS 10 (see note 2c) and the change in fair value of its assets during the year is taken through the statement of comprehensive income.

During the year the ordinary NAV increased from 105.1p to 110.9p. The movement was driven by the following factors:

- the upward revisions in the forecasts for long-term power prices adopted by the Company, being 0.1% higher compared to the assumptions employed at 31 March 2018 (taking into account the most recent forecasts released by the Consultants in the period between end of the year and the date of preparation of this Annual Report);

- the value uplift generated by the decrease in discount rates reflecting an increase in market value of UK and Italy solar PV assets;

- the value uplift generated by acquisitions of assets whose IRR at acquisition was higher than the Company's discount rate;

- the increase in the long-term RPI inflation to 3.0%;

- the operating results achieved by the Company's solar PV assets;

- the cash dividends paid by the Company during the year and the Company's operating costs; and

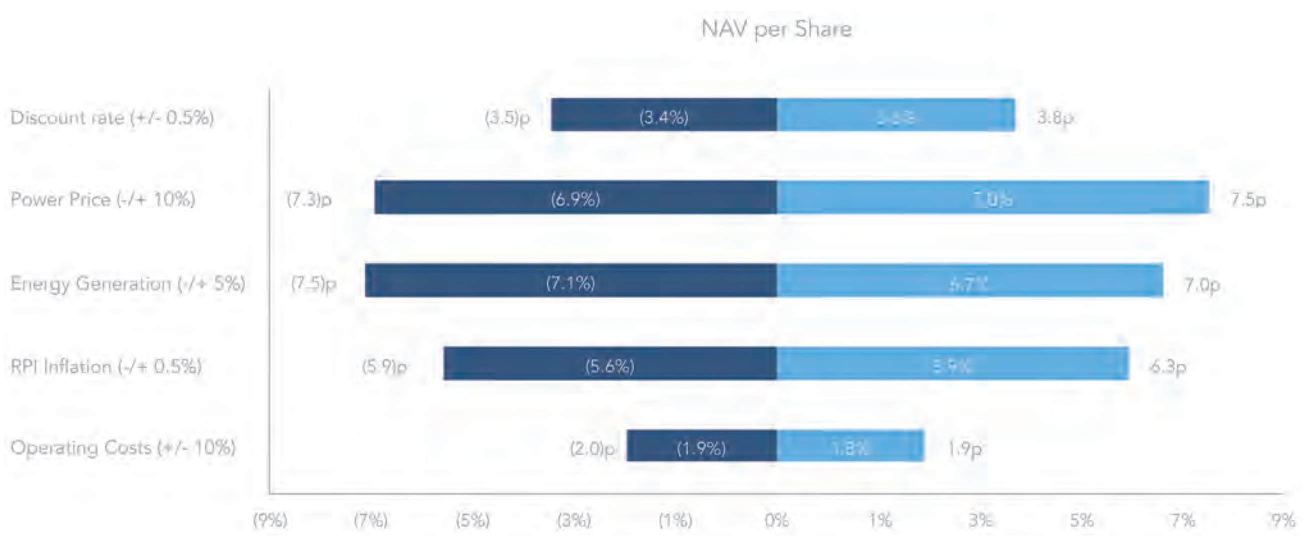
- the uplift coming from lease extensions and aggregation of certain SPVs.

Sensitivity Analysis

Sensitivities on the Company's ordinary NAV and detailed disclosure on the asset valuation methodologies are provided below and in note 14 of the Financial Statements.

In the event Ofgem's Targeted Charging Review results in the removal of embedded benefits from April 2021 onwards, the Company's NAV would decline by c.1.3p per ordinary share.

The chart shows the percentage change in the portfolio resulting from a change in the underlying variables and its impact on the NAV per ordinary share.



Cashflow Generation Model

The Company's investment portfolio generates revenues through the sales of electricity and the subsidies provided under different subsidy regimes (ROC and FiT). Both revenue streams are underpinned by two main factors:

- the actual energy output (measured as amount of KWh of energy generated) which is mainly driven by the solar irradiation, technical performance and availability of the plant; and
- the actual price at which the energy generated is sold by the Company as well as the subsidies received for the same generation.

The performance of a plant in terms of revenues is therefore a product of both the operational performance and the commercial terms of the PPAs in place. Before taking into account tax and financing considerations, the cashflow generation of solar PV assets is also influenced by operating expenses, which are usually governed by long-term contracts and characterised by low volatility over the long-term.

The table below summarises the economic performance of the operating portfolio during the year, as illustrated by the revenues and costs expressed as an average per MW across the portfolio.

Year ended 31 March 2019			Actual per MW[1]		Budget per MW[1]		Delta vs. Budget	Comments
Solar irradiation	[A]	(kWh/m^2)	1,304		1,197		+9.0%	Actual irradiation for the year
Conversion factor[2]	[B]	(%)	84.2		84.1		+0.1%	Positive delta represents Asset Management Alpha for the year
Metered generation	[C] = [A x B]	(kWh)	1,098		1,006		+9.1%	Actual generation measured at the meter for the year
			Power Price	Subsidies	Power Price	Subsidies		
Realised prices	[D]	(£/MWh)	45.3	62.3	46.9	61.6	(0.8)%	Implied average power price and subsidies across entire portfolio (including ROC recycle and embedded benefits)
Revenues (brown power & subsidies)	[E] = [C x D]	(£'000)	49.7	68.4	47.2	62.0		
Total revenues	[E]	(£'000)	118.2		109.2		+8.2%	Actual revenues at portfolio level for the year (unaudited figures per MW)
Operating expenses	[F]	(£'000)	(25.5)		(27.7)		(7.8)%	Actual costs at portfolio level for the year (unaudited figures per MW)
EBITDA[3]	[G] = [E - F]	(£'000)	92.6		81.5		+13.6%	Actual EBITDA for the year (unaudited figures per MW)
EBITDA margin[3]	[G] / [E]	(%)	78.4		74.7			

(1) Based on the average installed capacity over the financial year. Given the different composition of the growing portfolio, this information is not directly comparable with what was provided in the previous Annual Report.

(2) Illustrative factor capturing the solar plant performance ratio as well as the availability (which reflects all system shut-downs for maintenance or one-off events such as DNO outages).

(3) EBITDA is a reference to EBITDA at the SPV levels.

During the year, the investment portfolio performance exceeded budget in terms of generation, revenues and EBITDA. The outperformance was mainly driven by:

- positive impact from higher irradiation comparing with budget during the year;
- higher ROC recycle and embedded benefits comparing with budget;
- reduction in O&M additional services expenses; and
- reduction in insurance costs at project level.

Current and Long-Term Power Prices

The Investment Manager continuously reviews multiple inputs for power price forecasts and takes the average of two of the leading independent energy market consultants' (the "Consultants") long-term projections to derive the power curve adopted in the valuation of the Company's portfolio. This approach allows mitigation of inevitable forecasting errors as well as any delay in response from the Consultants in publishing periodic (quarterly) or ad hoc updates following any significant market development.

During the year, the Consultants revised their forecasts for the UK wholesale power price upward in the short-term and downwards in the long-term. Short-term projections are mainly driven by the increase in the commodity prices of gas and coal. In the long-term, wholesale prices are expected to move downwards as more low-cost generation is being deployed, notably off-shore wind and solar PV.

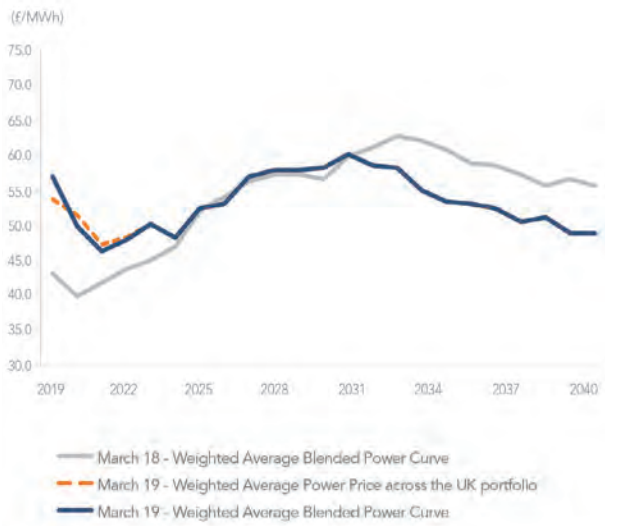
The power price forecasts used by the Company also reflect an assumed "solar capture" discount which reflects the difference between the prices available on the market in the daylight hours of operation of a solar plant vs. the baseload prices included in the power price estimates. This solar capture discount is estimated by the Consultants on the basis of a typical load profile of a solar plant and is reviewed as frequently as the baseload power price forecasts. The application of such a discount results in a lower long-term price being assumed for the energy generated by NESF's assets compared to the baseload price, driven by the expected further deployment of low-cost renewable capacity. This lower price is effectively already included in the financial estimates that drive the Company's NAV.

The Company's current long-term power price forecast implies an average growth rate of approximately -0.3% in real terms over the 20-year period and an average price of c.£54/MWh in today's terms. This represents an increase of 0.1% compared to those used at the end of the previous financial year (and 36% below the assumptions employed at IPO).

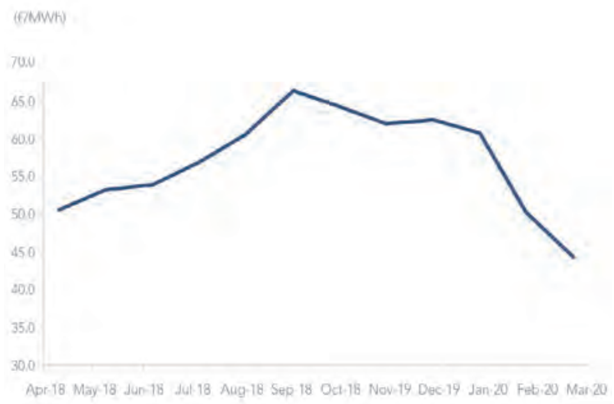
Compared to the previous year, electricity day ahead prices in the UK decreased from c.£57/MWh in March 2018 to c.£44/MWh in March 2019 (see graph below). The Company continues to secure attractive prices for the energy generated by its portfolio through its electricity sales strategy with short to medium term prices significantly above the projections provided by its Consultants.

Following a similar trend, the Italian price of electricity decreased from c.€57/MWh in March 2018 to c.€53/MWh in March 2019.

Forecast UK Power Prices (Real 2019)



Historic – UK Power Prices



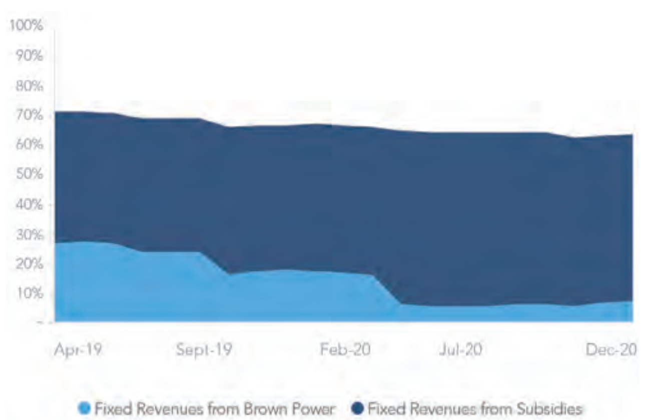
Source: N2EX – UK Baseload – day ahead

Power Purchase Agreements

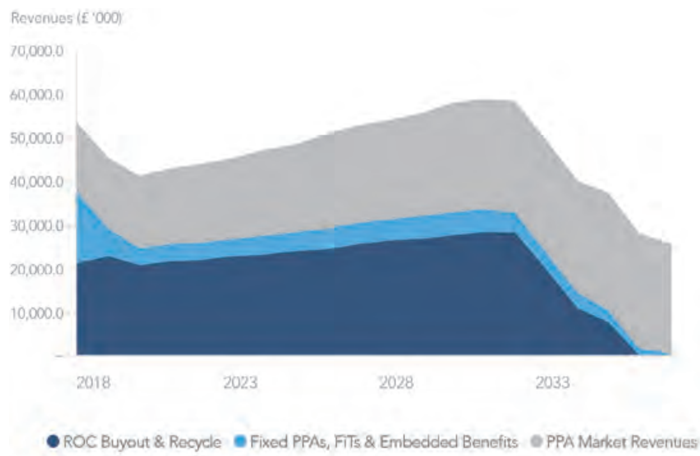
The NEC Group has now hired a specialist energy trader who, along with the external brokers, ensures that the electricity sales strategy maximises revenues whilst mitigating the negative impact of short-term fluctuations in the power markets. As the capacity of assets under management has increased by 122MW during the year, the Investment Adviser has executed a range of short-term PPA hedges from three months to one year on these new assets through a wider competitive tendering process resulting in more counterparts with reduced fees and increased pass-through value of ROCs, FiTs and embedded benefits. In addition, the market fundamentals were bullish throughout the summer, with the first nearby(1) forward contract trading from £46.90 (3 April 2018) to a high of £72.70 (24 September 2018), an increase of 55%, which has encouraged a shorter term hedging strategy to capitalise on the rising prices. Although the market has since fallen to £42.60 at the end of March 2019, continuing to hedge based on the flexible structure used last year has ensured that the Company reduces its exposure to the daily volatility in the market.

(1) First nearby contract is the front month on the forward curve that trades in the UK electricity market. On expiry, the next month becomes the first nearby contract.

Percentage of Revenue fixed as at 31 March 2019



UK Portfolio Revenue breakdown



Valuation of the Investment Portfolio

Introduction

The Investment Manager is responsible for carrying out the fair market valuation of the Company's underlying investment portfolio which is presented to the Company's Board for its review and approval. The valuation is carried out 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 IPEV guidelines.

Assets not yet operational or where the completion of the acquisition is not imminent at the time of valuation, use the acquisition cost as a proxy for fair value.

The Board reviews the operating and financial assumptions used in the valuation of the Company's underlying portfolio and approves them based on the recommendation of the Investment Manager.

Discount rate

During the year, the solar PV market continued to experience increased competition for operating and subsidised assets on the secondary market. In the context of high liquidity provided to international investors, a maturing renewable market, a scarcity of subsidised assets and lack of any incentive framework for new installations, demand for operating solar assets remained strong resulting in sustained pressure on prices in the last year. These changing dynamics were evidenced by the experience of the Investment Manager when bidding for solar PV assets in the UK.

As a result, during the year the Company lowered its discount rate for unlevered operating solar PV assets in the UK by 0.25% (from 6.75% to 6.50%) and will continue to monitor this rate.

For those operating solar PV assets with debt, the Company adopts a levered discount rate to capture the greater level of volatility 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 the level of financial gearing, maturity profile, cost of debt and other factors mentioned above. This range was unchanged from the previous year (0.7% – 1.0%).

For the Solis portfolio a 8.0% discount rate was applied. This reflects the additional country risk premium to the UK considering the differences in risk-free rates in the long-term. It is worth noting that the Solis portfolio debt was fully repaid, and the current currency hedge effectively mitigates the revenue exposure to FX.

The resulting weighted average discount rate for the Company's portfolio was 7.0%.

The Company does not adopt WACC as a discount rate for its investments, as it believes that the reduction in WACC deriving from the 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, for the purposes of transparency, the Company's pre-tax WACC as of 31 March 2019 was 5.4%. Compared to last year end's WACC of 5.8% this value reflects a increase in the overall gearing from 31% to 36%, as further described below.

The value uplift generated by the assets valued for the first time on a DCF basis demonstrates that the new acquisitions are acquired at an attractive price.

Asset life

The DCF methodology implemented in the portfolio valuation assumes a valuation time-horizon capped to the current terms of the lease and planning permission 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 assets is expected to be longer than 25 years. This is due to many factors, including: (i) solar PV assets with technology components similar to the ones deployed in the Company's portfolio have been demonstrated to be capable of operating for over 40 years, with levels of technical degradation lower than those assumed or guaranteed by the manufacturers; (ii) local planning authorities have already granted initial planning consents that do not expire and/or have granted permissions to extend initial consented periods; and (iii) the Company owns rights to supply electricity into the grid through connection agreements that do not expire. The Company continues to seek to extend the useful life of its assets, mainly by extending the terms of the land leases for some projects with the intention of extending leases for others in due course. During the year, four assets in the portfolio received an extension to the planning consent for up to 15 years. We have secured options or rights to extend the leases on a further ten individual plants, which will add value to the existing portfolio.

As at 31 March 2019, the remaining weighted average lease life of the Company's portfolio was 25.2 years. The DCF valuation assumes a zero terminal value at the end of the lease term for each asset or the end of the planning permission, whichever is the earlier.

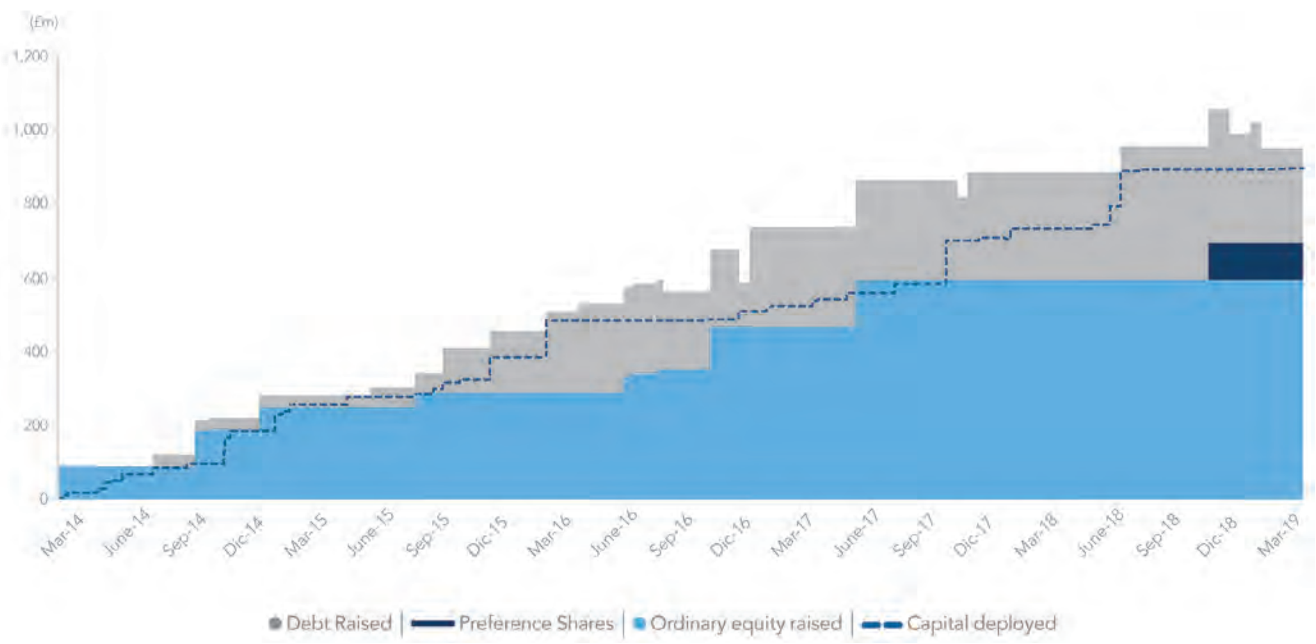
Operating performance

The Company values each solar PV asset on the basis of (i) the minimum Performance Ratio ("PR") guaranteed by the vendor or (ii) the PR estimated by the appointed technical adviser during due diligence. These estimates are generally lower than the actual PR that the Company has been experiencing during subsequent operations. The Investment Manager deems it appropriate to adopt the actual PR after two years of operating history when, typically, the plants have satisfied tests and received final acceptance certification ("FAC").

As at 31 March 2019, 50 UK solar PV assets and all Italian solar PV assets in the investment portfolio had achieved FAC and their actual PR was used in the DCF valuation. This represents 437MW of the portfolio, with the remaining assets expecting to reach FAC according to the timeline below.

Financial quarter ending June 2019:	42 MW
Financial quarter ending September 2019:	77 MW
Financial quarter ending December 2019:	48 MW
Financial quarter ending March 2020:	14 MW
Period from April 2020 to June 2021:	47 MW

Capital Deployment Timeline



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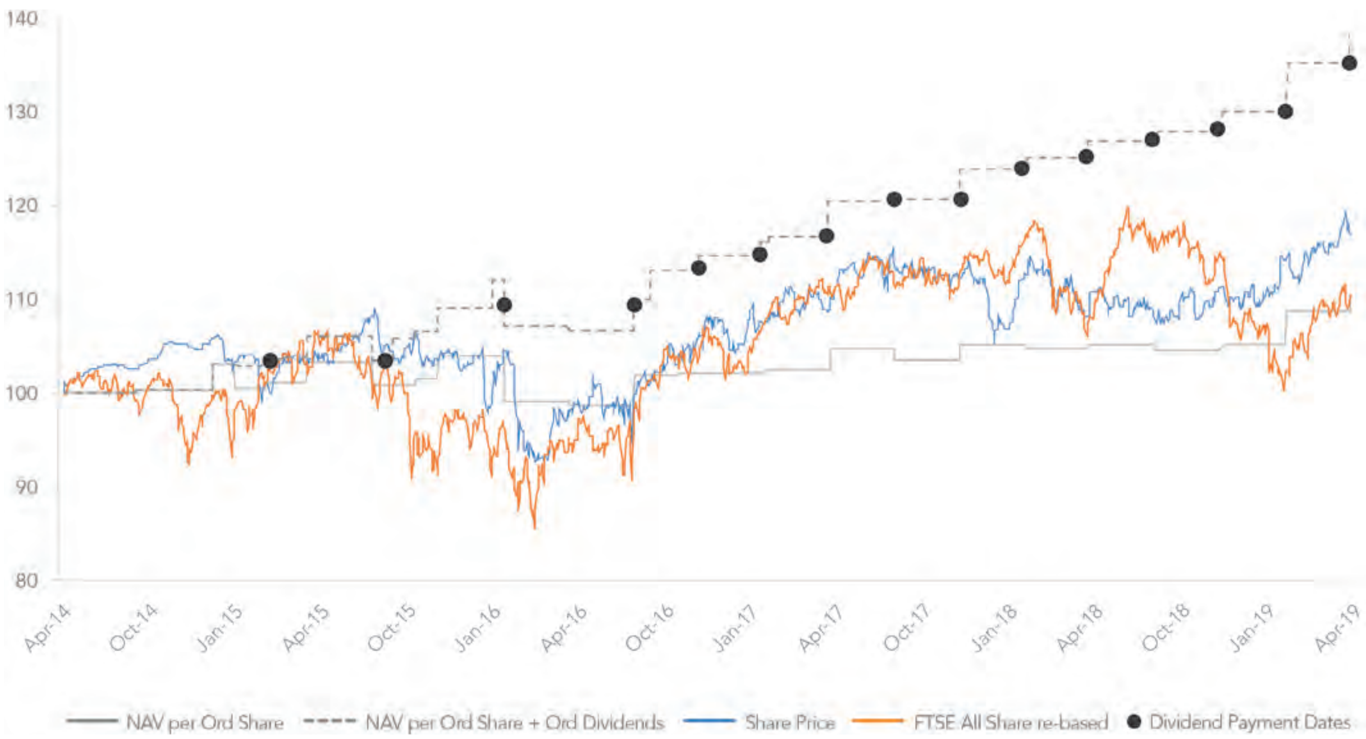
As at 31 March 2019, the Company's issued share capital comprised 581,730,541 ordinary shares (including scrip dividends) and 100,000,000 preference shares. The Company's capital raises are shown below:

Date	Shares issued	Amount raised (£m)	Amount invested	Time to deployment
April 2014	85,600,000	85.6	100% by September 2014	5 months
November/December 2014	95,000,000	99.6	100% by January 2015	6 weeks
February 2015	59,750,000	61.4	100% by April 2015	6 weeks
September 2015	37,607,105	38.8	100% by November 2015	6 weeks
July/August/September 2016	64,100,926	64.7	Used to repay debt facility	Immediate
November 2016	110,300,000	115.3	100% by August 2017	10 months
June 2017	115,000,000	126.5	100% by August 2018	1 year 2 months
November 2018	100,000,000[1]	100.0	Partially used to repay debt facility	2 months

(1) Preference shares

Date	Debt raised (£m)	Lender	Amount deployed	Status at 31 March 2019
July 2015	22.7	NIBC	100%	Repaid
January 2016	45.4	Bayern Landesbank	100%	Repaid
March 2016	55.0	MIDIS	100%	Drawn
February 2017	150.0	Macquarie/NAB/CBA	100%	Drawn
November 2017	68.1	UniCredit & ING	100%	Repaid
February 2018	20.0	NIBC	Not drawn	Not drawn
July 2018	40.0	Santander	100%	Drawn
July 2018	58.3	Bayern Landesbank	100%	Repaid
January 2019	30.0		100%	Drawn

Share Price Movement



During the year the ordinary share price increased from 111.0p to 117.5p. The table below shows the returns:

	Full year 2018/19	Total since IPO	Annualised since IPO
Ordinary shareholder total return	11.8%	46.7%	9.5%
NAV total return per ordinary share	11.8%	40.1%	8.1%

The annualised returns since IPO are in line with the target range of 7% - 9% equity return for ordinary shareholders (at IPO both initial issue price and NAV per ordinary share were 100p).

At 31 March 2019, NESF's ordinary shares were included in the FTSE All-Share Index as well as the FTSE Small Cap Index. In April 2019, the ordinary shares were included in the FTSE 250 Index. NESF's ordinary shares outperformed the FTSE All-Share Index by 13.8% pts over the period from the IPO to 31 March 2019.

Ordinary shareholder total return and ordinary share NAV total return are used to review the Company's performance against its objectives.

Financing and Cash Management

At the year end, the Company's subsidiaries had financial debt outstanding of £269m (2018: £270m), on a look-through basis including project level debt. Of the financial debt, £199m was long-term fully amortising debt, and £70m was drawn under a short term credit facility. The total financial debt, together with the preference shares, represented a gearing level of 36% (2018: 31%), which is below the stated maximum debt-to-GAV level of 50%.

During the year, a £70m RCF with Santander was closed and the proceeds were immediately deployed. Projects were also acquired with debt facilities in place (£58m with Bayern Landesbank and £1.2m with Lombard) which were subsequently repaid. The Solis portfolio debt of £68m and the NIBC RCF of £20m were fully repaid.

The table below is a summary of the debt outstanding:

Provider/ Arranger	Type	Borrower	Tranches	Facility amount £m	Amount outstanding £m	Termination (including options to extend)	Applicable rate
MIDIS/CBA/NAB	Fully-amortising long-term debt	NESH	Medium-term	48.4	48.4	Dec-26	2.91%(1)
			Floating long-term	24.2	24.2	Jun-35	3.68%(1)
			Index linked long-term	38.7	36.8	Jun-35	RPI index + 0.36%
			Fixed long-term	38.7	38.8	Jun-35	3.82%
			Debt Service Reserve Facility	7.5	–	Jun-26	1.50%
MIDIS	Fully-amortising long-term debt	NESH IV	Inflation linked	27.5	24.6	Sep-34	RPI index + 1.44%
			Fixed long-term	27.5	26.5	Sep-34	4.11%
Total long-term debt					**199.3**		
NIBC	RCF	NESH II	n/a	20.0	–	Feb-20	LIBOR +2.20%
Santander	RCF	NESH IV	n/a	70.0	70.0	Jul-20	LIBOR +1.30%
Total short-term debt					**70.0**		
Total debt					**269.3**		

(1) Applicable rate represents the swap rate.

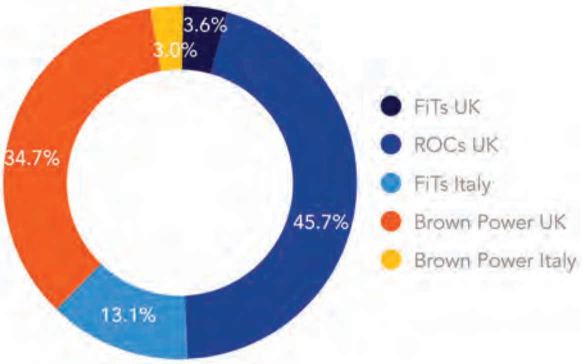
As at 31 March 2019, the Company held cash of £19.3m at high credit rated financial institutions in the UK.

NextEnergy Capital IM Limited

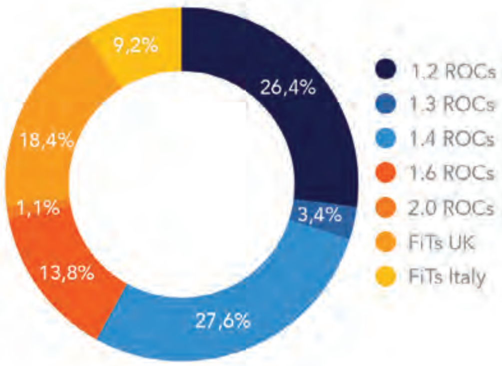
17 June 2019

Investment Portfolio – Diversification

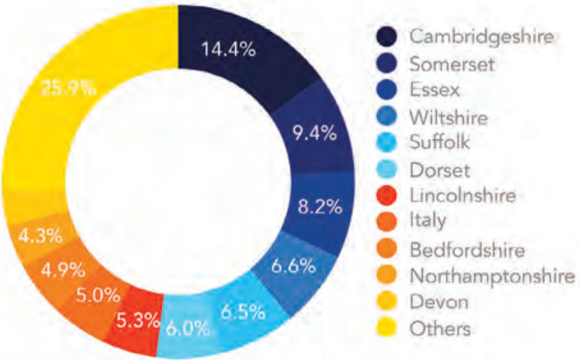
By Revenue Type



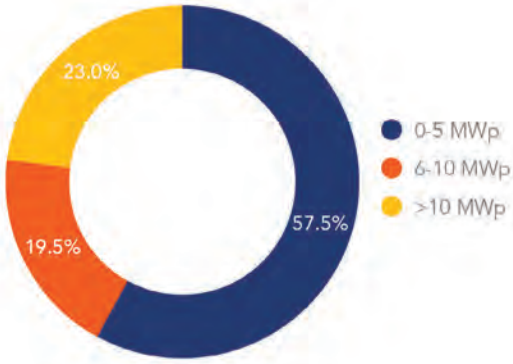
By Regulatory Regime



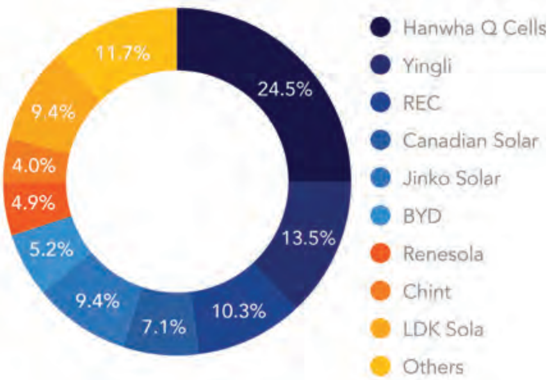
By Location



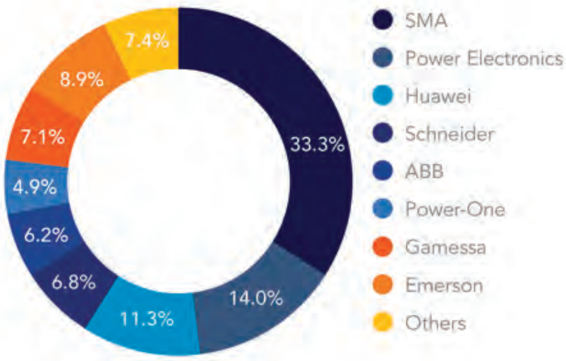
By Installed Capacity



By Solar Module Manufacturer

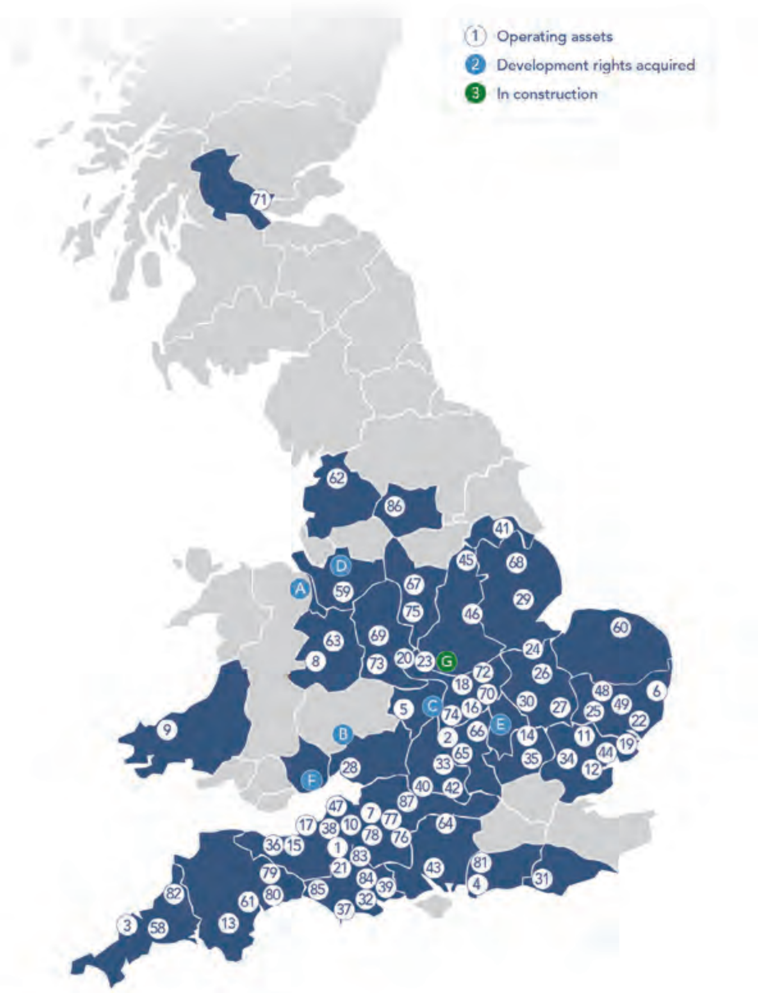


By Inverter Manufacturer



Investment Portfolio – Locations

United Kingdom:



Italy:

Investment Portfolio

	Power plant	Location	Announcement Date	Regulatory Regime[1]	Installed Capacity (MWp)	Investment Cost (£M)	Remaining life of the plant (years)
1	Higher Hatherleigh	Somerset	01/05/2014	1.6	6.1	7.3[5]	19.0
2	Shacks Barn	Northamptonshire	09/05/2014	2.0	6.3	8.2[5]	18.3
3	Gover Farm	Cornwall	23/06/2014	1.4	9.4	11.1[5]	20.7
4	Bilsham	West Sussex	03/07/2014	1.4	15.2	18.9[5]	20.6
5	Brickyard	Warwickshire	14/07/2014	1.4	3.8	4.1[5]	20.6
6	Ellough	Suffolk	28/07/2014	1.6	14.9	20.0[5]	35.0
7	Poulshot	Wiltshire	09/09/2014	1.4	14.5	15.7[5]	19.9
8	Condover	Shropshire	29/10/2014	1.4	10.2	11.7[5]	20.6
9	Llywndu	Ceredigion	22/12/2014	1.4	8.0	9.4	30.7
10	Cock Hill Farm	Wiltshire	22/12/2014	1.4	20.0	23.6	20.4
11	Boxted Airfield	Essex	31/12/2014	1.4	18.8	20.6[5]	21.0
12	Langenhoe	Essex	12/03/2015	1.4	21.2	22.9[5]	36.0
13	Park View	Devon	19/03/2015	1.4	6.5	7.7[5]	21.0
14	Croydon	Cambridgeshire	27/03/2015	1.4	16.5	17.8[5]	20.7
15	Hawkers Farm	Somerset	13/04/2015	1.4	11.9	14.5[5]	21.0
16	Glebe Farm	Bedfordshire	13/04/2015	1.4	33.7	40.5[5]	45.7
17	Bowerhouse	Somerset	18/06/2015	1.4	9.3	11.1[5]	36.0
18	Wellingborough	Northamptonshire	18/06/2015	1.6	8.5	10.8[5]	20.2
19	Birch Farm	Essex	21/10/2015	FiT	5.0	5.3[5]	21.2
20	Thurlestone Leicester	Leicestershire	21/10/2015	FiT	1.8	2.3	14.1
21	North Farm	Dorset	21/10/2015	1.4	11.5	14.5[5]	35.7
22	Ellough Phase 2	Suffolk	03/11/2015	1.3	8.0	8.0[5]	21.8
23	Hall Farm	Leicestershire	03/11/2015	FiT	5.0	5.0[5]	37.1
24	Decoy Farm	Lincolnshire	03/11/2015	FiT	5.0	5.2[5]	37.0
25	Green Farm	Essex	26/11/2015	FiT	5.0	5.8	22.0
26	Fenland	Cambridgeshire	11/01/2016	1.4	20.4	23.9[2,3]	21.3
27	Green End	Cambridgeshire	11/01/2016	1.4	24.8	29.0[2,3]	21.4
28	Tower Hill	Gloucestershire	11/01/2016	1.4	8.1	8.8[2,3]	21.0
29	Branston	Lincolnshire	05/04/2016	1.4	18.9		25.9
30	Great Wilbraham	Cambridgeshire	05/04/2016	1.4	38.1		26.0
31	Berwick	East Sussex	05/04/2016	1.4	8.2	97.9[2,4]	22.5
32	Bottom Plain	Dorset	05/04/2016	1.4	10.1		41.5
33	Emberton	Buckinghamshire	05/04/2016	1.4	9.0		41.1
34	Kentishes	Essex	22/11/2016	1.2	5.0	4.5	22.7
35	Mill Farm	Hertfordshire	04/01/2017	1.2	5.0	4.2	37.7
36	Bowden	Somerset	04/01/2017	1.2	5.0	5.6	22.9
37	Stalbridge	Dorset	04/01/2017	1.2	5.0	5.4	23.0
38	Aller Court	Somerset	21/04/2017	1.2	5.0	5.5	23.0
39	Rampisham	Dorset	21/04/2017	1.2	5.0	5.8	23.5
40	Wasing	Berkshire	21/04/2017	1.2	5.0	5.3	22.7
41	Flixborough South	Humberside	21/04/2017	1.2	5.0	5.1	23.5
42	Hill Farm	Oxfordshire	21/04/2017	1.2	5.0	5.5	23.0
43	Forest Farm	Hampshire	21/04/2017	1.2	3.0	3.3	33.0
44	Birch CIC	Essex	12/06/2017	FiT	1.7	1.7	21.2
45	Barnby	Nottinghamshire	12/06/2017	1.2	5.0	5.4	23.3
46	Bilsthorpe	Nottinghamshire	12/06/2017	1.2	5.0	5.4	23.7
47	Wickfield	Wiltshire	12/06/2017	1.2	4.9	5.6	24.1
48	Bay Farm	Suffolk	18/08/2017	1.6	8.1	10.5	20.9
49	Honington	Suffolk	18/08/2017	1.6	13.6	16.0	20.8

Investment Portfolio

	Power plant	Location	Announcement Date	Regulatory Regime[1]	Installed Capacity (MWp)	Investment Cost (£M)	Remaining life of the plant (years)
50	Macchia Rotonda	Apulia	01/11/2017	FiT	6.6		16.8
51	Iacovangelo	Apulia	01/11/2017	FiT	3.5		17.1
52	Armiento	Apulia	01/11/2017	FiT	1.9		17.1
53	Inicorbaf	Apulia	01/11/2017	FiT	3.0	116.2[2,6]	16.9
54	Gioia del Colle	Campania	01/11/2017	FiT	6.5		17.6
55	Carinola	Apulia	01/11/2017	FiT	3.0		17.6
56	Marcianise	Campania	01/11/2017	FiT	5.0		17.5
57	Riardo	Campania	01/11/2017	FiT	5.0		17.5
58	Gilley's Dam	Cornwall	18/12/2017	1.3	5.0	6.4	27.5
59	Pickhill Bridge	Clwyd	18/12/2017	1.2	3.6	3.7	22.9
60	North Norfolk	Norfolk	01/02/2018	1.6	11.0	14.6	25.6
61	Axe View	Devon	01/02/2018	1.2	5.0	5.6	28.0
62	Low Bentham	Lancashire	01/02/2018	1.2	5.0	5.4	26.9
63	Henley	Shropshire	01/02/2018	1.2	5.0	5.2	27.2
64	Pierces Farm	Berkshire	30/05/2018	FiT	1.7	1.2	20.1
65	Salcey Farm	Buckinghamshire	30/05/2018	1.4	5.5	6.5	20.1
66	Thornborough	Buckinghamshire	25/06/2018	1.2	5.0	5.7	22.0
67	Temple Normaton	Derbyshire	25/06/2018	1.2	4.9	5.6	22.3
68	Fiskerton Phase 1	Lincolnshire	25/06/2018	1.3	13.0	16.6	31.0
69	Huddlesford HF	Staffordshire	25/06/2018	1.2	0.9	0.9	21.8
70	Little Irchester	Northamptonshire	25/06/2018	1.2	4.7	5.9	22.8
71	Balhearty	Clackmannanshire	25/06/2018	FiT	4.8	2.6	31.8
72	Brafield	Northamptonshire	25/06/2018	1.2	4.9	5.8	22.7
73	Huddlesford PL	Staffordshire	25/06/2018	1.2	0.9	0.9	22.0
74	Sywell	Northamptonshire	25/06/2018	1.2	5.0	5.9	22.1
75	Coton Park	Derbyshire	25/06/2018	FiT	2.5	1.1	22.1
76	Hook	Somerset	11/07/2018	1.6	15.3	21.9[2]	19.5
77	Blenches	Wiltshire	11/07/2018	1.6	6.1	7.8[2]	19.7
78	Whitley	Somerset	11/07/2018	1.6	7.6	10.5[2]	20.0
79	Burrowton	Devon	11/07/2018	1.6	5.4	7.3[2]	19.5
80	Saundercroft	Devon	11/07/2018	1.6	7.2	9.6[2]	20.5
81	Raglington	Hampshire	11/07/2018	1.6	5.7	8.1[2]	34.8
82	Knockworthy	Cornwall	11/07/2018	FiT	4.6	6.6[2]	19.0
83	Chilton Canetello	Somerset	11/07/2018	FiT	5.0	9.0[2]	18.3
84	Crossways	Dorset	11/07/2018	FiT	5.0	10.1[2]	18.9
85	Wyld Meadow	Dorset	11/07/2018	FiT	4.8	7.1[2]	20.6
86	Ermis - rooftops	Multiple	07/08/2018	FiT	1.0	3.0	17.6
87	Angelia - rooftops	Multiple	07/08/2018	FiT	0.2	0.6	17.5
Total					690.8	893.8	
To be build/under construction							
A	Francis/Gourton	Clwyd	12/06/2017	None	10.0	–	–
B	Glebe	Worcestershire	12/06/2017	None	19.6	–	–
C	Radbrook	Warwickshire	12/06/2017	None	20.7	–	–
D	Moss	Cheshire	12/06/2017	None	9.5	–	–
E	Staughton	Bedfordshire	–	None	50.0	–	–
F	Llanwern	Gwent	–	None	62.5	–	–
G	Hall Farm	Leicestershire	–	None	5.4	2.2	–
Total					177.7	2.2	–
Grand Total						896.0	–

(1) An explanation of ROC regime is available at ofgem.gov.uk/environmental-programmes/renewables-obligation-ro.
(2) Acquired with project level debt.
(3) Part of the Thirteen Kings portfolio.
(4) Part of the Radius portfolio.
(5) Part of the Apollo portfolio.
(6) Part of the Solis portfolio.

Portfolio Assets

	Power plant	Operational date	Acquisition date	Year ended 31 March 2019 Generation (MWh)	Irradiation delta (%)	Generation delta (%)	Since acquisition Irradiation delta (%)	Generation delta (%)
1	Higher Hatherleigh	Apr-14	May-14	6.2	4.2	8.0	(0.3)	4.5
2	Shacks Barn	May-14	May-14	6.7	11.2	17.0	2.3	9.0
3	Gover Farm	Jan-15	Jun-14	8.2	5.3	(10.0)	1.5	(0.7)
4	Bilsham	Jan-15	Jul-14	16.8	11.2	8.5	3.9	5.7
5	Brickyard	Jan-15	Jul-14	3.7	11.5	9.2	2.5	5.1
6	Ellough	Jul-14	Jul-14	16.5	9.1	14.4	0.3	6.6
7	Poulshot	Apr-15	Sep-14	14.6	4.9	8.5	(0.8)	3.9
8	Condover	May-15	Oct-14	10.1	5.8	7.5	(0.8)	1.3
9	Llywndu	Jul-15	Dec-14	8.0	0.5	6.1	(5.0)	0.3
10	Cock Hill Farm	Jul-15	Dec-14	20.5	9.8	7.1	1.8	3.0
11	Boxted Airfield	Apr-15	Dec-14	19.7	10.5	10.6	2.9	4.9
12	Langenhoe	Apr-15	Mar-15	23.4	12.8	16.0	5.4	9.0
13	Park View	Jul-15	Mar-15	6.8	0.4	3.8	(3.8)	0.1
14	Croydon	Apr-15	Mar-15	16.9	15.1	13.5	5.1	6.5
15	Hawkers Farm	Jun-15	Apr-15	12.6	3.2	6.9	(1.5)	2.3
16	Glebe Farm	May-15	Apr-15	37.4	15.7	21.6	5.0	11.0
17	Bowerhouse	Jul-15	Jun-15	9.3	6.4	2.8	0.8	1.2
18	Wellingborough	Jun-15	Jun-15	8.5	12.7	7.9	1.4	4.1
19	Birch Farm	Sep-15	Oct-15	5.2	10.4	9.5	3.2	5.2
20	Thurlestone Leicester – rooftops	Oct-15	Oct-15	1.6	N/A	7.3	N/A	0.8
21	North Farm	Oct-15	Oct-15	12.5	1.7	2.0	(4.8)	(2.9)
22	Ellough Phase 2	Aug-16	Nov-15	8.8	16.0	16.4	9.3	12.7
23	Hall Farm	Apr-16	Nov-15	5.0	10.7	13.2	3.4	(1.9)
24	Decoy Farm	Mar-16	Nov-15	5.3	11.0	15.9	3.7	9.1
25	Green Farm	Dec-16	Nov-15	5.4	9.7	11.1	3.9	4.4
26	Fenland	Jan-16	Jan-16	22.5	12.8	16.3	4.4	8.9
27	Green End	Jan-16	Jan-16	26.0	12.9	11.1	4.0	5.1
28	Tower Hill	Jan-16	Jan-16	8.3	6.1	9.8	1.9	5.8
29	Branston	Mar-16	Apr-16	18.6	13.4	6.6	5.4	3.3
30	Great Wilbraham	Mar-16	Apr-16	41.0	14.3	14.3	4.6	5.0
31	Berwick	Mar-16	Apr-16	9.6	9.9	12.8	5.1	8.6
32	Bottom Plain	Mar-16	Apr-16	11.1	8.3	9.5	1.9	3.1
33	Emberton	Mar-16	Apr-16	9.6	13.4	13.0	3.7	3.6
34	Kentishes	Jul-17	Nov-16	5.5	11.3	11.6	5.6	6.3
35	Mill Farm	Jul-17	Jan-17	5.5	15.8	15.9	8.6	10.3
36	Bowden	Sep-17	Jan-17	5.4	1.9	2.0	(0.9)	0.8
37	Stalbridge	Sep-17	Jan-17	5.5	2.4	7.0	(0.3)	6.0
38	Aller Court	Sep-17	Apr-17	5.3	4.0	4.1	2.5	3.6
39	Rampisham	Sep-17	Apr-17	5.3	0.2	(1.4)	(2.3)	(3.4)
40	Wasing	Aug-17	Apr-17	5.6	10.6	13.7	5.9	10.1
41	Flixborough	Aug-17	Apr-17	5.2	10.0	11.8	5.4	8.0
42	Hill Farm	Mar-17	Apr-17	5.5	11.4	14.6	7.5	9.7
43	Forest Farm	Mar-17	Apr-17	3.3	7.8	11.2	4.3	8.4
44	Birch CIC	May-17	Jun-17	1.8	10.3	8.8	4.8	4.6
45	Barnby	Aug-17	Jun-17	5.2	10.9	11.8	5.6	7.4
46	Bilsthorpe	Aug-17	Jun-17	5.3	10.2	13.2	4.7	8.6
47	Wickfield	Mar-17	Jun-17	5.0	7.7	5.5	4.8	4.2
48	Bay Farm	Sep-17	Aug-17	8.3	15.0	11.0	9.7	6.8
49	Honington	Sep-17	Aug-17	14.2	9.8	10.1	5.3	3.5
50	Macchia Rotonda	Nov-17	Nov-17	10.0	5.4	6.1	2.6	3.8

Portfolio Assets

	Power plant	Operational date	Acquisition date	Year ended 31 March 2019			Since acquisition	
				Generation (MWh)	Irradiation delta (%)	Generation delta (%)	Irradiation delta (%)	Generation delta (%)
51	Iacovangelo	Nov-17	Nov-17	5.4	3.8	6.7	1.2	4.7
52	Armiento	Nov-17	Nov-17	2.9	4.5	7.0	1.8	4.9
53	Inicorbaf	Nov-17	Nov-17	4.7	4.5	6.8	1.9	4.4
54	Gioia del Colle	Nov-17	Nov-17	9.7	(1.1)	3.9	(2.5)	1.5
55	Carinola	Nov-17	Nov-17	4.4	3.0	7.4	(0.3)	3.6
56	Marcianise	Nov-17	Nov-17	7.3	3.1	5.8	0.6	2.4
57	Riardo	Nov-17	Nov-17	7.3	3.0	2.6	0.1	(1.5)
58	Gilley's Dam	Nov-17	Dec-17	5.1	(4.3)	(1.4)	(5.3)	(1.9)
59	Pickhill Bridge	Dec-17	Dec-17	3.8	9.4	12.4	7.2	10.5
60	North Norfolk	Dec-17	Feb-18	11.8	10.2	12.1	7.8	10.4
61	Axe View	Dec-17	Feb-18	5.2	6.0	7.4	4.7	6.4
62	Low Bentham	Dec-17	Feb-18	4.8	3.5	5.0	3.0	5.2
63	Henley	Jan-18	Feb-18	5.0	5.9	8.5	3.8	6.4
64	Pierces Farm	May-18	May-18	1.4	8.5	10.3	8.5	10.3
65	Salcey Farm	May-18	May-18	4.5	17.0	10.5	17.0	10.5
66	Thornborough	Jun-18	Jun-18	2.9	15.8	(11.4)	15.8	(11.4)
67	Temple Normaton	Jun-18	Jun-18	3.0	13.1	(3.0)	13.1	(3.0)
68	Fiskerton Phase 1	Jun-18	Jun-18	8.4	15.5	0.9	15.5	0.9
69	Huddlesford HF	Jun-18	Jun-18	0.6	14.8	6.7	14.8	6.7
70	Little Irchester	Jun-18	Jun-18	2.8	16.3	(11.6)	16.3	(11.6)
71	Balhearty	Jun-18	Jun-18	2.2	3.2	(18.1)	3.2	(18.1)
72	Brafield	Jun-18	Jun-18	3.3	15.8	(0.2)	15.8	(0.2)
73	Huddlesford PL	Jun-18	Jun-18	0.6	14.8	6.0	14.8	6.0
74	Sywell	Jun-18	Jun-18	3.1	18.8	(3.6)	18.8	(3.6)
75	Coton Park	Jun-18	Jun-18	1.6	12.7	9.8	12.7	9.8
76	Hook	Jul-18	Jul-18	9.4	5.4	0.6	5.4	0.6
77	Blenches	Jul-18	Jul-18	3.8	8.9	11.3	8.9	11.3
78	Whitley	Jul-18	Jul-18	4.7	4.6	5.2	4.6	5.2
79	Burrowton	Jul-18	Jul-18	8.0	2.8	2.9	2.8	2.9
80	Saundercroft	Jul-18	Jul-18					
81	Raglington	Jul-18	Jul-18	3.8	7.6	2.5	7.6	2.5
82	Knockworthy	Jul-18	Jul-18	3.0	2.8	2.7	2.8	2.7
83	Chilton Canetello	Jul-18	Jul-18	3.5	6.3	10.2	6.3	10.2
84	Crossways	Jul-18	Jul-18	3.7	4.9	8.6	4.9	8.6
85	Wyld Medow	Jul-18	Jul-18	3.2	(1.1)	2.1	(1.1)	2.1
86	Ermis – rooftops	Aug-18	Aug-18	0.4	N/A	(1.8)	N/A	(1.8)
87	Angelia – rooftops	Aug-18	Aug-18	0.1	N/A	7.5	N/A	7.5
Total				693.6	9.0	9.1	2.1	5.0

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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 of the London Stock Exchange, the Company is required to comply with the principles of the 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 GFSC and the AIC.

As the Company is an AIC member, the Board has also considered the principles and recommendations of the AIC Code by reference to the 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 July 2016, 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 at the time of the Company's IPO in 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 2019.

The 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 2019, the Company has complied with the recommendations of the AIC Code and the relevant provisions of the UK Code, except for the provisions relating to:

- the role of the chief executive;
- executive directors' remuneration; and
- the need for an internal audit function.

For the reasons set out in the AIC Guide, and as explained in the UK Code, the Board considers that, as the Company has outsourced its management and administration to third parties, has no employees and a Board composed solely of non-executive Directors, these provisions are not currently relevant or appropriate to the position of the Company.

As per the Company's Articles, all Directors, including the Chairman, must disclose any interest in a transaction that the Board and Committees approve.

Following the Company's admission to the FTSE 250 on 15 April 2019, the Board will implement, where appropriate, those provisions of the UK Code applicable to FTSE 250 companies going forward.

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 roles. He also endeavours to produce an open culture of debate within the Board which facilitates the ability of the Board to make objective decisions.

A summary of Mr Lyon's other commitments can be identified in his biography on page 53.

The effectiveness and independence of the Chairman is evaluated on an annual basis as part of the Board's performance evaluation; the Senior Independent Director is tasked with collating feedback and discussing this 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 boards managed by the Investment Manager.

Board Independence and Disclosure

The Chairman, Vic Holmes and Patrick Firth were selected prior to the Company's launch. Sharon Parr was appointed with effect from 1 January 2018 and Sue Inglis was appointed with effect from 1 April 2019. All Directors are independent of the Investment Manager and Investment Adviser.

The Board considered Sue Inglis' previous role as Managing Director – Investment Companies of Cantor Fitzgerald Europe, the Company's appointed financial adviser and broker, and were satisfied that this did not compromise Sue Inglis' independence.

The Board is composed entirely of non-executive Directors, who meet regularly to determine the Company's strategic direction. The Board reviews the Company's financial performance and oversees the performance of the Investment Manager and other 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 currently no Management Engagement Committee as it has no been deemed required, given the size, composition and structure of the Company. Therefore, the Board as a whole has fulfilled the functions of a Management Engagement Committee and reviews and analyses the actions, performance and judgements of the Investment Manager and also the terms of the Investment Management Agreement. Further to this the Board analyses and evaluates the performance of other service providers on a regular basis. Having regard to the size of the Company and the Board, the Board is currently considering the need for a Management Engagement Committee.

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 their independent judgement. If required, the Board is able to access independent professional advice. The Investment Manager is also requested to declare any potential conflicts surrounding votes and share dealing 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.

Changes to the Directors' significant business commitments have been declared when required during the year. Each Director's commitments can be identified in their biographies detailed on pages 53 to 57. When appointing a new Director and conducting the annual evaluation of existing Directors, their other commitments are considered to assess whether they have sufficient time to fulfill their responsibilities.

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 15 minutes prior to and during the meeting.

In his role as Senior Independent Director, Vic Holmes is available to ordinary shareholders should they wish to raise concerns which have not been addressed by, or are not appropriate to raise via, the usual channels.

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 telephone.

Balance of the Board and Diversity Policy

The Board is well-balanced, with a wide array of skills, experience and knowledge that ensures it functions effectively and that no single Director may dominate the Board's decisions. Having five Directors appointed ensures that, during any transition period, there are at least three (more likely four) Directors to provide stability.

At this time, the Board has chosen not to adopt a formal policy for diversity but it has diversity at the forefront of its decision making. 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 illustrated by the recent appointments of Sharon Parr and Sue Inglis. It is the Board's ongoing aspiration to maintain a well-diversified representation. The Board also values diversity of business skills and experience because Directors with diverse skill sets, capabilities and experience gained from different 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.

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 any perceived issues, or a resignation sought. Following discussions and review of the Chairman's evaluation by the other Directors, the Senior Independent Director 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

The Company has established a combined Remuneration and Nominations Committee whose role includes undertaking a thorough process of reviewing the skill set of the individual Directors, and proposes new, or renewal of current, appointments to the Board.

The primary role and responsibilities of the Remuneration and Nominations Committee are clearly defined in its terms of reference, available at the registered office and the Company's website.

Following the Company's admission to the FTSE 250 in April 2019, and in accordance with the UK Code, all Directors will be subject to annual re-election.

The biographic details of the Directors can be found on page 53 to 57.

Following the annual performance evaluation the Board confirms that each Director has proved their ability to fulfil all legal responsibilities and to provide effective independent judgement on issues of strategy, performance, resources and conduct. The Board therefore has no hesitation in recommending to the shareholders that Sue Inglis be elected and all other Directors be re-elected at the AGM.

Appointment Process

Prior to each Directors appointment, they disclosed their other significant appointments to the Board and undertook that they had sufficient time to fulfil their duties in accordance with the expected time commitments detailed in their letters of appointment.

During the year the Remuneration and Nominations Committee reviewed the Board's composition and concluded that a further appointment would be beneficial due to the significant increase in the size of the Company since launch and to further enhance the Board's knowledge and experience. The Remuneration and Nominations Committee reviewed the existing balance of skills, experience, independence and knowledge on the Board and, following the evaluation, prepared a description of the role and capabilities required for the proposed appointment. The Company utilised OSA Recruitment (which has no other connection with the Company) to identify suitable candidates, with a number of potential candidates being suggested by OSA. The Directors interviewed Sue Inglis, being one of the potential candidates, having been familiar with her depth of knowledge and experience as a result of her prior role at Cantor Fitzgerald Europe. Following the interview the Directors were satisfied that Sue Inglis satisfied the necessary credentials for the proposed appointment.

Following the process outlined above, the Board, following the recommendation of the Remuneration and Nominations Committee, appointed Sue Inglis as a non-executive Director with effect from 1 April 2019.

For renewal of current appointments, all Directors except the individual in question are entitled to vote at the meeting. No new nominations have been made for the role of Chairman of the Board.

The Remuneration and Nominations Committee will keep under review the composition of the Board as the Company continues to develop.

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 Reports; 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.

There were four scheduled quarterly meetings during the year ended 31 March 2019; the meeting attendance record is displayed on the next page. The Company Secretary acts as the Secretary to the Board.

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

The Board seeks to undertake an assessment of the Investment Manager's scope and responsibilities as outlined in the Investment Management Agreement on a formal basis every year. Discussions on the Investment Manager's 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.

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 had three scheduled meetings during the year ended 31 March 2019; the meeting attendance record is displayed below. 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 Auditor.

Further information on the Audit Committee's responsibilities is given in the Audit Committee Report on pages 64 to 66.

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

Remuneration and Nominations Committee

The joint Remuneration and Nominations Committee is composed of all the Directors. 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 Remuneration and Nominations Committee Chairman. The Remuneration and Nominations Committee, its membership and its terms of reference are kept under regular review by the Board. Vic Holmes is Remuneration and Nominations Committee Chairman.

The Remuneration and Nominations Committee had two scheduled meetings during the year ended 31 March 2019; the meeting attendance record is displayed below. The Company Secretary acts as the Secretary to the Remuneration and Nominations Committee.

Further information on the Remuneration and Nominations Committee's responsibilities is given in the Directors' Remuneration Report on pages 62 to 63.

Formal terms of reference for the Remuneration and Nominations 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 scheduled meetings is set out below:

	Board	Audit Committee	Remuneration and Nominations Committee
Kevin Lyon	4	3	2
Patrick Firth	4	3	2
Vic Holmes	4	3	2
Sharon Parr	4	3	2
Sue Inglis(1)	–	–	–
Total meetings for the year	4	3	2

(1) Sue Inglis joined the Board on 1 April 2019

All Directors have attended all scheduled quarterly Board and Audit Committee meetings. During the year, a further 15 ad hoc Board/Committee meetings were convened in Guernsey at short notice to deal with administrative and process matters, and to conclude a number of matters previously discussed at scheduled meetings. In such instances it is not always necessary or practical for all Directors to be in attendance at all ad hoc meetings. Directors who are unable to attend ad hoc meetings convey their opinion to their fellow Directors where necessary in advance of such meetings.

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 information.

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' roles and responsibilities in preparing the Annual Report and Audited Financial Statements for the year ended 31 March 2019 is provided in the Statement of Directors' Responsibilities on page 58.

Further information enabling shareholders to assess the Company's performance, business model and strategy can be sourced in the KPI section on page 2, Chairman's Statement on pages 3 to 6, the Strategic Report on pages 8 to 12, the Principal Risks section on pages 13 to 15, the Investment Manager's Report on pages 24 to 43, the Corporate Governance section on page 45 to 52 and the Report of the Directors on pages 59 to 61.

There is no information that is required to be disclosed under LR 9.8.4.

Principal Risk Management and Risk Control

Details of the Company's principal risks can be found in the Principal Risks section on pages 13 to 15.

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 Group, appropriate consideration has been given to the relevant control processes and that the risk has been considered, assessed and managed as an integral part of the business. The Company's system of internal controls 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 Auditor of the Company, PricewaterhouseCoopers CI LLP, considers internal controls relevant to the Company's preparation and fair presentation of the financial statements in order to design its 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 Adviser and Investment Manager during periodic Board updates enabling oversight of the key business processes. The Investment Adviser also provides an update of the control environment for the UK HoldCos and SPVs to ensure the Board has oversight of business controls for the entire Group.

In its role as a third-party fund administration services provider, Ipes (Guernsey) Limited (prior to its change of name to Apex Fund and Corporate Services (Guernsey) Limited) produced an annual AAF 01/06 Assurance Report on the internal control procedures in place for the year ended 30 September 2018, 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 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:

- the Company's published investment policy, from time to time;
- personal account dealing;
- whistleblowing policy;
- anti-bribery policy;
- applicable FCA regulations;
- Listing Rules and Disclosure Guidance 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 2019.

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.

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. Some 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 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 the NPPR in order to market the Company, specifically in the UK, the Republic of Ireland, the Netherlands and Sweden. The Board has worked with the Company's advisers to ensure the necessary conditions are met, and all required notices and disclosures are made under the NPPR.

Any regulatory changes arising from implementation of AIFMD (or otherwise) that limit the Company's ability to market future issues of its ordinary 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 the AIFMD and its impact.

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

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

The Board, in conjunction with the Company's service providers and advisers, will ensure the Company's compliance with FATCA's 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 ordinary shareholders at least annually, together with the Investment Adviser, and calls are undertaken on a regular basis with ordinary shareholders. The Board also receives regular reports from the Brokers on ordinary shareholder issues. Publications such as the Annual Report and Audited Financial Statements are reviewed and approved by the Board prior to circulation and are available on the Company's website.

All Directors are available for discussions with shareholders, as and when required. During the year, the Chairman met with four ordinary shareholders.

AGM

The Notice of AGM is sent out at least 20 working days in advance of the meeting. All ordinary 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 ordinary shareholder queries at any time.

All Directors will be present at the AGM to answer any questions from ordinary shareholders.

By order of the Board

Kevin Lyon
Chairman

17 June 2019

Board of Directors

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 also chairman of Inoapps Ltd, a vendor of Oracle software, of ACS Clothing Limited, the leading men's hirewear supplier in the UK and of Ramco Limited a service company focussed on the energy industry. He has served as chairman or non-executive Director on more than 20 companies over the last 15 years including Smart Metering Systems plc, Valiant Petroleum plc, Wyndeham Press Group, Craneware plc, Rovop Limited, Drilling Systems Group Ltd, 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.

He is resident in the UK.

Patrick Firth

(Independent Non-Executive Director and Audit Committee Chairman)

Mr Firth qualified as a Chartered Accountant with KPMG Guernsey in 1991 and is also a member of the Chartered Institute for Securities and Investment. Mr Firth 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 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 International Business Association and of the Guernsey Investment Fund Association. He is a resident of Guernsey.

Vic Holmes

(Independent Non-Executive Director, Senior Independent Director and Remuneration and Nominations Committee Chairman)

Mr Holmes is a qualified Chartered Certified Accountant. 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, Utmost Worldwide Limited, Highbridge Multi-Strategy Fund Limited (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.

Sharon Parr
(Independent Non-Executive Director)

Ms Parr is a non-executive Director of the Company. She is a Fellow of the Institute of Chartered Accountants in England and Wales, having qualified with Deloitte and Touche in the U.K. After spending time with Deloitte in Chicago and the British Virgin Islands Sharon moved to Guernsey with them in 1999. In addition she is also a member of the Society of Trust and Estate Practitioners.

After doing a private equity backed MBO of the trust and fund administration division of Deloitte, called Walbrook, in 2003 she sold the business to Barclays Wealth in 2007. As a Managing Director of Barclays Wealth, Ms Parr ultimately became global head of the Barclays trust and fund administration businesses, comprising over 450 staff in 10 countries, as well as being country head of all Barclays trust, fund administration and other operations in Guernsey.

In 2011 Ms Parr stepped down from her executive roles to focus on other business areas and interests. She has maintained her directorships of the Bridgemere group of companies; a group that has significant investment interests in the leisure and property development sectors both in the UK and Europe, including a significant shareholding in Redrow plc, and is also a non-executive Director on JZ Capital Partners Limited. In addition she is a director and treasurer of the Guernsey Literary Festival LBG and is active with a number of other Guernsey based charities.

Formally she was a committee member of the Guernsey Association of Trustees.

She is a resident of Guernsey

Sue Inglis

(Independent Non-Executive Director)

Ms Inglis has over 30 years' experience advising investment companies and financial institutions, initially as a lawyer and subsequently as an investment banker.

Ms Inglis qualified as a lawyer in Scotland in 1988 and was a partner and head of the funds and financial services group at Shepherd & Wedderburn, a leading Scottish law firm.

In 1999, Ms Inglis left Shepherd & Wedderburn to be a founding partner and director of Intelli Corporate Finance, an advisory boutique firm focusing in the asset management and investment company sectors, which was acquired by Canaccord Genuity in 2009. She was a Managing Director – Corporate Finance in the Investment Companies and Financial Institutions Groups teams at Canaccord Genuity until 2012 and then Managing Director – Corporate Finance in the Investment Companies team at Cantor Fitzgerald Europe until June 2018.

Since leaving Cantor Fitzgerald Europe, Ms Inglis has been pursuing a non-executive career. She is currently Chairman of The Bankers Investment Trust plc and a non-executive Director of Baillie Gifford US Growth Trust plc, BMO Managed Portfolio Trust plc, Seneca Global Income & Growth Trust plc and The European Investment Trust plc.

She is resident in the UK.

Ms Inglis was appointed to the Board on 1 April 2019. Further details of her appointment are disclosed in the Corporate Governance section.

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 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 Auditor is 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 Auditor is aware of said information;
- the financial statements, prepared in accordance with IFRS and applicable laws, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company; and
- the KPI section, Chairman's Statement, Strategic Report, Investment Manager's Report, Principal Risks section, Report of the Directors and Corporate Governance Statement include a fair review of the development of the business and the position of the Company, together with a description of the principal risks and uncertainties that it faces.

The 2016 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 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 reached these conclusions is set out in the Audit Committee Report on pages 64 to 66. Furthermore, the Board believes that the disclosures set out on pages 8 to 43 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 2019, as outlined in the KPI section, Chairman's Statement, Strategic Report, Investment Manager's Report, Principal Risks section, Report of the Directors and Corporate Governance Statement, the Board has concluded that the Annual Report and Audited Financial Statements for the year ended 31 March 2019, 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.

For NextEnergy Solar Fund Limited

Kevin Lyon
Chairman of the Board of Directors
17 June 2019

Report of the Directors

The principal activities and investment objective of the Company are to provide shareholders 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 primarily in the UK. Not more than 15% of the Company's GAV (calculated at the time of investment) may be invested in solar PV assets that are located outside the UK. The Company's principal activities and investment objective are detailed more fully in the Strategic Report on pages 8 to 12.

The structure of the Group facilitates the holding 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 5.

During the year, the Company has declared four dividends totalling £38,159,397 (2018: £34,800,353) relating to the year ended 31 March 2019. For each quarterly dividend, a scrip alternative was offered to cash. Details of the dividends declared during the year can be seen in note 12 and the scrip dividends can be seen in note 10 to the Financial Statements.

Capital

As part of the Company's 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 have increased to 581,730,541 as a result of further share issues made pursuant to the first Placing Programme, tap issues, the second Placing Programme and scrip dividends. Details of shares issued during the year ended 31 March 2019 can be seen in note 10 to the Financial Statements.

In November 2018, the Company issued the first tranche of 100 million preference shares at 100p per share.

Debt Facilities

Details of the Company's debt facilities can be seen in the Investment Manager's Report on page 37.

Business Review

As at 31 March 2019, the Company's portfolio comprised 87 assets amounting to 691MW installed solar capacity and an invested capital of £896m (2018: 63 assets, 569MW and £734m invested capital).

Full details of the Company's performance during the year ended 31 March 2019, its financial position and future developments are detailed in the KPI section, Chairman's Statement, the Strategic Report, the Principal Risks section and the Investment Manager's Report on pages 2 to 43.

Substantial Interests

As at 31 May 2019, the Company is aware of the following material ordinary shareholdings:

Name	Ordinary shares held	% shareholding as at 31 May 2019
Quilter plc	74,732,293	12.85
Prudential plc group of companies	74,441,385	12.80
Artemis Investment Management LLP on behalf of discretionary funds under management	73,068,746	12.56
Investec Wealth & Investment Limited	50,399,566	8.66
Baillie Gifford & Co	41,180,510	7.08
Legal & General Group plc	38,052,043	6.54
Tredje AP-Fonden (AP 3)	36,426,102	6.26

Directors and Directors' Interests in Shares

The Directors who have served during the year ended 31 March 2019 were Kevin Lyon, Patrick Firth, Vic Holmes and Sharon Parr. Sue Inglis was appointed as Director on 1 April 2019.

The biographical details of each of the Directors are shown on pages 53 to 57.

The Directors' interests in shares are shown below:

Name	Ordinary shares at 31 March 2019	Ordinary shares at 31 March 2018
Kevin Lyon	160,000	160,000
Patrick Firth	80,429	75,807
Vic Holmes	110,000	110,000
Sharon Parr	–	–
Sue Inglis[(1)]	–	–

(1) After the year end, Sue Inglis acquired 50,000 shares.

Corporate Governance

The Corporate Governance Statement on pages 45 to 52 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's composition.

Going Concern

The Company's business activities and factors likely to affect its performance, position and prospects are set out in the Strategic Report and Principal Risks section on pages 8 to 15. Further to this, the KPI section, Chairman's Statement, Investment Manager's Report and Strategic Report provide 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 objective.

The Directors have a reasonable expectation that the Company has sufficient resources available to continue as a going concern for 12 months from the date of approval of the Financial Statements. As such, the Directors deem it appropriate to adopt the going concern basis of accounting in preparing these financial statements.

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.

Authority to purchase ordinary shares to be held in treasury or cancelled was granted at the 2018 AGM and will expire at the conclusion of this year's AGM. A resolution 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 ordinary issued share capital. Ordinary shares repurchased by the Company may be held in 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 2020.

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 ordinary 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 ordinary shares.

Any purchase of ordinary shares will be in accordance with the Articles and the Listing Rules in force at the time.

No shares were repurchased and held in treasury or cancelled during the year. No shares are held in treasury as at the date of this report.

Disapplication of Pre-emption Rights

A resolution 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 116,346,107 ordinary shares, equivalent to 20% of the current issued ordinary share capital less one share, when issuing ordinary shares and/or selling ordinary shares from treasury for cash. This authority will expire at the conclusion of the AGM in 2020. Any future issues, or sales of ordinary shares from treasury, will only be undertaken at a premium to the prevailing NAV per ordinary share.

Annual General Meeting

The Company's Annual General Meeting will be convened in August 2019 at the offices of Apex Fund and Corporate Services (Guernsey) Limited, 1 Royal Plaza, Royal Avenue, St Peter Port, Guernsey, GY1 2HL.

Accountability and Audit

The respective responsibilities of the Directors and the Auditor in connection with the financial statements are set out on page 58.

Independent Auditor

As the Company has passed its fifth anniversary and in order to assess the competitiveness of the Auditor, the Audit Committee intends to conduct a tender for the position of Independent Auditor to the Company. The current independent Auditor, PricewaterhouseCoopers CI LLP, has indicated their willingness to be included in the tender process.

By order of the Board

Kevin Lyon
Chairman
17 June 2019

Directors' Remuneration Report

Remuneration Policy and Components

The Board has established a combined Remuneration and Nominations Committee, which comprises all of the Directors, including Sue Inglis following her appointment on 1 April 2019. Vic Holmes is Chairman of the Remuneration and Nominations Committee. The Chairman of the Board is a member of the Remuneration and Nominations Committee.

The Remuneration and Nominations Committee endeavours to ensure the remuneration policy reflects and supports the Company's strategic aims and objectives throughout the year under review.

The primary role and responsibilities of the Remuneration and Nominations Committee are clearly defined in its terms of reference, available at the registered office and on the Company's website.

Remuneration is set by the Board with details of remuneration of the Board as per Directors' letters of appointment. During the course of the year, the Remuneration and Nominations Committee did not utilise any external consultants or propose any increase to Director fees. Each Director receives a base annual fee of £35,000, with a £5,000 increment to the basic fee level for the Chairman of the Audit Committee, and a £2,500 increment to the basic fee level for the Senior Independent Director. The Chairman of the Board receives an annual fee of £60,000. No element of the Directors' remuneration is performance related. A resolution to receive and adopt the Directors' Remuneration Report will be proposed at the Annual General Meeting.

The aggregate remuneration and benefits in kind of the Directors in respect of the Company's year ended 31 March 2019, payable out of the assets of the Company, equalled £172,500 (2018: £146,250). 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	40,000
Vic Holmes – Senior Independent Director	37,500
Sharon Parr	35,000
Sue Inglis	35,000
Total Directors' Fees	207,500

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. No additional fees were paid to the Directors during the year.

As outlined in the Articles, 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 2019 was £4,785 (2018: £2,644).

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, bonuses or performance fees, 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, and has been (or in Sue Inglis' case, will be) subject to election at the first Annual General Meeting following their appointment, 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:

- resignation by Director by giving written notice (six months for the Chairman and three months for the remaining Directors) to the Board;
- a resolution of the ordinary shareholders;
- disqualification from acting as Director under the Guernsey companies law or the Articles, without notice; or
- acting otherwise in accordance with the 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 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 £172,500 (2018: £146,250):

Director	Total fee for the year ended 31 March 2019 £	Total fee for the year ended 31 March 2018 £
Kevin Lyon	60,000	60,000
Patrick Firth	40,000	40,000
Vic Holmes	37,500	37,500
Sharon Parr	35,000	8,750(1)
Sue Inglis(2)	–	–
Aggregate fees	172,500	146,250

(1) Pro-rata for the period from appointment on 1 January 2018 to 31 March 2018

(2) Sue Inglis was appointed to the Board on 1 April 2019

Vic Holmes
Remuneration and Nominations
Committee Chairman
17 June 2019

(1) Appointed as non-executive Director on 1 April 2019

Audit Committee Report

The Board is supported by the Audit Committee, and comprises of all of the Directors, including Sue Inglis following her appointment on 1 April 2019. 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 and that the Committee as a whole has competence relevant to the sector in which the Company operates.

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.

The Committee met three times during the year under review; individual attendance of Directors is outlined on page 49. The main matters discussed at those meetings were:

- detailed review of the Annual Report and Accounts and recommendation for approval by the Board;
- establish the audit requirements for the Company;
- review terms of reference for the Committee to present to the Board for consideration;
- detailed review of the Half Year Report and Accounts and recommend for approval by the Board;
- review and approval of the interim review plan of the external Auditor;
- discussion of reports from the external Auditor following its interim reviews;
- review and approval of the annual audit plan of the external Auditor; and
- review of the Company's key risks and internal controls.

The Committee has assessed the effectiveness and independence of the external Auditor at the conclusion of the 31 March 2019 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 Areas in Relation to the Financial Statements

Following discussions with the Investment Manager, Investment Adviser and the external Auditor, the Committee determined that the significant areas connected with the preparation of the financial statements of the Company related to 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. This is further complicated by the portfolio of Italian assets, the Solis portfolio, together with the hedging arrangements in place as the Solis portfolio benefits from different feed-in-tariffs when compared to the UK portfolio as well utilising a different discount rate and having a significantly different performance profile.

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 and how those assumptions vary between the UK and Italian assets. During this process the Audit Committee challenges the assumptions made by the Investment Adviser and Investment Manager and 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; and
- 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 are detailed more fully in the Corporate Governance Statement on pages 45 to 52.

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 efficiency 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 Auditor to meet and discuss any matters with the Audit Committee members without the presence of the Investment Adviser, Investment Manager or Administrator.

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

- the quality of service, the Auditor's 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 Auditor and, when tabled, the final audit findings report;
- meeting with the Auditor regularly to discuss the various papers and reports in detail;
- furthermore, interviews of appropriate staff at 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 objectively to assess the Auditor's 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.

Auditor's Tenure and Objectivity

The Company's current Auditor, PwC CI, has acted in this capacity since the Company's inaugural meeting on 22 January 2014. As detailed above, the Committee has reviewed the Auditor's performance at 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 Auditor is required to rotate the audit partner every five years, and the current partner has been in place for three year end audits.

PwC CI has regularly updated the Audit Committee on the rotation of audit partners, staff, level of fees, details of any relationships between the Auditor, the Company and its investment portfolio, and also provided overall confirmation of its independence and objectivity. There are no contractual obligations that restrict the Company's choice of Auditor.

During the year ended 31 March 2019, PwC CI reviewed the Interim Report of the Company. PwC Luxembourg provided analysis for the Company's KID and PwC UK audited the Company's UK subsidiary entities.

The Audit Committee is satisfied that PwC CI is independent of the Company, the Investment Manager and other service providers.

As the Company has passed its fifth anniversary and in order to assess the competitiveness of the Auditor, the Audit Committee intends to conduct a tender for the position of Independent Auditor to the Company. Once the Audit Committee has selected their choice for Auditor, they will recommend it to the Board.

Conclusions in Respect of the Financial Statements

The production and the audit of the Company's Annual Report and Audited Financial Statements are 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 April 2016, the Board has requested that the Audit Committee advise on whether it considers that the Annual Report and Audited Financial Statements fulfil 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; and

- the existence and content of a satisfactory control report produced by Ipes (Guernsey) Limited (prior to changing its name to Apex Fund and Corporate Services (Guernsey) Limited) 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 2019, 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. The Board's conclusions in this respect are set out in the Statement of Directors' Responsibilities on page 58.

Patrick Firth
Audit Committee Chairman
17 June 2019

Independent Auditor’s Report to the Members of NextEnergy Solar Fund Limited

Report on the audit of the financial statements

Our opinion

In our opinion, the financial statements give a true and fair view of the financial position of NextEnergy Solar Fund Limited (the “Company”) as at 31 March 2019, 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.

What we have audited

The Company’s financial statements comprise:

- the statement of financial position as at 31 March 2019;
- the statement of comprehensive income for the year then ended;
- the statement of changes in equity for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (“ISAs”). Our responsibilities under those standards are further described in the *Auditor’s responsibilities for the audit of the financial statements* section of our report.

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

Independence

We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements of the Company, as required by the Crown Dependencies’ Audit Rules and Guidance. We have fulfilled our other ethical responsibilities in accordance with these requirements.

Our audit approach

Context

Our audit was planned and executed having regard to the fact that the operations of the Company were largely unchanged from the prior year. In light of this, our overall audit approach in terms of scoping and key audit matters was largely unchanged with continued scrutiny over the valuation of investments.

Overview

Materiality

- Overall materiality was £16.1 million (2018: £15.1 million) which represents 2.5% of Net Assets (2018: 2.5% of Net Assets).

Audit scope

- The principal activity of the Company comprises investing in a diversified portfolio of solar photovoltaic assets located in the UK and Italy through a structure of intermediate holding companies and special purpose vehicles.

- The financial statements consist of the standalone parent company financial information and include the investments into subsidiaries, which are held at fair value. The financial statements are not consolidated.

- We conducted our audit of the financial statements from information provided by Apex Fund and Corporate Services (Guernsey) Limited (formerly known as Ipes (Guernsey) Limited) (the "Administrator") to whom the Board of Directors has delegated the provision of certain functions. The Company engages NextEnergy Capital IM Limited (the "Investment Manager") who in turn engage NextEnergy Capital Limited (the "Investment Adviser") to manage the investment portfolio. We had significant interaction with both the Administrator and Investment Adviser in completing aspects of our audit work.

- We conducted our audit work in Guernsey and we tailored the scope of our audit taking into account the type of investments held by the Company, the accounting processes and controls and the industry the Company is exposed to through its investments. Furthermore, we also held meetings with the Investment Adviser in London during the planning and completion stages of our audit.

Key audit matters

- Valuation of investments

Audit scope

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we considered where the directors made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters, consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the financial statements as a whole, taking into account the structure of the Company, the accounting processes and controls, and the industry in which the Company operates.

Materiality

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance whether the financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall Company materiality for the financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Overall Company materiality	£16.1 million (2018: £15.1 million)
How we determined it	2.5% of Net Assets (2018: 2.5% of Net Assets)
Rationale for the materiality benchmark	We believe that Net Assets is the most appropriate benchmark because this is the key metric of interest to investors. It is also a generally accepted measure used for companies in this industry.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above £0.8 million (2018: £0.8 million), as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the Key audit matter
Valuation of Investments The Company's investments amount to £722.8 million at 31 March 2019 (31 March 2018: £526.2 million) and comprise the Company's holdings in direct subsidiaries, which in turn hold equity interests in special purpose vehicles which in turn own solar photovoltaic assets (the "underlying investment portfolio") for which there is no liquid market. The fair value of investments has been determined based on the fair value of (1) the underlying investment portfolio and (2) the other residual net assets within the subsidiaries as at 31 March 2019. The fair value of the underlying investment portfolio has been valued on a discounted cash flow basis, which necessitates significant estimates in respect of the forecasted cash flows and discount rates applied. The estimates in respect of forecasted cash flows include assumptions around future energy generation yields, discount rates, power prices, inflation, tax rates and operating costs. The Audit Committee has set out their consideration of this risk on page 64 as well as the forecasted cash flows being recognised as a critical accounting estimate in note 4 of the financial statements. Determining the valuation methodology and determining the inputs to the valuation are subjective and complex. This, combined with the significance of the unlisted investments balance in the statement of financial position, meant that this was a key audit matter for our current year audit.	We planned our audit to critically assess management's assumptions and the investment valuation model in which they are applied. Our audit procedures included: • We updated and reconfirmed our understanding and evaluation of the Company's processes and internal controls in so far as they apply to investment valuations, the valuation model used and the areas where significant judgements and estimates are made; • We assessed the accounting policy applicable to the valuation of investments for compliance with International Financial Reporting Standards. • We performed tests to assess the operational effectiveness of the controls operated by management during the valuation process to determine the fair value of the underlying investment portfolio; • We agreed the cash transfers made between the Company and its directly held subsidiaries to relevant supporting agreements and legal documentation where applicable; • We used our own PricewaterhouseCoopers internal valuation specialists to provide audit support in reviewing and concluding on the fair valuation of the underlying investment portfolio. The PricewaterhouseCoopers valuation experts (a) reviewed the appropriateness of the valuation methodology and approach and (b) reviewed and commented on the computation of the discounted cash flow valuation model, including benchmarking the discount rates and other key assumptions against comparable market participants and other macroeconomic data;

Key audit matter (continued)	How our audit addressed the Key audit matter (continued)
	• We obtained satisfactory explanations when challenging assumptions made by management in the applicable valuation model; • On a sample basis, we tested the mathematical accuracy of the valuation model to ensure incorporation of the assumptions into the valuation model was performed correctly and the selected discount rates were correctly applied in line with the stated accounting policy; • On a sample basis, we verified the inputs into the model by agreement to third party sources where applicable; • We corroborated the cash flow projections where possible, focusing on changes since the previous reporting date or the date of acquisition for current period assets acquired, substantiating any contracted revenues and costs and comparison against actual historical results for the underlying assets; • We agreed a sample of material balances within the residual net assets amounts at subsidiary levels to respective supporting documentation such as bank statements. We also obtained explanations and challenged management's rationale for any significant adjustments made to residual net assets. We have concluded that the valuation of investments is within a reasonable range. Additionally, the valuation is supported by the available evidence and the significant assumptions and valuation methodologies used have been assessed by us as being appropriate and reasonable. No matters or material differences were identified in our testing which required reporting to those charged with governance.

Other information

The directors are responsible for the other information. The other information comprises all the information included in the Annual Report and Audited Financial Statements but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors 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, the requirements of Guernsey law and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

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

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

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

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern. For example, the terms on which the United Kingdom may withdraw from the European Union are not clear, and it is difficult to evaluate all of the potential implications on the Company and the wider economy.

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

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

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory requirements

Under The Companies (Guernsey) Law, 2008 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit;
- proper accounting records have not been kept; or
- the financial statements are not in agreement with the accounting records.

We have no exceptions to report arising from this responsibility.

We have nothing to report in respect of the following matters which we have reviewed:

- the directors' statement set out on page 60 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; and
- 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.

This report, including the opinion, has been prepared for and only for the 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.

John Luff

For and on behalf of PricewaterhouseCoopers CI LLP

Chartered Accountants and Recognised Auditor

Guernsey, Channel Islands

17 June 2019

Financial Statements

Statement of Comprehensive Income

For the year ended 31 March 2019

	Notes	Year ended 31 March 2019 £'000	Year ended 31 March 2018 £'000
Income			
Income	5	55,613	41,083
Net changes in fair value of investments	6	24,538	(2,880)
Total net income		80,151	38,203
Expenditure			
Management fees	17	5,402	5,070
Preference share dividends		1,822	–
Legal and professional fees		732	482
Administration fees		277	268
Directors' fees	20	173	146
Audit fees	16	156	177
Regulatory and listing fees		33	144
Sundry expenses		27	12
Insurance		15	29
Total expenses		8,637	6,328
Operating profit		71,514	31,875
Finance income		65	285
Profit and comprehensive income for the year		71,579	32,160

Earnings per ordinary share – basic	11	12.37p	5.88p
Earnings per ordinary share – diluted	11	11.93p	5.88p

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 2019

	Notes	As at 31 March 2019 £'000	As at 31 March 2018 £'000
Non-current assets			
Investments	6, 14	722,763	526,221
Total non-current assets		722,763	526,221
Current assets			
Cash and cash equivalents		19,285	75,893
Trade and other receivables	7	41,409	28,397
Total current assets		60,694	104,290
Total assets		783,457	630,511
Current liabilities			
Trade and other payables	8	39,384	25,521
Total current liabilities		39,384	25,521
Non-current liabilities			
Preference shares		99,022	–
Total non-current liabilities		(99,022)	–
Net assets		645,051	604,990
Equity			
Share capital and premium	10	600,029	593,388
Retained earnings		45,022	11,602
Total equity attributable to ordinary shareholders		645,051	604,990
Net assets per ordinary share	13	110.9p	105.1p

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 17 June 2019 and signed on its behalf by:

Director Director

NEXTENERGY SOLAR FUND

Statement of Changes in Equity

For the year ended 31 March 2019

	Share capital and premium £'000	Retained earnings £'000	Total equity £'000
For the year ended 31 March 2019			
Shareholders' equity at 1 April 2018	593,388	11,602	604,990
Profit and comprehensive income for the year	–	71,579	71,579
Ordinary shares issued	6,641	–	6,641
Ordinary dividends paid	–	(38,159)	(38,159)
Shareholders' equity at 31 March 2019	600,029	45,022	645,051
For the year ended 31 March 2018			
Shareholders' equity at 1 April 2017	464,341	14,242	478,583
Profit and comprehensive income for the year	–	32,160	32,160
Ordinary shares issued	129,047	–	129,047
Ordinary dividends paid	–	(34,800)	(34,800)
Shareholders' equity at 31 March 2018	593,388	11,602	604,990

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

Statement of Cash Flows

For the year ended 31 March 2019

	Notes	Year ended 31 March 2019 £'000	Year ended 31 March 2018 £'000
Cash flows from operating activities			
Profit and comprehensive income for the year		71,579	32,160
Adjustments for:			
Proceeds from HoldCos		4,654	104,248
Payments to HoldCos		(176,658)	(217,486)
Change in fair value of investments	6	(24,538)	2,880
Finance income		(65)	(285)
Amortisation		22	–
Operating cash flows before movements in working capital		**(125,006)**	**(78,483)**
Changes in working capital			
Movement in trade and other receivables		(13,012)	(17,231)
Movement in trade and other payables		13,863	17,244
Net cash used in operating activities		**(124,155)**	**(78,470)**
Cash flows from investing activities			
Finance income		65	285
Net cash generated from investing activities		**65**	**285**
Cash flows from financing activities	22		
Proceeds from issue of shares	10	–	124,372
Proceeds from preference shares	10	99,000	–
Dividends paid on ordinary shares	12	(31,518)	(30,125)
Net cash generated from financing activities		**67,482**	**94,247**
Net movement in cash and cash equivalents during the year		(56,608)	16,062
Cash and cash equivalents at the beginning of the year		75,893	59,831
Cash and cash equivalents at the end of the year		**19,285**	**75,893**

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

Notes to the Financial Statements

For the year ended 31 March 2018

1. General Information

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 £85.6m. The Company's ordinary shares were admitted to the premium segment of the UK Listing Authority's Official List under the ticker NESF 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, increasing total equity to £600.0m as at 31 March 2019 (2018: £593.4m). On 12 November 2018 the Company issued preference shares, raising £100m before transaction costs. Details can be found in note 10.

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 PV assets that are located in the UK and other OECD countries. 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 HoldCos and SPVs which are directly or indirectly wholly owned by the Company. The Company controls the investment policy of each of the HoldCos and its wholly-owned SPVs 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 acts 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 dated 18 March 2014. 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.

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 IFRS.

The financial statements have been prepared on the historical cost basis, except for the revaluation of certain investments and financial instruments. 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:

- maturity of debt facilities;
- timing of future investment transactions;
- expenditure commitments; and
- forecast income and cashflow.

The Company has cash and short-term deposits as well as projected positive income streams and an available credit facility through its subsidiaries (see note 21) 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 next 12 months. Accordingly they have adopted the going concern basis of preparation in preparing the financial statements.

c) Basis of non-consolidation

The Company has acquired SPVs through its investment in the HoldCos. 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 profit or loss rather than consolidate them. There are five Holding Companies, NextEnergy Solar Holdings Limited, NextEnergy Solar Holdings II Limited, NextEnergy Solar Holdings III Limited, NextEnergy Solar Holdings IV Limited and NextEnergy Solar Holdings V Limited, collectively the "HoldCos". The HoldCos are also investment entities and, as required under IFRS 10, hold their investments at fair value.

2. Significant Accounting Policies (continued)

c) Basis of non-consolidation (continued)

As at 31 March 2019, the Company controlled all of its investments in solar PV assets through its ownership in the HoldCos and SPVs as listed in note 9.

Total invested capital made by the Company during the year ended 31 March 2019 was £176.7m (2018: £217.4m) as disclosed in note 6. As at 31 March 2019, there were no outstanding capital commitment obligations by the Company (2018: £Nil).

The Company also assists the HoldCos in obtaining revolving credit and debt facilities. Details of these facilities are disclosed in note 21.

During the year, certain HoldCos issued debt securities to the Company totalling to £175m (2018: £Nil), as disclosed in note 6.

The HoldCos pay cash interest or accrue interest on the debt securities held by the Company and will repay debt based on the terms of the respective agreements. Cash dividends may be paid based on the SPVs' operating results and are at the discretion of the Board of Directors of the respective SPVs which are then paid up to the Company through the relevant HoldCos.

Characteristics of an investment entity

Under the definition of an investment entity, 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;

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 due to the capital requirements;

II. the Company's purpose is to invest funds for both investment income and capital appreciation. The HoldCos and SPVs have indefinite lives. However, the underlying assets do not have an unlimited life and, therefore, will have minimal residual value and, accordingly, 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.

2. Significant Accounting Policies (continued)

Characteristics of an investment entity (continued)

The Directors are of the opinion that the Company meets all the typical characteristics of an investment entity and therefore meets 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 solar PV assets is not subject to any further tax in Guernsey, although these investments are subject to tax in their country of incorporation.

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 to generate investment returns in accordance with the investment objective. 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.

g) Income

Income includes investment income from financial assets at fair value through profit or loss, management fee income and interest income from Eurobonds.

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

Management fee income and interest income from Eurobonds is recognised in the Statement of Comprehensive Income within investment income on an accruals basis.

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 re-measured at amortised cost using the effective interest method where necessary.

2. Significant Accounting Policies (continued)

k) Financial instruments

Classification

The Company classifies its investments based on both the Company's business model for managing those financial assets and the contractual cash flow characteristics of the financial assets. The portfolio of financial assets is managed and performance is evaluated on a fair value basis. The Company is primarily focused on fair value information and uses that information to assess the assets' performance and to make decisions. The Company has not taken the option to irrevocably designate any equity securities as fair value through other comprehensive income. The contractual cash flows of the Company's debt securities are solely principal and interest, however, these securities are neither held for the purpose of collecting contractual cash flows nor held both for collecting contractual cash flows and for sale. The collection of contractual cash flows is only incidental to achieving the Company's business model's objective. Consequently, all investments are measured at fair value through profit or loss.

Recognition, derecognition and measurement

Regular purchases and sales of investments are recognised on the trade date – the date on which the Company commits to purchase or sell the investment. Financial assets at fair value through profit or loss are initially recognised at fair value. Transaction costs are expensed as incurred in the statement of comprehensive income.

Financial assets are derecognised when the rights to receive cash flows from the investments have expired or the Company has transferred substantially all risks and rewards of ownership.

Subsequent to initial recognition, all financial assets at fair value through profit or loss are measured at fair value. Gains and losses arising from changes in the fair value of the 'Investments' are presented in the statement of comprehensive income within 'net changes in fair value of investments' in the period in which they arise.

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

Fair value estimation

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The fair value of financial assets that are not traded on an active market is determined using valuation techniques. The Company's investments have been valued on a look through basis based on the discounted cash flows of the solar PV assets and the residual value of net assets at the HoldCo level. These 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.

l) Share capital and share premium

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

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2. Significant Accounting Policies (continued)

m) Preference Shares

In accordance with IAS32, preference shares are classified as liabilities and are held at amortised cost. Dividends paid on the preference shares are recognised in the Statement of Comprehensive Income.

n) Trade and other receivables

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost. At each reporting date, the Company shall measure the loss allowance on trade and other receivables at an amount equal to the lifetime expected credit losses if the credit risk has increased significantly since initial recognition. If, at the reporting date, the credit risk has not increased significantly since initial recognition, the Company shall measure the loss allowance at an amount equal to 12-month expected credit losses. Significant financial difficulties of the counterparty, probability that the counterparty will enter bankruptcy or financial reorganisation, and default in payments are all considered indicators that a loss allowance may be required.

o) 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. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the company or the counterparty.

3. New and Revised Standards

a) Standards, amendments and interpretations that are in issue but not yet effective:

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

IAS 19 (amendments)	Plan Amendment, Curtailment or Settlement
IAS 28 (amendments)	Long-term Interest in Associates and Joint Ventures
IFRS 9 (amendments)	Prepayment Features with Negative Compensation
IFRS 16	Leases
IFRS 17	Insurance Contracts

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.

b) New standards adopted as at 1 April 2018:

IFRS 9 'Financial Instruments' replaces IAS 39 'Financial Instruments: Recognition and Measurement'. It makes major changes to the previous guidance on the classification and measurement of financial assets and introduces an 'expected credit loss' model for the impairment of financial assets. Under IFRS 9, the classification of assets is driven by the business model in which the financial asset is managed and the contractual nature of the cash flows arising from the investment. The Company invests in financial assets with a view to profiting from their total return in the form of interest and changes in fair value, and so these investments are classified as fair value through profit or loss. Eurobonds issued by its subsidiaries and held by the Company form part of the investments in the subsidiaries and so are included in the investment at fair value through profit or loss.

3. New and Revised Standards (continued)

b) New standards adopted as at 1 April 2018: (continued)

IFRS 15 'Revenue from Contracts with Customers' replaces IAS 18 'Revenue' and several revenue-related interpretations. There are no changes to the recognition of income by the Company as a result of the new Standard.

The adoption of new standards has not had a material impact on the audited financial statements, and there are no restatements of comparative information required.

4. Critical Accounting Estimates and Judgements

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) Critical accounting estimate: 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 and residual net assets of the HoldCos. These valuations are reviewed and approved by the Board. The underlying investments are held through SPVs.

IFRS 13 establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The Board bases the fair value of the investments on the information received from the Investment Manager.

The Company classified its investments at fair value through profit or loss as Level 3 within the fair value hierarchy. Level 3 investments amount to £722.8m (2018: £526.2m) and consist of 87 investments in solar PV assets (held indirectly through the HoldCos) (2018: 63 (held indirectly through the HoldCos)), all of which have been valued on a look through basis based on the discounted cash flows of the solar PV assets (except for those not yet operational) and the residual value of net assets at the HoldCo level. The unlevered discount rate applied in the 31 March 2019 valuation was 6.50% (2018: 6.75%). 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 assets 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. 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.

Information about the unobservable inputs used at 31 March 2019 in measuring financial instruments categorised as Level 3 in the fair value hierarchy and their sensitivities are disclosed in note 14. Unlisted investments reconcile to the closing investment portfolio value as per the investment table in note 6.

b) Significant judgement: consolidation of entities

The Company, under the investment entity exemption rule, holds its investments at fair value.

The Company meets the definition of an investment entity per IFRS 10 as detailed in note 2c).

The Company does not have any other subsidiaries other than those determined to be controlled subsidiary investments. Controlled subsidiary investments are measured at fair value through profit or loss and are not consolidated in accordance with IFRS 10. The fair value of controlled subsidiary investments is determined as described in note 4 a).

4. Critical Accounting Estimates and Judgements (continued)

c) Significant judgement: subsidiaries

The Company and the HoldCos operate as an integrated structure whereby the Company invests solely into the HoldCos. Per IFRS 10, there is a requirement for the Board of Directors to assess whether the HoldCos are themselves Investment Entities. The Board of Directors have performed this assessment and has concluded that each of the HoldCos are Investment Entities for the reasons below:

(a) The HoldCos have obtained funds for the purpose of investing in equity or other similar interests in multiple investments and providing the Company (and its investors) with returns from capital appreciation and investment income.

(b) The performance of investments made through the HoldCos are measured and evaluated on a fair value basis.

Furthermore, the HoldCos themselves not deemed to be operating entities providing services to the Company, and therefore is able to apply the exception to consolidation.

5. Income

	Year ended 31 March 2019 £'000	Year ended 31 March 2018 £'000
Interest income	614	–
Investment income	46,957	35,242
Management fee income	8,042	5,841
Total Income	**55,613**	**41,083**

6. Investments

The Company owns the investment portfolio through its investments in the HoldCos. This is comprised of the investment portfolio and the residual net assets of the HoldCos. The total investments at fair value are recorded under non-current assets in the Statement of Financial Position.

	As at 31 March 2019 £'000	As at 31 March 2018 £'000
Brought forward cost of investments	517,474	404,236
Investment proceeds from HoldCos	(4,654)	(104,248)
Investment payments to HoldCos	176,658	217,486
Acquisition of Eurobonds	175,000	–
Re-allocation of investment cost	(175,000)	–
Carried forward cost of investments	689,478	517,474
Brought forward unrealised gains on valuation	8,747	11,627
Movement in unrealised gains on valuation	24,538	(2,880)
Carried forward unrealised gains on valuation	33,285	8,747
Total investments at fair value	**722,763**	**526,221**

6. Investments (continued)

On 28 February 2019, NESH III and NESH V issued Eurobond instruments listed on TISE totalling £175m, which were purchased by the Company as a non-cash transaction by re-allocating cost of investment. The Eurobonds are included in the residual net assets of the HoldCos.

The total change in the value of the investments in the HoldCos is recorded through profit and loss in the Statement of Comprehensive Income.

7. Trade and Other Receivables

	As at 31 March 2019 £'000	As at 31 March 2018 £'000
Management fee income receivable	249	608
Prepayments	461	458
Due from HoldCos	40,699	27,331
Total trade and other receivables	41,409	28,397

Amounts due from HoldCos are interest free and payable within 12 months.

8. Trade and Other Payables

	As at 31 March 2019 £'000	As at 31 March 2018 £'000
Other payables	264	290
Preference dividends payable	1,171	–
Due to HoldCos	37,949	25,231
Total trade and other payables	39,384	25,521

Amounts due to HoldCos are interest free and payable on demand.

9. Subsidiaries

The Company holds investments through subsidiary companies ("HoldCos") which have not been consolidated as a result of the adoption of IFRS 10: Investment entities exemption to consolidation. The HoldCos, as per note 2c), are incorporated in the UK and 100% directly owned. Below is the legal entity name for the SPVs, all owned 100% in 2018 and 2019 indirectly through the HoldCos (unless otherwise stated).

Name	Country of incorporation
Push Energy (Boxted Airfield) Ltd	UK
Next Power Gover Farm Ltd	UK
NextPower Higher Hatherleigh Ltd	UK
NextPower Shacks Barn Ltd	UK
BL Solar 2 Ltd	UK
North Farm Solar Park Ltd	UK
Glorious Energy Ltd	UK
Sunglow Power Ltd	UK
Push Energy (Croydon) Ltd	UK
Wellingborough Solar Ltd	UK
Nextpower Ellough LLP	UK
Push Energy (Birch) Ltd	UK
Bowerhouse Solar Ltd	UK
Push Energy (Langenhoe) Ltd	UK
ST Solarinvest Devon 1 Ltd	UK
Greenfields (A) Ltd	UK
Push Energy (Decoy) Ltd	UK
Push Energy (Hall Farm) Ltd	UK
Glebe Farm Ltd	UK
Ellough Solar 2 Ltd	UK
SSB Condover Ltd	UK
NESF - Ellough Ltd	UK
Trowbridge PV Ltd	UK
ESF Llwyndu Ltd	UK
Warmingham Solar Ltd	UK
Moss Farm Solar Ltd	UK

Name	Country of incorporation
EMGEN Solar 1288 Ltd	UK
Lumicity 1 Ltd	UK
BESS Pierces Ltd	UK
Thornborough Solar Ltd*	UK
Temple Normanton Solar Ltd*	UK
UK Solar (Fiskerton) LLP*	UK
Helios Solar 2 Ltd*	UK
Little Irchester Solar Ltd*	UK
Balhearty Solar Ltd*	UK
Brafield Solar Ltd*	UK
Sywell Solar Ltd*	UK
Helios Solar 1 Ltd*	UK
Pierces Solar Ltd*	UK
Micro Renewables (Domestic) Ltd*	UK
RRAM Energy Ltd	UK
RRAM (Portfolio 1) Ltd	UK
Knockworthy Solar Park Ltd*	UK
RRAM (Portfolio 2) Ltd	UK
Burcroft Solar Parks Ltd	UK
Burrowton Farm Solar Park Ltd*	UK
Saundercroft Farm Solar Park Ltd*	UK
Renewable Energy Holdco Ltd*	UK
Chilton Cantello Solar Park Ltd*	UK
Crossways Solar Park Ltd*	UK
Wyld Meadow Farm Solar Park Ltd*	UK
Raglington Farm Solar Park Ltd*	UK

9. Subsidiaries (continued)

Name	Country of incorporation
Nextpower Water Projects Ltd	UK
Nextpower Bosworth Ltd	UK
NextZest Ltd	UK
Nextpower SPV 2 Ltd	UK
Nextpower SPV 3 Ltd	UK
Glebe Solar Ltd	UK
Thurlestone-Leicester Solar Ltd	UK
Empyreal Energy Ltd	UK
Birch Solar Farm CIC	UK
Fiskerton Limited	UK
LE Solar 51 Ltd	UK
Lark Energy Bilsthorpe Ltd	UK
Wickfield Solar Ltd	UK
SL Solar Services Ltd*	UK
Tau Solar Ltd	UK
NESH 3 Portfolio A Ltd	UK
Push Energy (Mill Farm) Ltd	UK
Rampisham Estate Solar Park Ltd	UK
WHEB European Solar (UK) 2 Ltd	UK
WHEB European Solar (UK) 3 Ltd	UK
PF Solar Ltd	UK
Micro renewables Ltd*	UK
Francis Lane Solar Ltd*	UK
Gourton Hall Solar Ltd*	UK
TGC Solar Radbrook Ltd*	UK
Moss Lane Farm Solar Ltd*	UK
Little Staughton Airfield Solar Ltd*	UK
Push Energy (Kentishes) Ltd	UK

Name	Country of incorporation
Whitley Solar Park (Ashcott Farm) Ltd*	UK
Hook Valley Farm Solar Park Ltd*	UK
Blenches Mill Farm Solar Park Ltd*	UK
NextEnergy Solar Holding VI Ltd	UK
Fenland Renewables Ltd	UK
Tower Hill Farm Renewables Ltd	UK
Green End Renewables Ltd	UK
Bowden Lane Solar Park Ltd	UK
Garden Tiger Ltd	UK
INRG (Solar Parks) 20 Ltd	UK
KS SPV 39 Ltd	UK
INRG (Solar Parks) 17 Ltd	UK
INRG (Solar Parks) 21 Ltd	UK
Waltham Solar Ltd	UK
Barred Straw Ltd	UK
Stalbridge Solar Park Ltd	UK
Aller Court Solar Park Ltd	UK
Nextpwer Radius Ltd	UK
Berwick Solar Park Ltd	UK
Bottom Plain Solar Park Ltd	UK
Branston Solar Park Ltd	UK
Emberton Solar Park Ltd	UK
Great Wilbraham Solar Park Ltd	UK
Macchia Rotonda Solar S.r.l.	Italy
SunEdison Med. 6 S.r.l.	Italy
Starquattro S.r.l	Italy
Fotostar 6 S.r.l.	Italy
Agrosei S.r.l.	Italy

*as at 31 March 2018 the percentage ownership of these SPVs was 0%

10. Share Capital and Retained Earnings

Ordinary shares

Share Issuance	Number of shares	Gross amount raised £'000	Issue costs £'000	Share premium £'000
Total issued at 31 March 2018	575,643,840	600,853	(7,465)	593,388
Scrip Dividend – 29 June 2018	2,276,348	2,479	–	2,479
Scrip Dividend – 28 September 2018	2,312,277	2,503	–	2,503
Scrip Dividend – 28 December 2018	1,183,594	1,296	–	1,296
Scrip Dividend – 29 March 2019	314,482	363	–	363
Total issued at 31 March 2019	581,730,541	607,494	(7,465)	600,029

The Company currently has one class of ordinary share in issue. All the holders of the ordinary shares, which total 581,730,541, are entitled to receive dividends as declared from time to time and to one vote per share at general meetings of the Company.

Preference shares

On 12 November 2018 the Company issued 100,000,000 preference shares at a price of 100.0p per preference share. The preference shares pay a preferred dividend of 4.75% fixed until March 2036, after which they have the right to convert into new ordinary shares or a new class of unlisted B shares with dividend and capital rights pari passu to ordinary shareholders, based on the NAV at the time of conversion. The preference shares do not hold any voting rights, except in limited circumstances.

The preference shares are redeemable at the option of the Company at any time after 1 April 2030, in full or in part. The redemption price will be the subscription price plus any unpaid dividends. In addition, the preference shares may be redeemed in full at the election of the holders in the event of a delisting or change of control of the Company.

Retained earnings

Retained earnings are detailed in the Statement of Changes in Equity.

11. Earnings Per Share

	Year ended 31 March 2019	Year ended 31 March 2018
Profit and comprehensive income for the year (£'000)	71,579	32,160
Plus: preference share dividends	1,822	–
Profit for the year attributable to ordinary shareholders	73,401	32,160
Basic weighted average number of ordinary shares	578,844,510	547,300,544
Potential dilutive effect of preference shares	36,234,245	–
Weighted average number of shares outstanding used to calculate diluted earnings per share	615,078,755	547,300,544
Earnings per ordinary share – basic	12.37p	5.88p
Earnings per ordinary share – diluted	11.93p	5.88p

The diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding for the ordinary shares that are potentially issuable on conversion of the preference shares.

12. Dividends

	Year ended 31 March 2019 £'000	Year ended 31 March 2018 £'000
Amounts recognised as distributions to ordinary shareholders:		
Interim dividend for the period ended 31 March 2017 of 1.5775p per ordinary share, paid on 30 June 2017	–	7,199
Interim dividend for the period ended 30 June 2017 of 1.605p per ordinary share, paid on 29 September 2017	–	9,171
Interim dividend for the period ended 30 September 2017 of 1.605p per ordinary share, paid on 28 December 2017	–	9,198
Interim dividend for the period ended 31 December 2017 of 1.605p per ordinary share, paid on 28 March 2018	–	9,232
Interim dividend for the period ended 31 March 2018 of 1.605p per ordinary share, paid on 26 June 2018	9,239	–
Interim dividend for the period ended 30 June 2018 of 1.6625p per ordinary share, paid on 28 September 2018	9,608	–
Interim dividend for the period ended 30 September 2018 of 1.6625p per ordinary share, paid on 28 December 2018	9,646	–
Interim dividend for the period ended 31 December 2018 of 1.6625p per ordinary share, paid on 28 March 2019	9,666	–
Total	38,159	34,800

13. Net Assets Per Ordinary Share

	As at 31 March 2019	As at 31 March 2018
Ordinary shareholders' equity (£'000)	645,052	604,990
Number of ordinary shares (excluding treasury shares)	581,730,541	575,643,840
Net assets per ordinary share – pence	110.9p	105.1p

14. Financial Risk Management

Capital management

The Company manages its capital to ensure that it will be able to continue as a going concern while maximising the return to shareholders. In accordance with the Company's investment policy, the Company's principal use of cash (including the proceeds of the IPO, other ordinary share issuance and issue of preference shares) has been to fund investments and repay debt, 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 of equity comprising ordinary share capital and retained earnings.

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

14. Financial Risk Management (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, currency risk and interest rate risk), credit risk and liquidity risk.

Price 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 solely in a GBP environment and therefore is not exposed to currency risk as all assets and liabilities are in pounds sterling, the Company's functional and presentational currency. Cash flows from Italy to NESH V Limited are hedged and so the cash flows to the Company from that HoldCo are exposed to limited currency risk.

Interest rate risk

The Company is indirectly exposed to interest rate risk from the credit facilities of the HoldCos. Of the £270.4m credit facilities outstanding, £132.2m had fixed interested rates and the remaining £138.2m had floating interest rates. For the floating amount, interest rate swaps were implemented over the term of the loans to mitigate interest rate risks for £129.2m. The counterparties to these swaps are all investment grade financial institutions. The remaining £9.0m had floating rates which are not hedged and are not considered to be significant.

The interest rate risk due to the Company's cash and investment in Eurobonds is considered minimal.

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 maximum exposure to credit risk is the carrying amounts of the respective financial assets set out below:

	31 March 2019 £'000	31 March 2018 £'000
Cash and cash equivalents	19,285	75,893
Trade and other receivables	41,409	28,397
Debt investments	175,000	-
Total	**235,694**	**104,290**

Debt investments relates to the Eurobond executed in accordance with the investment objectives of the Company and which has been fair valued as part of the "Investments" as disclosed in note 6.

No collateral is received from NESH III and NESH V. The credit quality of these investments is based on the financial performance of NESH III and NESH V as well as the underlying investments they own. The risk of default is deemed low and the principal repayments and interest payments are expected to be made in accordance with the agreed terms and conditions.

14. Financial Risk Management (continued)

The Company does not have any significant credit risk exposure to any single counterparty in relation to trade and other receivables. Ongoing credit evaluation is performed on the financial condition of accounts receivable. As at 31 March 2019 the probability of default is considered to be close to zero and so no allowance has been recognised based on 12 month expected credit loss as any impairment would be insignificant to the Company. All receivables are from other entities in the NextEnergy Group, and so management has sufficient oversight of the receivables to assess the probability of default.

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 various 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 2019	Credit rating Standard & Poor's	Total as at Cash £'000	31 March 2019 £'000
Barclays Bank PLC	Long – A Short – A-1	19,283	19,283
Lloyds Bank PLC	Long – BBB+ Short – A-2	2	2
Deutsche Bank AG	Long – BBB+ Short – A-2	–	–
Total		19,285	19,285

31 March 2018	Credit rating Standard & Poor's	Cash £'000	Total as at 31 March 2018 £'000
Barclays Bank PLC	Long – A Short – A-1	25,887	25,887
Lloyds Bank PLC	Long – BBB+ Short – A-2	25,006	25,006
Deutsche Bank AG	Long – A- Short – A-2	25,000	25,000
Total		75,893	75,893

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 Company is indirectly exposed to liquidity risk from the credit facilities of the HoldCos. The HoldCos have sufficient funds to meet the obligations of the credit facilities, and this is monitored by the Investment Adviser.

14. Financial Risk Management (continued)

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

31 March 2019	Up to 3 months £'000	Between 3 and 12 months £'000	Between 1 and 5 years £'000	Total £'000
Assets				
Cash and cash equivalents	19,285	–	–	19,285
Trade and other receivables	41,409	–	–	41,409
Liabilities				
Trade and other payables	(39,384)	–	–	(39,384)
Total	21,310	–	–	21,310

31 March 2018	Up to 3 months £'000	Between 3 and 12 months £'000	Between 1 and 5 years £'000	Total £'000
Assets				
Cash and cash equivalents	75,893	–	–	75,893
Trade and other receivables	28,397	–	–	28,397
Liabilities				
Trade and other payables	(25,521)	–	–	(25,521)
Total	78,769	–	–	78,769

The Company also has in issue 100,000,000 £1 preference shares, which are treated as a financial liability. There is no mandatory cash outflow, but they can be converted or redeemed as disclosed in note 10.

Valuation methodology

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

Discount rates

The discount rate used for valuing a solar PV asset is based on the industry unlevered discount rate and the risk premium, which takes into account risks and opportunities associated with the investment earnings.

14. Financial Risk Management (continued)

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

	31 March 2019	31 March 2018
Weighted average discount rate	7.00%	7.30%
Discount rates	6.50% to 8.00%	6.75% to 9.00%

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
31 March 2019	(£20.6m)	£616.4m	£22.0m
Fair value – percentage movement	(3.3%)		3.6%
31 March 2018	(£18.2m)	£481.4m	£19.4m
Fair value – percentage movement	(3.8%)		4.0%

Power price

The NEC Group continuously reviews multiple inputs from market contributors and leading consultants and adjust the inputs to the power price forecast when a different approach is deemed more appropriate. Current estimates imply an average rate of growth of electricity prices of approximately (0.3%) in real terms and a long term inflation rate of 3.0%.

A change in the forecast electricity price assumptions by plus or minus 10% has the following effect on the valuation, with all other variables held constant.

Power price	–10% change	Total portfolio value	+10% change
31 March 2019	(£42.5m)	£616.4m	£43.4m
Fair value – percentage movement	(6.9%)		7.0%
31 March 2018	(£32.5m)	£481.4m	£31.5m
Fair value – percentage movement	(6.8%)		6.5%

Energy generation

The portfolio's aggregate energy generation yield depends on the combination of solar irradiation and technical performance of the solar PV assets. The table below shows the sensitivity of the portfolio valuation to a sustained increase or decrease of energy generation by plus or minus 5% on the valuation, with all other variables held constant.

Energy generation	5% under performance	Total portfolio value	5% over performance
31 March 2019	(£43.8m)	£616.4m	£43.4m
Fair value – percentage movement	(7.1%)		6.6%
31 March 2018	(£32.6m)	£481.4m	£32.5m
Fair value – percentage movement	(6.8%)		6.7%

14. Financial Risk Management (continued)

Inflation rates

The portfolio valuation assumes long-term inflation of 3.0% 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, with all other variables held constant.

Inflation rate	–0.5% change	Total portfolio value	+0.5% change
31 March 2019	(£34.6m)	£616.4m	£36.6m
Fair value – percentage movement	(5.6%)		5.9%
31 March 2018	(£20.1m)	£481.4m	£21.2m
Fair value – percentage movement	(4.2%)		4.4%

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, with all other variables held constant.

Operating costs	+10% change	Total portfolio value	–10% change
31 March 2019	(£11.5m)	£616.4m	£11.2m
Fair value – percentage movement	(1.9%)		1.8%
31 March 2018	(£8.7m)	£481.4m	£8.4m
Fair value – percentage movement	(1.8%)		1.7%

Tax rates

The UK corporation tax assumption for the portfolio valuation was 19% until 2020, and 17% thereafter in accordance with the UK Government announced reductions.

The Italian tax rate used is 24% with an additional 2.7% after 2020.

15. 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 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.

Preference shares are measured at nominal value less transaction costs amortised over the expected life of the preference shares.

16. Audit Fees

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

	Year ended 31 March 2019 £'000	Year ended 31 March 2018 £'000
Fees payable to the Auditor for the audit of the Company	148	165
Interim review, additional fee and disbursements for prior year	8	12
Total audit fees	156	177

17. 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 ordinary NAV up to and including £200m, 1% of ordinary NAV;
- for the tranche of ordinary NAV above £200m and up to and including £300m, 0.9% of ordinary NAV; and
- for the tranche of ordinary NAV above £300m, 0.8% of ordinary NAV.

For the year ended 31 March 2019 the Company incurred £5.4m in management fees, and £0.5m in relation to the issue of the Preference Shares, of which £nil was outstanding at 31 March 2019 (2018: £5.1m in management fees of which £nil was outstanding at 31 March 2018).

18. 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 17.

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 asset manager, WiseEnergy (GB) Limited and WiseEnergy Italia Srl, are related parties 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 the asset manager. The total value of recurring and one-off services paid to the asset manager by the subsidiaries during the reporting year amounted to £4.0m (2018: £4.0m).

At the year end, £37.9m (2018: £25.2m) was owed to and from the subsidiaries, in relation to their restructuring. £8.0m of management fees were received from the subsidiaries during the year (2018: £5.8m), none of which was outstanding at the year end (31 March 2018: Nil). During the year dividends of £47.0m (2018: £35.2m) were received from subsidiaries.

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 are stated in the Report of the Directors.

19. 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.

20. Remuneration of the Directors

The remuneration of the Directors was £173k for the year (2018: £146k) which consisted solely of short-term employment benefits.

21. Revolving Credit and Debt Facilities

The Company's HoldCos have revolving credit and debt facilities which are factored into the calculation of the fair value of the underlying investments.

In January 2017, NESH closed a syndicated loan with MIDIS, NAB and CBA for £157.5m ("Project Apollo") to refinance its revolving credit facility. As part of the facility agreement, the lenders provide an additional debt service reserve facility of £7.5m and hold a charge over the assets of NESH Limited. As at 31 March 2019, the outstanding amount was £148.2m.

In July 2015, NESH II agreed a loan with NIBC for £22.7m. In July 2016, £1.0m was repaid and in March 2018, the remaining balance was repaid. At the same time as the repayment the short-term facility was converted into a new £20.0m revolving credit facility. As at 31 March 2019, the outstanding amount was nil.

In March 2016, NESH IV agreed the purchase of Project Radius. The acquisition was part funded by a debt facility entered between NESH IV and Macquarie Bank Limited for £55.0m, which was fully drawn down in April 2016. As part of the debt facility agreement Macquarie Bank Limited holds a charge over the assets of NESH. As at 31 March 2019, the outstanding amount was £51.1m.

In July 2018, NESH V closed a RCF with Santander for £40.0m which was subsequently fully drawdown. In January 2019, the facility was increased to a total commitment of £70.0m with a subsequent £30.0m drawdown. As at 31 March 2019, the outstanding amount was £70.0m.

22. Reconciliation of Financing Activities

	Opening (£'000)	Cash flows (£'000)	Net income allocation (£'000)	Non-cash flows (£'000)	Closing (£'000)
Share capital and premium	593,388	–	–	6,641	600,029
Preference shares	–	99,000	–	22	99,022
Retained earnings	11,602	(31,518)	71,579	(6,641)	45,022
Total	604,990	67,482	71,579	22	744,073

23. Commitments and Guarantees

The Company has no outstanding commitments or guarantees.

24. 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 solar PV assets is not subject to and further tax in Guernsey, although these investments are subject to tax in the UK or Italy.

25. Events After the Reporting Period

On 13 May 2019, the Company announced an interim dividend of 1.6625 pence per ordinary share for the quarter ended 31 March 2019, to be paid on 28 June 2019 to ordinary shareholders on the register as at the close of business on 24 May 2019.

Company Information

Directors:	Kevin Lyon, Chairman Patrick Firth Vic Holmes Sharon Parr Sue Inglis (appointed 1 April 2019)
Registered Office:	1 Royal Plaza Royal Avenue St Peter Port Guernsey GY1 2HL
Investment Manager:	NextEnergy Capital IM Limited 1 Royal Plaza Royal Avenue St Peter Port Guernsey GY1 2HL
Investment Adviser:	NextEnergy Capital Limited 20 Savile Row London UK W1S 3PR
Secretary and Administrator:	Apex Fund and Corporate Services (Guernsey) Limited (changed name from Ipes (Guernsey) Limited on 18 April 2019) 1 Royal Plaza Royal Avenue St Peter Port Guernsey GY1 2HL
Independent Auditor:	PricewaterhouseCoopers CI LLP Royal Bank Place 1 Glategny Esplanade St Peter Port Guernsey GY1 4ND

Registered Number:	57739
Registrar:	Link Market Services (Guernsey) Ltd
Legal Adviser to the Group as to UK law:	Simmons & Simmons LLP
Legal Adviser to the Group as to Guernsey law:	Mourant Ozannes LLP and Carey Olsen (Guernsey) LLP
Legal Adviser to the Group as to Debt Financing:	Stephenson Harwood LLP
Financial Adviser and Broker to the Company:	Cantor Fitzgerald Europe
Brokers to the Company:	Shore Capital and Corporate Ltd Fidante Partners Europe Ltd Macquarie Capital (Europe) Ltd
Media and Public Relations Adviser:	MHP Communications Limited

Alternative Performance Measures ('APMs')

This Annual Report and Accounts contain APMs, which are financial measures not defined in IFRS. These include certain financial KPIs shown in the table on page 2, certain financial highlights on page 1 and cash income on page 28. The definition of each of these APM measures is shown below. In addition to the APMs, the Annual Report shows portfolio information including debt held by the holding companies or SPVs.

We assess our performance using a variety of measures that are not specifically defined under IFRS and are therefore termed APMs. The APMs that we use may not be directly comparable with those used by other companies. These APMs are used to present a clearer picture of how the Company has performed over the year and are all financial measures of historical performance.

The table below defines our APMs.

APM	Definition	Purpose	Calculation and (where relevant) reconciliation to IFRS
Asset Management Alpha	The outperformance relative to budget of the portfolio due to active management, excluding the effect of variation in solar irradiation.	A measure of the operating performance of the portfolio.	The difference between (i) the delta of generation vs. budget and (ii) the delta of irradiation vs. budget.
Cash dividend cover – pre-scrip dividends	The ratio of the cash income over the ordinary dividends paid in the period (and, for this purpose, treating all scrip dividends as if they had been paid as cash dividends).	A measure of the cash available to pay dividends.	The cash income (as defined below) less total expenses from the statement of comprehensive income (£8.6m for the year ended 31 March 2019) divided by the pre-scrip dividends paid from the statement of changes in equity (£38.2m for the year ended 31 March 2019).
Cash income	The cash received from the Company's investment portfolio during the year.	A measure of the cash generated from operations.	The reconciliation of cash income to IFRS for the year ended 31 March 2019 is shown below.
Dividend yield	The annual dividend per ordinary share expressed as a percentage of the share price.	A measure of the return to the ordinary shareholders.	For the year ended 31 March 2019, the annual dividend per ordinary share declared (6.65p) divided by the share price as at the year-end (117.5p).

APM	Definition	Purpose	Calculation and (where relevant) reconciliation to IFRS
Gearing level	Financial debt of the NESF Group plus the fair value of the preference shares expressed as a percentage of GAV.	A measure of the NESF Group's financial debt and the preference shares relative to GAV.	The ratio of financial debt outstanding at the subsidiaries (£269m as at 31 March 2019) plus the preference shares from the statement of financial position (£99m as at 31 March 2019) divided by GAV (being, as at 31 March 2019, the aggregate of each of the foregoing and the net assets from the statement of comprehensive income of £645m).
Invested capital	The amount deployed into solar PV assets through the HoldCos and SPVs.	A measure of capital deployed to generate investment returns for shareholders.	The valuation of the Company's portfolio (£896m as at 31 March 2019).
NAV per ordinary share	The Company's NAV divided by the number of ordinary shares.	A measure of the value of one ordinary share.	The net assets as shown on the statement of financial position (£645m as at 31 March 2019) divided by the number of ordinary shares in issue as at the calculation date (581.7m as at 31 March 2019).
Ongoing charges ratio	Regular operating costs incurred in the reporting period (excluding costs suffered within HoldCos and SPVs, interest costs, preference share dividends and taxation) calculated as a percentage of the average ordinary NAV in that period.	A measure of ongoing and regular costs relative to the Company’s NAV.	The total expenses less the preference share dividends as shown on the statement of comprehensive income (being, for the year ended 31 March 2019, £8.6m and £1.8m respectively) and any non-recurring expenses (£254k for the year ended 31 March 2019) divided by the average ordinary NAV over the relevant period (being £614m for the year ended 31 March 2019).

APM	Definition	Purpose	Calculation and (where relevant) reconciliation to IFRS
Ordinary NAV total return	The increase/(decrease) in the NAV per ordinary share plus the dividends per ordinary share paid in the period.	A measure of the overall financial performance of the Company.	The difference in the NAV per ordinary share at the beginning and end of the period from the statement of financial position (5.8p for the year ended 31 March 2019) plus the dividends per ordinary share paid in the period (6.65p for the year ended 31 March 2019) as a percentage of the opening NAV per ordinary share as shown in the statement of financial position (being 105.1p per ordinary share as at 31 March 2018).
Ordinary shareholder total return	The increase/(decrease) in the ordinary share price plus the dividends per ordinary share paid in the period.	A measure of the performance of the Company's ordinary shares.	The difference in the ordinary share price at the beginning and end of the period plus the dividends per ordinary share paid in the period as a percentage of the share price at the beginning of the period.
Premium/(discount) to NAV	The amount by which the ordinary share price is higher/lower than the NAV per ordinary share, expressed as a percentage of the NAV per ordinary share.	A measure of the performance of the Company's share price relative to the NAV.	The Company's share price as a relative percentage of the NAV per ordinary share.

Reconciliation to financial statements

Cash income reconciliation	£'000
Income per statement of comprehensive income	55,613
Trade and other receivables – management service fee accrual at 1 April 2018	1,708
Trade and other receivables – management service fee accrual at 31 March 2019	(250)
Cash income	57,071

Glossary

AGM	Annual General Meeting
AIC	Association of Investment Companies
AIC Code	AIC Code of Corporate Governance
AIC Guide	AIC Corporate Governance Guide for Guernsey Domiciled Investment Companies
AIF	Alternative Investment Fund
AIFM	Alternative Investment Fund Manager
AIFMD	Alternative Investment Fund Management Directive
APM	Alternative Performance Measure
Asset Management Alpha	The difference between (i) the delta of generation vs. budget and (ii) the delta of irradiation vs. budget
Apollo portfolio	21 plants held within NESH
Base fee	The fee that the Investment Manager is entitled to under the Investment Management Agreement
BEIS	The Department for Business, Energy & Industrial Strategy
Brexit	The UK voting to leave the European Union
Cash dividend cover	The ratio of the Company's Cash Income over dividends paid during the financial year.
CBA	Commonwealth Bank of Australia
Company/NESF	NextEnergy Solar Fund Limited
Consultants	Two of the leading energy market consultants
CfD	Contract for Difference
CRS	Common Reporting Standard for automatic exchange of tax information
CSR	Corporate Social Responsibility
DCF	Discounted Cash Flow

Developer	NextPower Development Limited
DNO	Distribution Network Operators
EPC	Engineering, Procurement and Construction
ESG	Environmental, Social and Governance
EU	European Union
FATCA	Foreign Account Tax Compliance Act
FCA	Financial Conduct Authority
FiT	Feed-in Tariff
GAV	Gross asset value, being the net asset value of the ordinary shares plus the value of the outstanding preference shares plus the amount of debt outstanding at the subsidiaries
GFSC	Guernsey Financial Services Commission
GFSC Code	Guernsey Financial Services Commission Finance Sector Code of Corporate Governance
Group	The Company, HoldCos and SPVs
GWh	Gigawatt hour – a measure of electricity generated per hour
HoldCos	Intermediate holding companies - NESH, NESH II, NESH III, NESH IV, NESH V and NESH VI
IAS	International Accounting Standards
IFRS	International Financial Reporting Standards
Investment Adviser	NextEnergy Capital Limited
Investment Manager	NextEnergy Capital IM Limited
IPEV	International Private Equity and Venture Capital
IPO	Initial Public Offering
IRR	Internal Rate of Return

ISAs	International Standards on Auditing
KPI	Key Performance Indicator
KWh	Kilowatt hour – a measure of electricity generated per hour
LOI	Letter of intent
MIDIS	Macquarie Infrastructure Debt Investment Solutions
MWh	Megawatt hour – a measure of electricity generated per hour
NAB	National Australia Bank
NAV	Net asset value
NAV per share	Net asset value per ordinary share
NAV total return	The actual rate of return from dividends paid and capital gains on NAV per share over a given period of time
NESH	NextEnergy Solar Holding Limited
NESH II	NextEnergy Solar Holding II Limited
NESH III	NextEnergy Solar Holding III Limited
NESH IV	NextEnergy Solar Holding IV Limited
NESH V	NextEnergy Solar Holding V Limited
NESH VI	NextEnergy Solar Holding VI Limited
NPPR	National private placement regime
OCR	Ongoing charges ratio per the AIC website (www.theaic.co.uk)
OECD	Organisation for Economic Co-operation and Development
Official List	The premium segment of the UK Listing Authority's Official List
Ordinary shareholder total return	The actual rate of return from dividends paid and capital gains on share price movements over a given period of time
Ordinary shares	The issued ordinary share capital of the Company

Performance ratio	Actual generation/expected generation when array constructed
POI Law	Protection of Investors (Bailiwick of Guernsey) Law, 1987
PPA	Power purchase agreement
Premium/discount to NAV	The amount by which the Company's ordinary shares trade above or below its NAV
PV	Photovoltaic
PwC CI	PricewaterhouseCoopers CI LLP
Radius portfolio	Five plants held within NESH IV
RCF	Revolving Credit Facilities
RO Scheme	Renewable Obligation Scheme
ROC	Renewable Obligation Certificates
RPI	Retail Price Index
Solis portfolio	Eight plants held within NESH V
SPA	Share purchase agreement
SPVs	Special purpose vehicles which hold the Company's investment portfolio of underlying operating assets
Thirteen Kings portfolio	Thirteen plants held in NESH III
TISE	The International Stock Exchange
UK	United Kingdom of Great Britain and Northern Ireland
UK Code	UK Corporate Governance Code dated April 2016
UKLA	UK Listing Authority
WACC	Weighted average cost of capital
WiseEnergy	WiseEnergy (Great Britain) Limited and WiseEnergy Italia Srl


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