NextEnergy Solar Fund Limited

Interim Report and Condensed Interim Financial Statements
for the period ended 30 September 2018

Contents

Highlights

105.1p
NAV per share
as at 30 September 2018

8.4%
Annualised shareholder total return
(since IPO)

6.65p
Dividends target
for the year ended 31 March 2019

1.2x
Cash dividend cover before scrip
for the period ended 30 September 2018

691MW
Total capacity installed
increased by 122MW during the period

480GWh
Total electricity generation
for the period ended 30 September 2018

£610m
Net Asset Value
as at 30 September 2018

37%
Gearing
as at 30 September 2018

+7.9%
Generation above budget
for the period ended 30 September 2018

87
Operating solar assets
as at 30 September 2018

Chairman's Statement

Kevin Lyon   Patrick Firth   Sharon Parr   Vic Holmes

"Over the course of the last six months, we have fully deployed the capital raised in the previous financial year in the acquisition of operating solar assets.

The first half of this financial year was characterised by a notable overperformance of the Company's portfolio, driven by high levels of solar irradiation during the summer. At the same time, we continued to focus on the portfolio's core technical and operating performance and reduction in operating expenditure, and selectively entered into new power purchase agreements and hedges to take advantage of rising short-term power prices.

Following the end of the period, we implemented an innovative financing transaction, issuing Preference Shares, which will improve the Company's cashflows available for re-investment and distribution."

I am pleased to present, on behalf of the Board, the Interim Report and Condensed Interim Financial Statements for NextEnergy Solar Fund Limited for the period ended 30 September 2018.

As at 30 September 2018, the Company's portfolio comprised 87 operating assets amounting to 691MW installed solar capacity and an invested capital of £894m (31 March 2018: 63 assets, 569MW and £734m invested capital).

As envisaged in the last Annual Report, we have now fully deployed all the capital raised through the equity raising and debt financings in the previous financial year. With new acquisitions undertaken during the period, the gearing ratio has increased to 37% at the period end.

We have also continued with our programme of reducing operating costs and have focussed on the portfolio's technical and operating performance, with the aim of increasing efficiencies across our plants.

Our plans to begin construction of subsidy-free projects are on track for an announcement in the second half of this financial year. We have a pipeline of subsidy-free assets to develop and the Investment Manager is working on the supply chain to reduce investment and operating costs of these development projects.

The changing power curves in the short-term provided us with the opportunity to lock-in electricity prices higher than the budget, although the longer-term projections by our market consultants continued to show price declines.

Elsewhere, we are pleased with our first acquisition of two battery energy storage systems connected to two different solar PV assets in May 2018. This investment will provide us with ongoing effective insight into the potential value addition to NESF's portfolio of the energy storage market opportunity.

As mentioned in the last Annual Report, we have been looking to optimise the capital structure and, after the period end, on 13 November 2018, we were pleased to announce the issue of an initial tranche of £100m of Preference Shares. This was an innovative financing transaction that optimises NESF's capital structure, reduces exposure to secured debt financing and significantly increases cashflows available for distribution and dividend cover, as detailed further in the Investment Manager's report. We expect to issue another tranche of £100m before the end of the financial year.

Financial Results

Profit for the six-month period was £18.7m (2017: £14.0m) with earnings per share of 3.23p (2017: 2.69p).

Cash dividend cover was 1.2x (2017: 1.0x). When taking into account the significant scrip election, the dividend cover was 1.7x (2017: 1.1x).

The Company's annualised Ongoing Charges Ratio ("OCR") was 1.1% (2017: 1.1%) for the period, which is in line with the budget for the full year ending 31 March 2019 of 1.1%.

Portfolio Performance

The months of June, July and August saw exceptional solar irradiation in the UK. As irradiation levels across our portfolio were 8.4% over our expectations, energy generation also was notably above budget. High temperatures reduce the technical efficiency of solar systems and peaks in generation can also result in grid curtailment, so that the resulting actual net generation increase amounted +7.9% (including unexpected and expected grid outages of various solar plants). The resulting negative Asset Management Alpha of -0.5% (2017: +1.5%) was an expected result of these high irradiation and temperature conditions.

The portfolio of assets recorded total energy generated during the period of 480GWh (2017: 307GWh). This was also as a result of the integration of new operating assets compared to previous periods, as detailed further in the Investment Manager's report.

Net Asset Value

At the period end, the Company's NAV was £610m, equivalent to 105.1p per share (31 March 2018: NAV of £603m, 105.1p per share).

Portfolio Growth

During the period, the portfolio's installed capacity increased by 122MW. The Investment Manager is in negotiation for another 606MW of pipeline assets, of which 470MW represent subsidy free assets and 136MW are with subsidies.

We believe the development of subsidy-free solar plants will provide selected attractive opportunities for the Company. We have already acquired a number of sites and have several options available in this space, including developing the solar plant from the ground-up. This allows us to retain control over the entire value chain and increase the return on investment whilst mitigating risks.

Capital Raising and Debt Financing

At period end, the Company had total financial debt outstanding of £365.3m (31 March 2018: £270.4m) on a pro-forma look-through basis, including project level debt. Of the total financial debt, £324.0m was long-term fully amortising debt, and £40.0m was drawn under the Company's short-term credit facility. This represents a gearing level of 37% (31 March 2018: 31%), which is below the stated maximum debt-to-GAV level of 50%.

The Company intends to deploy the proceeds from the first Preference Share issue to repay existing debt facilities, resulting in a capital structure with lower financial debt outstanding and significantly reduced annual cash costs to NESF. A further Preference Share issue is expected to be employed primarily to further repay existing debt facilities, with incremental benefits to the Company as described above.

Dividend and Dividend Growth

The Company continues to achieve all its dividend and dividend growth objectives. For the year 2018/19, the Company has targeted a total dividend of 6.65p per share (2017/18: 6.42p), to be paid in four quarterly distributions. In September the first quarterly dividend of 1.665p was paid. The next dividends are due for payment on 29 December 2018, 29 March 2019 and 29 June 2019.

As mentioned in the last Annual Report, we have been monitoring the ability of the Company to maintain its dividend target linked to RPI, despite declining long-term power price forecasts. The initial £100m issuance of Preference Shares provides a significant improvement in the capital structure of the Company and materially increases its ability to sustain a growing dividend and provide positive dividend cover going forward.

Outlook

The Company will focus on future opportunities on several fronts including:

(i) increasing the technical and operating performance;

(ii) optimising revenues and reducing operating costs across our existing portfolio of assets;

(iii) continuing to identify UK opportunities in the secondary market with ROC accreditations, despite a narrowing pipeline as competition for ROC assets has increased substantially over the last year; and

(iv) progressing preparation of construction of subsidy free assets: our plans to begin construction of the first sites are on track for the second half of the financial year.

Kevin Lyon
Chairman
19 November 2018

Forest Farm Solar Plant
Through the Seasons

AUTUMN

KPIs and Investment Objective

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 in the Glossary.

Financial KPI	Period ended 30 September 2018	Year ended 31 March 2018	Year ended 31 March 2017	Year ended 31 March 2016	Year ended 31 March 2015
Shares in issue	580.2m	575.6m	456.4m	278.0m	240.3m
Share price	111.5p	111.0p	110.5p	97.75p	103.75p
Market capitalisation	£647m	£639m	£504m	£272m	£249m
NAV per share	105.1p	105.1p	104.9p	98.5p	103.3p
Total NAV	£610m	£605m	£479m	£274m	£248m
Premium/(discount) to NAV	6.1%	5.6%	5.3%	(0.8%)	0.4%
Earnings per share	3.23p	5.88p	13.81p	0.78p	9.13p
Dividend per share	3.325p	6.42p	6.31p	6.25p	5.25p
Cash dividend cover – pre scrip	1.2x	1.0x	1.1x	1.2x	1.8x
Debt outstanding	£365m	£270m	£270m	£217m	£0m
Gearing level (Debt/GAV)	37%	31%	36%	44%	0%
Weighted Average Cost of Capital	5.6%	5.8%	5.9%	5.8%	7.5%
Weighted Average Lease Life	23.4 years	23.3 years	24.6 years	25.7 years	26.2 years
Shareholder total return – cumulative since IPO	37.4%	33.6%	26.7%	6.1%	5.9%
Shareholder total return – annualised since IPO	8.4%	8.5%	9.1%	3.2%	6.3%
Shareholder total return for period	3.4%	6.2%	21.1%	0.2%	5.9%
FTSE All Share total return for period	7.9%	1.4%	20.9%	(3.6%)	5.5%
NAV total return	3.1%	6.3%	14.4%	3.7%	3.3%
NAV total return – annualised since IPO	7.0%	7.0%	4.9%	1.9%	4.0%
Invested Capital	£894m	£734m	£522m	£481m	£252m
Ongoing Charges Ratio	1.1%	1.1%	1.2%	1.2%	1.5%
Weighted Average Discount Rate	7.3%	7.3%	7.9%	7.7%	7.5%

Operational KPI					
Number of assets	87	63	41	33	16
Total capacity	691 MW	569 MW	454 MW	414 MW	217 MW
Electricity production (generation)	480GWh	451GWh	394GWh	225GWh	23GWh
% increase (period-on-period)	6%	14%	75%	870%	-
Irradiation (delta vs. budget)	+8.4%	(0.9%)	(0.3%)	+0.4%	(0.4%)
Generation (delta vs. budget)	+7.9%	+0.9%	+3.3%	+4.1%	+4.8%
Asset Management Alpha	(0.5%)	+1.8%	+3.6%	+3.7%	+5.2%

Structure

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

The Company has a premium listing and its 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 investors with an element of capital growth through the reinvestment of net cash generated in excess of the target dividend in accordance with the Company's investment policy.

Investment Policy

The Company's investment policy can be viewed at www.nextenergysolarfund.com

Forest Farm Solar Plant
Through the Seasons

WINTER

Investment Portfolio

	Power plant	Location	Announcement Date	Regulatory Regime[1]	Status[8]	Plant Capacity (MWp)	Investment (£M)	Remaining life of the plant (years)	% of Equity Proceeds
1	Higher Hatherleigh	Somerset	01/05/2014	1.6	Completed	6.1	7.3[5]	19.5	1.2%
2	Shacks Barn	Northamptonshire	09/05/2014	2.0	Completed	6.3	8.2[5]	18.8	1.4%
3	Gover Farm	Cornwall	23/06/2014	1.4	Completed	9.4	11.1[5]	20.5	1.9%
4	Bilsham	West Sussex	03/07/2014	1.4	Completed	15.2	18.9[5]	21.1	3.2%
5	Brickyard	Warwickshire	14/07/2014	1.4	Completed	3.8	4.1[5]	26.5	0.7%
6	Ellough	Suffolk	28/07/2014	1.6	Completed	14.9	20.0[5]	21.5	3.4%
7	Poulshot	Wiltshire	09/09/2014	1.4	Completed	14.5	15.7[5]	21.5	2.7%
8	Condover	Shropshire	29/10/2014	1.4	Completed	10.2	11.7[5]	21.1	2.0%
9	Llywndu	Ceredigion	22/12/2014	1.4	Completed	8.0	9.4	20.4	1.6%
10	Cock Hill Farm	Wiltshire	22/12/2014	1.4	Completed	20.0	23.6	21.2	4.0%
11	Boxted Airfield	Essex	31/12/2014	1.4	Completed	18.8	20.6[5]	21.1	3.5%
12	Langenhoe	Essex	12/03/2015	1.4	Completed	21.2	22.9[5]	21.2	3.9%
13	Park View	Devon	19/03/2015	1.4	Completed	6.5	7.7[5]	21.5	1.3%
14	Croydon	Cambridgeshire	27/03/2015	1.4	Completed	16.5	17.8[5]	31.2	3.0%
15	Hawkers Farm	Somerset	13/04/2015	1.4	Completed	11.9	14.5[5]	20.7	2.4%
16	Glebe Farm	Bedfordshire	13/04/2015	1.4	Completed	33.7	40.5[5]	21.5	6.8%
17	Bowerhouse	Somerset	18/06/2015	1.4	Completed	9.3	11.1[5]	36.2	1.9%
18	Wellingborough	Northamptonshire	18/06/2015	1.6	Completed	8.5	10.8[5]	21.7	1.8%
19	Birch Farm	Essex	21/10/2015	FiT	Completed	5.0	5.3[5]	27.5	0.9%
20	Thurlestone Leicester	Leicestershire	21/10/2015	FiT	Completed	1.8	2.3	27.6	0.4%
21	North Farm	Dorset	21/10/2015	1.4	Completed	11.5	14.5[5]	22.3	2.4%
22	Ellough Phase 2	Suffolk	03/11/2015	1.3	Completed	8.0	8.0[5]	26.2	1.4%
23	Hall Farm	Leicestershire	03/11/2015	FiT	Completed	5.0	5.0[5]	20.9	0.8%
24	Decoy Farm	Lincolnshire	03/11/2015	FiT	Completed	5.0	5.2[5]	14.6	0.9%
25	Green Farm	Essex	26/11/2015	FiT	Completed	5.0	5.8	21.8	1.0%
26	Fenland	Cambridgeshire	11/01/2016	1.4	Completed	20.4	23.9[2,3]	21.9	4.0%
27	Green End	Cambridgeshire	11/01/2016	1.4	Completed	24.8	29.0[2,3]	21.5	4.9%
28	Tower Hill	Gloucestershire	11/01/2016	1.4	Completed	8.1	8.8[2,3]	22.5	1.5%
29	Branston	Lincolnshire	05/04/2016	1.4	Completed	18.9		27.0	
30	Great Wilbraham	Cambridgeshire	05/04/2016	1.4	Completed	38.1		23.0	
31	Berwick	East Sussex	05/04/2016	1.4	Completed	8.2	97.9[2,4]	26.5	16.5%
32	Bottom Plain	Dorset	05/04/2016	1.4	Completed	10.1		26.6	
33	Emberton	Buckinghamshire	05/04/2016	1.4	Completed	9.0		26.4	
34	Kentishes	Essex	22/11/2016	1.2	Completed	5.0	4.5	23.2	0.8%
35	Mill Farm	Hertfordshire	04/01/2017	1.2	Completed	5.0	4.2	23.2	0.7%
36	Bowden	Somerset	04/01/2017	1.2	Completed	5.0	5.6	23.4	0.9%
37	Stalbridge	Dorset	04/01/2017	1.2	Completed	5.0	5.4	23.5	0.9%
38	Aller Court	Somerset	21/04/2017	1.2	Completed	5.0	5.5	23.5	0.9%
39	Rampisham	Dorset	21/04/2017	1.2	Completed	5.0	5.8	23.2	1.0%
40	Wasing	Berkshire	21/04/2017	1.2	Completed	5.0	5.3	24.0	0.9%
41	Flixborough South	Humberside	21/04/2017	1.2	Completed	5.0	5.1	24.0	0.9%
42	Hill Farm	Oxfordshire	21/04/2017	1.2	Completed	5.0	5.5	21.7	0.9%
43	Forest Farm	Hampshire	21/04/2017	1.2	Completed	3.0	3.3	33.5	0.6%
44	Birch CIC	Essex	12/06/2017	FiT	Completed	1.7	1.7	23.5	0.3%
45	Barnby	Nottinghamshire	12/06/2017	1.2	Completed	5.0	5.4	23.8	0.9%
46	Bilsthorpe	Nottinghamshire	12/06/2017	1.2	Completed	5.0	5.4	24.2	0.9%
47	Wickfield	Wiltshire	12/06/2017	1.2	Completed	4.9	5.6	24.6	1.0%
48	Bay Farm	Suffolk	18/08/2017	1.6	Completed	8.1	10.5	21.3	1.8%
49	Honington	Suffolk	18/08/2017	1.6	Completed	13.6	16.0	21.4	2.7%

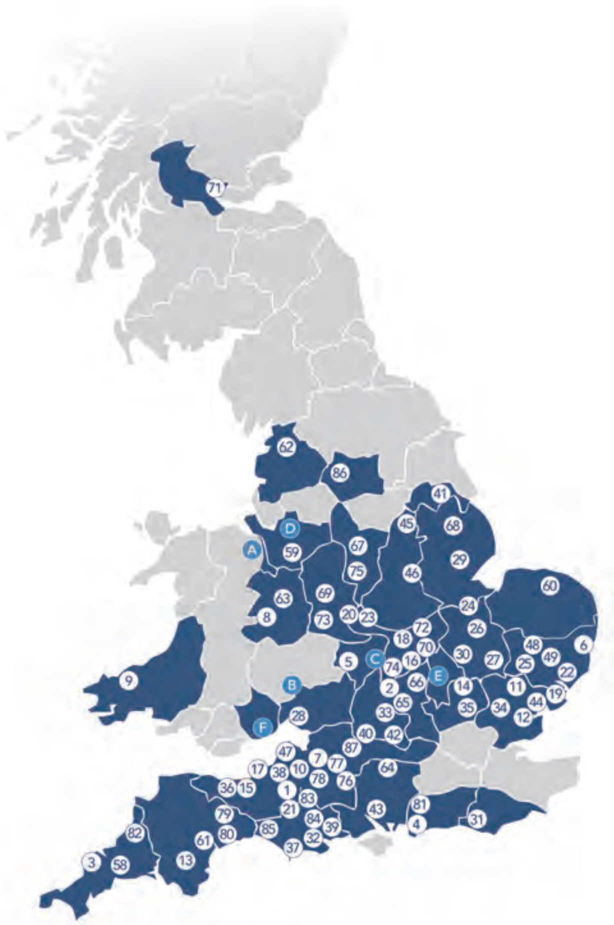
	Power plant	Location	Announcement Date	Regulatory Regime[1]	Status[8]	Plant Capacity (MWp)	Investment (£M)	Remaining life of the plant (years)	% of Equity Proceeds
50	Macchia Rotonda	Apulia	01/11/2017	FiT	Completed	6.6		28.0	
51	Iacovangelo	Apulia	01/11/2017	FiT	Completed	3.5		23.4	
52	Armiento	Apulia	01/11/2017	FiT	Completed	1.9		26.1	
53	Inicorbaf	Apulia	01/11/2017	FiT	Completed	3.0	116.2[2,6]	28.5	19.6%
54	Gioia del Colle	Campania	01/11/2017	FiT	Completed	6.5		27.4	
55	Carinola	Apulia	01/11/2017	FiT	Completed	3.0		27.7	
56	Marcianise	Campania	01/11/2017	FiT	Completed	5.0		17.3	
57	Riardo	Campania	01/11/2017	FiT	Completed	5.0		17.6	
58	Gilley's Dam	Cornwall	18/12/2017	1.3	Completed	5.0	6.4	17.6	1.1%
59	Pickhill Bridge	Clwyd	18/12/2017	1.2	Completed	3.6	3.7	17.4	0.6%
60	North Norfolk	Norfolk	01/02/2018	1.6	Completed	11.0	14.6	18.1	2.5%
61	Axe View	Devon	01/02/2018	1.2	Completed	5.0	5.6	18.1	1.0%
62	Low Bentham	Lancashire	01/02/2018	1.2	Completed	5.0	5.4	18.0	0.9%
63	Henley	Shropshire	01/02/2018	1.2	Completed	5.0	5.2	18.0	0.9%
64	Pierces Farm	Berkshire	30/05/2018	FiT	Completed	1.7	1.2	20.6	0.2%
65	Salcey Farm	Buckinghamshire	30/05/2018	1.4	Completed	5.5	6.5	20.6	1.1%
66	Thornborough	Buckinghamshire	25/06/2018	1.2	Completed	5.0	5.7	22.5	1.0%
67	Temple Normaton	Derbyshire	25/06/2018	1.2	Completed	4.9	5.6	22.8	1.0%
68	Fiskerton Phase 1	Lincolnshire	25/06/2018	1.3	Completed	13.0	16.6	31.5	2.8%
69	Huddlesford HF	Staffordshire	25/06/2018	1.2	Completed	0.9	0.9	22.3	0.1%
70	Little Irchester	Northamptonshire	25/06/2018	1.2	Completed	4.7	5.9	23.3	1.0%
71	Balhearty	Clackmannanshire	25/06/2018	FiT	Completed	4.8	2.6	23.2	0.4%
72	Brafield	Northamptonshire	25/06/2018	1.2	Completed	4.9	5.8	22.5	1.0%
73	Huddlesford PL	Staffordshire	25/06/2018	1.2	Completed	0.9	0.9	2.6	0.2%
74	Sywell	Northamptonshire	25/06/2018	1.2	Completed	5.0	5.9	22.6	1.0%
75	Coton Park	Derbyshire	25/06/2018	FiT	Completed	2.5	1.1	32.3	0.2%
76	Hook	Somerset	11/07/2018	1.6	Completed	15.3	21.9[2]	20.0	3.7%
77	Blenches	Wiltshire	11/07/2018	1.6	Completed	6.1	7.8[2]	20.2	1.3%
78	Whitley	Somerset	11/07/2018	1.6	Completed	7.6	10.5[2]	20.5	1.8%
79	Burrowton	Devon	11/07/2018	1.6	Completed	5.4	7.3[2]	20.0	1.2%
80	Saundercroft	Devon	11/07/2018	1.6	Completed	7.2	9.6[2]	21.0	1.6%
81	Raglington	Hampshire	11/07/2018	1.6	Completed	5.7	8.1[2]	35.3	1.4%
82	Knockworthy	Cornwall	11/07/2018	FiT	Completed	4.6	6.6[2]	19.5	1.1%
83	Chilton Canetello	Somerset	11/07/2018	FiT	Completed	5.0	9.0[2]	18.8	1.5%
84	Crossways	Dorset	11/07/2018	FiT	Completed	5.0	10.1[2]	19.4	1.7%
85	Wyld Meadow	Dorset	11/07/2018	FiT	Completed	4.8	7.1[2]	21.1	1.2%
86	Ermis - rooftops	Multiple	07/08/2018	FiT	Completed	1.0	3.0	18.1	0.5%
87	Angelia - rooftops	Multiple	07/08/2018	FiT	Completed	0.2	0.6	18.0	0.1%
Total						690.8	893.8		151.0%[7]

A	Francis/Gourton	Clwyd	16/06/2017	None	Option to build	10.0	–	–	–
B	Glebe	Worcestershire	16/06/2017	None	Option to build	19.6	–	–	–
C	Radbrook	Warwickshire	16/06/2017	None	Option to build	20.7	–	–	–
D	Moss	Cheshire	16/06/2017	None	Option to build	9.5	–	–	–
E	Staughton	Bedfordshire	–	None	Option to build	50.0	–	–	–
F	Llanwern	Gwent	–	None	Option to build	62.5	–	–	–
Total						172.3	–		–

(1) An explanation of ROC regime is available at www.ofgem.gov.uk/environmental-programmes/renewables-obligation-ro.
(2) Acquired with project level debt already in place.
(3) Part of the Three Kings portfolio.
(4) Part of the Radius portfolio.
(5) Part of the Apollo portfolio.
(6) Part of the Solis portfolio.
(7) Greater than 100% due to debt financing.
(8) Completed - the asset is operational, and the acquisition completed.

Portfolio Assets Locations

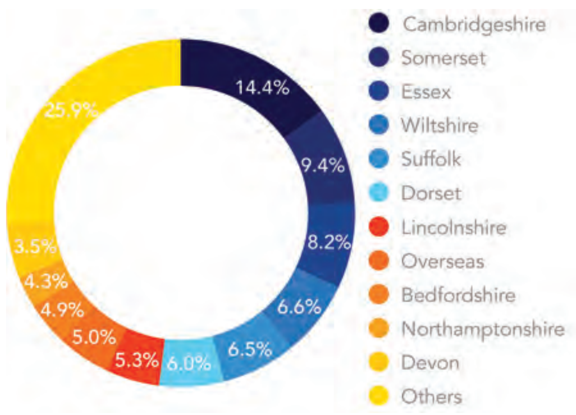
United Kingdom:



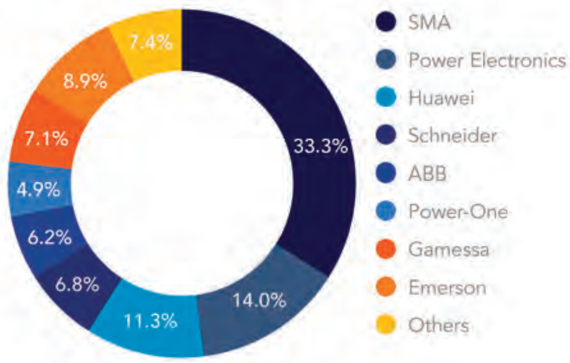
Italy:

Investment Portfolio Diversification

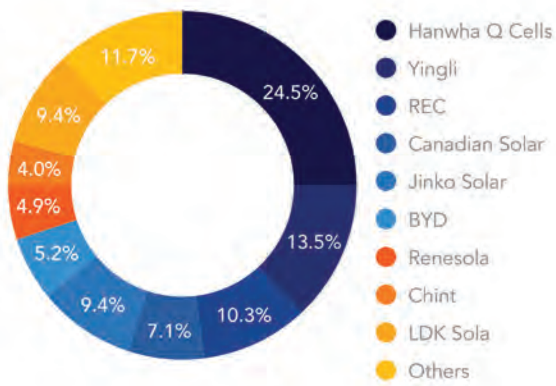
By Location



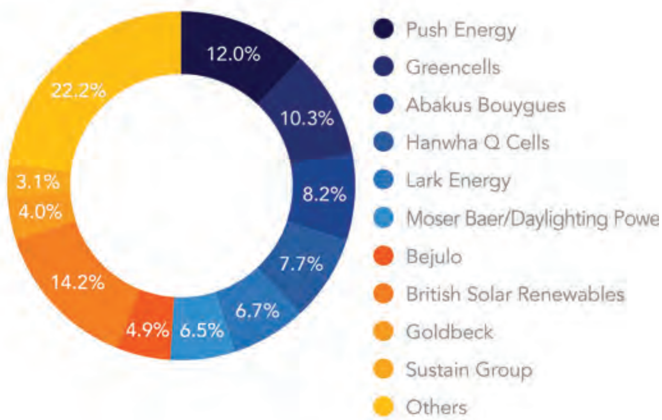
By Inverter Manufacturer



By Solar Module Manufacturer



By EPC Contractor



Portfolio Assets

	Power plant	Operational date	Acquisition date	Period ended 30 September 2018 Generation (MWh)	Irradiation delta (%)	Generation delta (%)	Since acquisition Generation (MWh)	Irradiation delta (%)	Generation delta (%)
1	Higher Hatherleigh	Apr-14	May-14	4,529	3.9	6.2	28,021	(0.6)	4.1
2	Shacks Barn	May-14	May-14	4,779	10.2	14.7	28,534	1.6	8.2
3	Gover Farm	Jan-15	Jun-14	5,484	3.9	(17.4)[1]	35,191	1.0	(1.4)
4	Bilsham	Jan-15	Jul-14	12,168	9.7	8.4	63,172	3.1	5.5
5	Brickyard	Jan-15	Jul-14	2,687	10.5	5.2	13,882	1.7	4.0
6	Ellough	Jul-14	Jul-14	11,722	7.5	10.7	64,487	(0.6)	5.5
7	Poulshot	Apr-15	Sep-14	10,658	4.8	8.7	46,746	(1.2)	3.6
8	Condover	May-15	Oct-14	7,478	6.8	8.7	33,367	(1.1)	1.0
9	Llywndu	Jul-15	Dec-14	5,897	1.5	6.6	24,776	(5.3)	0.0
10	Cock Hill Farm	Jul-15	Dec-14	14,427	6.4	3.6	64,307	0.3	1.9
11	Boxted Airfield	Apr-15	Dec-14	14,805	10.1	10.7	70,442	2.2	4.6
12	Langenhoe	Apr-15	Mar-15	17,505	12.7	15.7	82,862	4.8	8.5
13	Park View	Jul-15	Mar-15	4,786	(1.5)	0.3	21,329	(4.6)	(1.0)
14	Croydon	Apr-15	Mar-15	12,551	15.1	15.9	59,641	4.4	6.5
15	Hawkers Farm	Jun-15	Apr-15	8,915	2.6	4.3	40,049	(2.1)	1.4
16	Glebe Farm	May-15	Apr-15	26,599	13.8	18.9	118,438	3.7	9.7
17	Bowerhouse	Jul-15	Jun-15	6,505	5.6	(0.8)	29,825	0.1	0.2
18	Wellingborough	Jun-15	Jun-15	6,341	10.8	11.2	28,119	0.1	4.5
19	Birch Farm	Sep-15	Oct-15	3,899	10.4	9.6	15,364	2.6	4.9
20	Thurlestone Leicester – rooftops[2]	Oct-15	Oct-15	N/A	N/A	N/A	N/A	N/A	N/A
21	North Farm	Oct-15	Oct-15	9,074	2.7	2.2	35,765	(5.2)	(3.3)
22	Ellough Phase 2	Aug-16	Nov-15	6,323	13.8	12.2	18,542	7.7	10.8
23	Hall Farm	Apr-16	Nov-15	3,676	10.7	10.7	8,763	2.4	(4.6)
24	Decoy Farm	Mar-16	Nov-15	3,921	11.1	13.8	10,310	2.7	7.6
25	Green Farm	Dec-16	Nov-15	3,894	9.2	8.9	9,587	2.8	2.7
26	Fenland	Jan-16	Jan-16	16,267	10.8	15.3	60,221	3.0	7.9
27	Green End	Jan-16	Jan-16	18,808	11.4	9.9	70,551	2.7	4.2
28	Tower Hill	Jan-16	Jan-16	6,196	5.6	9.8	23,239	1.4	5.5
29	Branston	Mar-16	Apr-16	12,894	14.2	1.8	48,591	4.8	1.6
30	Great Wilbraham	Mar-16	Apr-16	29,974	14.4	14.4	102,395	3.6	4.1
31	Berwick	Mar-16	Apr-16	6,816	9.5	9.8	25,084	4.5	7.4
32	Bottom Plain	Mar-16	Apr-16	8,104	9.4	9.5	28,560	1.6	2.5
33	Emberton	Mar-16	Apr-16	6,962	13.7	12.5	23,896	2.8	2.5
34	Kentishes	Jul-17	Nov-16	4,012	11.0	9.1	8,407	4.5	4.3
35	Mill Farm	Jul-17	Jan-17	3,920	14.7	12.1	8,273	6.9	7.6

Portfolio Assets

	Power plant	Operational date	Acquisition date	Period ended 30 September 2018 Generation (MWh)	Irradiation delta (%)	Generation delta (%)	Since acquisition Generation (MWh)	Irradiation delta (%)	Generation delta (%)
36	Bowden	Sep-17	Jan-17	3,851	1.9	(0.6)	5,592	(1.6)	(1.3)
37	Stalbridge	Sep-17	Jan-17	3,912	2.2	4.1	5,706	(1.1)	3.8
38	Aller Court	Sep-17	Apr-17	3,829	3.0	2.4	5,568	1.4	2.3
39	Rampisham	Sep-17	Apr-17	3,961	0.9	(0.2)	5,564	(2.4)	(3.1)
40	Wasing	Aug-17	Apr-17	4,014	12.3	13.9	6,351	5.8	9.3
41	Flixborough	Aug-17	Apr-17	3,712	8.9	9.4	5,827	3.7	5.7
42	Hill Farm	Mar-17	Apr-17	3,892	13.1	15.0	5,221	7.6	8.5
43	Forest Farm	Mar-17	Apr-17	2,381	9.5	12.1	3,212	4.4	8.2
44	Birch CIC	May-17	Jun-17	1,340	10.5	7.4	2,806	4.0	3.3
45	Barnby	Aug-17	Jun-17	3,712	11.5	12.1	5,632	4.7	6.5
46	Bilsthorpe	Aug-17	Jun-17	3,783	10.9	12.5	5,757	3.8	7.0
47	Wickfield	Mar-17	Jun-17	3,555	8.2	4.0	4,930	4.3	2.7
48	Bay Farm	Sep-17	Aug-17	5,751	13.2	7.8	8,851	7.2	3.7
49	Honington	Sep-17	Aug-17	10,010	8.3	6.6	14,717	3.2	(0.3)
50	Macchia Rotonda	Nov-17	Nov-17	6,400	4.7	6.3	8,513	0.9	2.9
51	Iacovangelo	Nov-17	Nov-17	3,383	4.8	6.2	4,556	0.9	3.5
52	Armiento	Nov-17	Nov-17	1,825	4.4	5.9	2,472	0.6	3.2
53	Inicorbaf	Nov-17	Nov-17	2,889	2.8	6.1	3,938	(0.5)	2.8
54	Gioia del Colle Italy	Nov-17	Nov-17	6,062	(3.1)	2.1	8,134	(4.5)	(0.9)
55	Carinola	Nov-17	Nov-17	2,744	0.2	4.8	3,605	(3.6)	0.1
56	Marcianise	Nov-17	Nov-17	4,437	(0.3)	0.8	5,923	(3.1)	(2.6)
57	Riardo	Nov-17	Nov-17	4,495	0.2	0.1	5,889	(3.1)	(4.9)
58	Gilley's Dam	Nov-17	Dec-17	3,697	(3.6)	(2.2)	4,649	(5.1)	(2.6)
59	Pickhill Bridge	Dec-17	Dec-17	2,804	12.1	14.1	3,396	8.7	11.3
60	North Norfolk	Dec-17	Feb-18	8,367	8.6	8.1	10,037	5.8	6.5
61	Axe View	Dec-17	Feb-18	3,759	7.4	6.6	4,562	5.4	5.5
62	Low Bentham	Dec-17	Feb-18	3,592	5.8	5.8	4,357	4.8	6.0
63	Henley	Jan-18	Feb-18	3,669	7.8	9.9	4,326	4.6	6.9
64	Pierces Farm	May-18	May-18	928	15.2	12.0	928	15.2	12.0
65	Salcey Farm	May-18	May-18	2,738	11.6	7.5	2,738	11.6	7.5
66	Thornborough	Jun-18	Jun-18	1,422	12.9	(27.3)[1]	1,422	12.9	(27.3)
67	Temple Normaton	Jun-18	Jun-18	1,744	15.3	(3.2)	1,744	15.3	(3.2)
68	Fiskerton Phase	Jun-18	Jun-18	5,092	17.8	4.0	5,092	17.8	4.0
69	Huddlesford HF	Jun-18	Jun-18	353	16.1	8.3	336	16.1	8.3
70	Little Irchester	Jun-18	Jun-18	1,385	17.1	(24.6)[1]	1,385	17.1	(24.6)
71	Balhearty	Jun-18	Jun-18	1,379	4.4	(16.8)[1]	1,379	4.4	(16.8)
72	Brafield	Jun-18	Jun-18	1,784	17.2	(7.1)	1,784	17.2	(7.1)
73	Huddlesford PL	Jun-18	Jun-18	386	15.4	13.0	363	15.4	13.0
74	Sywell	Jun-18	Jun-18	1,604	18.7	(16.4)[1]	1,604	18.7	(16.4)
75	Coton Park	Jun-18	Jun-18	942	13.9	9.8	942	13.9	9.8
76	Hook	Jul-18	Jul-18	4,996	8.7	4.0	4,996	8.7	4.0
77	Blenches	Jul-18	Jul-18	1,974	6.6	8.1	1,974	6.6	8.1
78	Whitley	Jul-18	Jul-18	2,440	4.2	3.2	2,440	4.2	3.2
79	Burrowton	Jul-18	Jul-18	4,019	2.1	3.0	4,019	2.1	3.0
80	Saundercroft	Jul-18	Jul-18						
81	Raglington	Jul-18	Jul-18	1,963	9.0	6.9	1,963	9.0	6.9
82	Knockworthy	Jul-18	Jul-18	1,538	1.3	2.6	1,538	1.3	2.6
83	Chilton Canetello	Jul-18	Jul-18	1,755	9.1	10.4	1,755	9.1	10.4
84	Crossways	Jul-18	Jul-18	1,892	8.8	11.3	1,892	8.8	11.3
85	Wyld Meadow	Jul-18	Jul-18	1,680	0.5	4.5	1,680	0.5	4.5
86	Ermis – rooftops[2]	Aug-18	Aug-18	N/A	N/A	N/A	N/A	N/A	N/A
87	Angelia – rooftops[2]	Aug-18	Aug-18	N/A	N/A	N/A	N/A	N/A	N/A
Total				480,416	8.4	7.9	1,552,801	1.6	4.2

(1) Underperformance is due to defects which were known at the time of acquisition and are currently in the process of being rectified. These are expected to be fully rectified within the next 12 months.
(2) Rooftop assets are not monitored for generation and irradiation.

Investment Manager's Report

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

About NextEnergy Capital

The Investment Manager and Investment Adviser are both members of the NEC Group. The NEC Group is a specialist investment and operating asset manager focused on the solar energy sector, with over 125 staff across its offices in UK and Italy. Through its operating asset management division, WiseEnergy, the NEC Group has managed and monitored over 1,300 utility-scale solar plants and approximately 720 solar rooftop installations (comprising an installed capacity in excess of 1.9GW) for a client base which includes leading European banks and equity investors (including private equity funds, listed funds and institutional investors). The NEC Group also manages NextPower II LP, a €184m private equity fund dedicated to PV investments in Italy. Related party transactions with the Investment Manager, Investment Adviser and the Operating Asset Manager are detailed in note 17 of the Condensed Interim Financial Statements.

Portfolio Highlights

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

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

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

In July 2018, the Company announced a further ten operating solar plants in the UK with installed capacity of 66.8MW. The assets were purchased with a long-term debt facility of £58.3m already in place. The Company entered into an RCF for £40m with Santander to finance part of the transaction.

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

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

The summer of 2018 was one of the hottest in UK history and multiple solar irradiation records were broken. With these high temperatures, the asset manager had to cope with the adverse effects of this weather pattern on the performance ratios of the solar plants, which are optimal at lower than 25 degrees Centigrade. The estimated loss of generation due to high temperature is 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, as the weather pattern was not unusual during the period, the Solis portfolio had an irradiation delta of +1.2%, generation delta of +3.6% which resulted in an Asset Management Alpha of +2.4%.

Overall, the operational performance of the portfolio during the period was positive and above budget. The resulting negative Asset Management Alpha of -0.5% (2017: +1.5%) was an expected outcome of these exceptional weather conditions and does not represent any change in the ability to obtain future overperformance.

As at 30 September 2018, the actual performance versus expectations for 84 of the portfolio solar PV assets had been managed and monitored by the Asset Manager for at least two months post completion. Rooftop assets are excluded as irradiation is not monitored. This sub-portfolio of solar PV assets generated an outperformance of +7.9% above the budgeted generation values, for a total generation of 480GWh.

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. The negative Alpha registered in the period was expected in such higher temperature and solar irradiation conditions which have driven the significant portfolio overperformance.

Period	Assets monitored	Irradiation (delta vs. budget)	Generation (delta vs. budget)	Asset Management Alpha
First half 2015/16	17	+2.9%	+5.7%	+2.8%
First half 2016/17	31	+0.0%	+3.2%	+3.2%
First half 2017/18	41	+0.5%	+2.0%	+1.5%
First half 2018/19	84	+8.4%	+7.9%	-0.5%
Cumulative from IPO to 30 September 2018	84	+1.6%	+4.2%	+2.6%

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 period, the Consultants revised their forecasts for the UK wholesale power price upwards on average and project a lower real growth rate. Factors that contributed to these revisions include the stronger commodity prices in the near-term relative to recent years driven by the expectation of cold winters, a decline in gas storage as well as oil supply in the UK and the increasing demand from gas generation. In the long-term, wholesale prices are expected to increase in line with gas and carbon prices but counterbalanced by the growth in low-cost renewable generation.

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 located in the UK and is reviewed as frequently as the baseload power price forecasts. The application of such a discount results in a lower long-term price expected for solar assets driven by the deployment projections of low-cost renewable capacity.

The Company's current long-term power price forecast implies an average growth rate of approximately 0.2% in real terms over the 20-year period and an average price of c.£53/MWh in today's terms. This represents an increase of 1.0% compared to those used at the end of the previous reporting year (and 35.3% below the assumptions employed at IPO).

Compared to the previous interim period end, electricity day ahead prices in the UK rose from c.£46/MWh in September 2017[1] to c.£67/MWh in September 2018[1]. 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 purchasing price of electricity rose from c.€49/MWh in September 2017[2] to c.€76/MWh in September 2018[2]. The Investment Manager continues to observe an upward trend both in the day ahead and forward electricity markets after the period end.

(1) Source: N2EX – UK Baseload – day ahead
(2) Source: Gestore del Mercato Elettrico S.p.A.

Financial Results

Profit before tax was £18.7m (30 September 2017: £14.0m), with earnings per share of 3.23p (30 September 2017: 2.69p).

Dividends

During the period, the Company paid dividends in relation to two quarterly accounting periods: the fourth interim dividend for the financial year 2017/18 (of 1.605p per ordinary share) and the first quarterly dividend for the financial year 2018/19 (of 1.6625p per ordinary share). As a result, the Company achieved its target for total dividends for financial year 2017/18 of 6.42p per ordinary share.

As stated in the Chairman's Statement, the Company is targeting to pay a dividend of 6.65p per ordinary share for financial year 2018/19, which represents a growth in line with RPI applicable to the underlying portfolio revenues. During the period, the Company generated income of £26.3m and had net operating costs of £3.2m. The net cash dividend cover for the period before taking into account scrip dividends was 1.2x (2017: 1.0x). This improvement in the dividend cover was mainly driven by the greater levels in energy generation (+7.9% over expectations) during the period.

In future periods, it is expected that the dividend cover will significantly benefit from the optimised capital structure following the £100m issuance of Preference Shares. The Investment Manager expects to be able to maintain a dividend cover of 1.2x in the long term, based on current assumptions and a full deployment of the £200m Preference Shares programme.

The material difference between Dividend Cover pre and post scrip is due to the relatively high scrip election (4.6m shares) during the period. The Company still benefits from additional sources of capital to deploy in further assets, or extension of the current portfolio.

Income for the period ended 30 September 2018 includes £14.5m (2017: £4.1m) which has been retained in certain subsidiaries as their respective banking covenants only permit cash to flow out twice a year. This is shown as a receivable on the Condensed Interim Statement of Financial Position. If these banking restrictions did not exist, the cash would have flowed up to the Company on or before 30 September 2018.

Dividends paid	Month of payment	Amount per ordinary share (p)	Total pre scrip £'000	Total post scrip £'000
For the year 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
First quarterly dividend for year 2017/18	Sep-17	1.6050	9,171	7,336
Second quarterly dividend for year 2017/18	Dec-17	1.6050	9,197	6,922
Third quarterly dividend for year 2017/18	Mar-18	1.6050	9,232	8,719
Fourth quarterly dividend for year 2017/18	Jun-18	1.6050	9,239	6,760
First quarterly dividend for year 2018/19	Sep-18	1.6625	9,608	7,105
Total dividends declared to date		25.8925	99,804	85,841
Second quarterly dividend for year 2018/19	Dec-18	1.6625	9,646	9,646(1)

Income	Total £'000			
Income for period to 30 September 2018	26,349			
Net operating costs for period to 30 September 2018	(3,293)			
Net income	23,056			
Dividends during period			18,847	13,865
Net Dividend cover			1.2x	1.7x

(1) Before election of scrip dividend.

The forecast dividend calendar is set out in the table below:

Proposed dividend for year 2018/19	Date of expected payment	Forecast amount per ordinary share (p)
Second interim	December 2018	1.6625
Third interim	March 2019	1.6625
Fourth interim	June 2019	1.6625
Total		4.9875

Operating Costs

The operating costs of the Company for the period amounted to £3.3m. The Company's annualised OCR for the period was 1.1% (2017: 1.1%), in line with the budget. The budgeted OCR for the year ending 31 March 2019 is 1.1%.

Valuation of the Investment Portfolio

The Investment Manager is responsible for carrying out the fair market valuation of the Company's underlying investment portfolio, as described in note 6 of the Condensed Interim Financial Statements. The resulting fair market value of the Company's investment portfolio is presented to the Company's Board for their 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.

The Investment Manager reviews multiple sources and inputs in determining the fair market value of the underlying investments, including analysing all announced solar transactions in the UK during the period as well as undertaking a discounted cash flow analysis of each investment made by the Company. The Investment Manager exercises its judgement based on its expertise in the solar PV market and in assessing the expected future cash flows from each investment. In the discounted cash flow analysis, the fair value for each operating asset is derived from the present value of the investment's expected future cash flows, using reasonable assumptions and forecasts for revenues and operating costs, and an appropriate discount rate.

For solar PV assets not yet operational or where the completion of the acquisition is not imminent at the time of valuation, the acquisition cost is used as an appropriate estimate of fair value.

The Board reviews the operating and financial assumptions, including the discount rates, used in the valuation of the Company's underlying portfolio and approves them based on the recommendation of the Investment Manager. The valuation process comprises the analysis of multiple factors, all relevant to ascertain the fair value of the portfolio, including:

- discount rates implied in the price at which comparable transactions have been announced in the solar PV sector (including those where the Investment Manager submitted a bid for the same projects that was not deemed competitive by the vendors);
- discount rates publicly disclosed by the Company's peers in the solar PV sector;
- discount rates applicable for other comparable infrastructure assets classes or regulated energy sectors;
- capital asset pricing model analysis and risk premia over relevant risk-free rates;
- macro-economic assumptions including inflation, taxation and regulation; and
- key project specific assumptions.

During the period, 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 and sustained pressure on prices observed in the last year. These changing dynamics were evidenced by the experience of the Investment Manager in bidding for solar PV assets in the UK.

As a result, during the period the Company maintained its discount rate for unlevered operating solar PV assets at 6.75% and will continue to monitor this rate.

For those operating solar assets with fully-amortising long-term project level debt (the Apollo portfolio, the Radius portfolio, the Three Kings portfolio, the Solis portfolio and the ten projects acquired in July 2018), the Company adopts a levered discount rate to capture the greater level of risk associated with the cash flows available to equity investors after debt service. The appropriate level of risk premium due to project level debt was evaluated taking into account various factors for each specific asset, including the level of financial gearing, maturity profile, cost of debt and other factors mentioned above. This range was unchanged from the previous period (0.7% – 1.0%).

For solar assets outside the UK, an additional country risk premium has been applied. For the Solis portfolio this premium was 1.25%, which is substantial considering the difference in risk free rates on long-term securities ranging from 0.5% - 1.0% depending on maturity. It is also worth noting that the underlying revenues from the Solis portfolio have lower volatility due to market power prices than average UK assets, and that the currency hedge effectively mitigates FX exposure. As a result, the levered discount rate applied to the Solis portfolio was 9.0%.

The resulting weighted average discount rate for the Company's portfolio was 7.3%.

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 30 September 2018 was 5.6%. Compared to year end's WACC of 5.8% this value reflects an increase in the overall gearing from 31% to 37%, as further described below.

The value uplift generated by the assets valued for the first time on a DCF basis demonstrates how the new acquisitions are adding value compared to the applicable discount rates.

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: a) 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; b) local planning authorities have already granted initial planning consents that do not expire and/or have granted permissions to extend initial consented periods; and c) the Company owns rights to 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 property leases for some projects with the intention of extending leases for others in due course. During the period, four assets in the portfolio which had already secured unilateral lease extensions have received an extension to the planning consent for up to 15 years. The Company expects to secure further lease or planning extensions by the end of the financial year therefore securing additional value for the existing portfolio.

As at 30 September 2018, the remaining weighted average lease life of the Company's portfolio was 23.4 years. For illustrative purposes, should the entire portfolio of assets be valued on a 35-year basis from connection (assuming current lease terms) the Company's NAV would increase by c.7.4% (112.6p). The table on pages 8 to 9 provides the remaining lease duration for each of the Company's assets as at 30 September 2018. 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.

As to the other main operating assumptions adopted in the DCF valuation of the portfolio, the Company conservatively values each solar PV asset on the basis of the minimum Performance Ratio guaranteed by the vendor or on the basis of the Performance Ratio estimated by the appointed technical adviser during due diligence. These estimates are generally lower than the actual Performance Ratios that the Company has been experiencing during subsequent operations. The Investment Manager deems it appropriate to adopt the actual Performance Ratio after two years of operating history, when, typically the plants have satisfied the final acceptance tests and received FAC certification.

As at 30 September 2018, 49 of the UK solar PV assets in the investment portfolio had FAC certification and their actual Performance Ratio was used in the DCF valuation, generating an uplift. This represents 378MW of the portfolio. The remaining plants are expected to reach their two-year operating life milestone and begin relevant FAC tests according to the timeline below.

Financial quarter ending December 2018:	90MW
Financial quarter ending March 2019:	75MW
Financial quarter ending June 2019:	50MW
Financial quarter ending September 2019:	47MW
Financial quarter ending December 2019:	5MW
Period from January 2020 to June 2021:	47MW

The Company's NAV is calculated on a quarterly basis based on the valuation of the investment portfolio determined by the Investment Manager and the other assets and liabilities of the Company provided by the Administrator. It is then reviewed, questioned and approved by the Board of Directors. All variables relating to the performance of the underlying assets are reviewed and incorporated in the process of identifying relevant drivers for the discounted cash flow valuation.

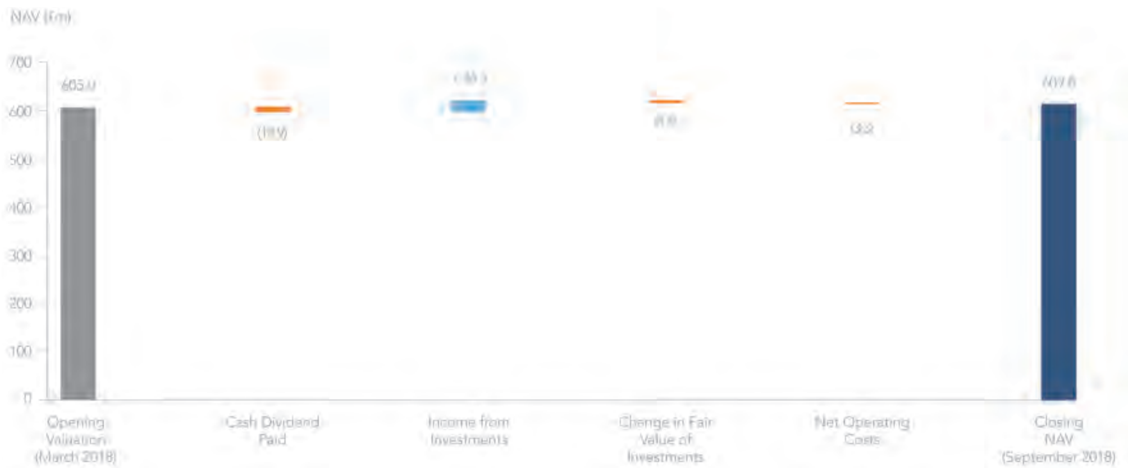
The Company experienced a small NAV growth during the period ended 30 September 2018 driven by reinvested dividend from scrip elections. As a result, the Company's NAV grew over the period from £605.0m to £609.8m as at 30 September 2018.

The evolution of the NAV per share during the period was affected by positive and negative factors. During the period NAV per share remained static at 105.1p. The static NAV per share during the period was mainly driven by the following factors:

- the cash dividends paid during the period, the reinvestment of dividend following scrip elections and the Company's operating costs;
- upward revisions in the forecasts for power prices adopted by the Company, 1.0% higher compared to the assumptions employed at 31 March 2018 (taking into account the most recent forecasts released by the Consultants up to the date of preparation of this interim report); and
- the value uplift generated by the Company completing acquisitions of assets whose IRR was higher than the discount rate applied when valuing them on a discounted cash flow basis.

Portfolio Valuation Bridge – 31 March 2018 to 30 September 2018

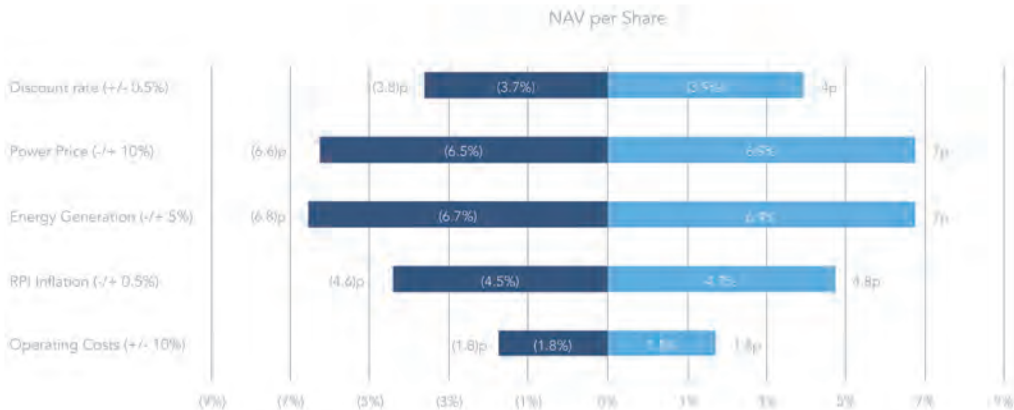
NAV Bridge – 31 March 2018 to 30 September 2018



The investment portfolio represents an investment value of £894m. Among the investments, the Apollo portfolio is considered as one investment consisting of 21 solar PV assets, the Radius portfolio is considered as one investment consisting of five solar PV assets, and the Solis portfolio is considered as one investment consisting of eight solar PV assets.

Sensitivity Analysis

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



Since the Company's IPO in April 2014, the long-term power price forecast used by the Company has been revised several times with a cumulative reduction of c.36%. For the purpose of illustration, had the power price forecasts remained in line with those at the time of the IPO, the Company's NAV would be 142.2p per share.

The chart above shows the percentage change in the portfolio resulting from a change in the underlying variables. It also shows the subsequent impact on the NAV per share.

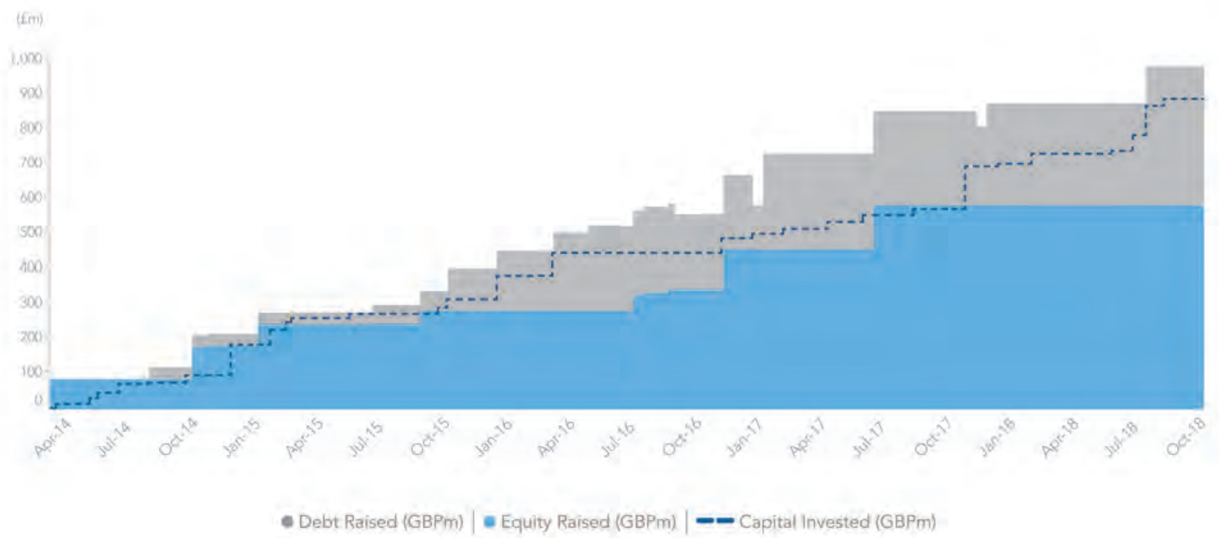
In addition to the above sensitivities on NAV, the Investment Manager has performed further specific sensitivities on valuation and cash generation over the 12 months to September 2019.

First, sensitivity on energy generation is usually a P10/P90 probability analysis on solar irradiation over ten years, which is a technical standard employed across the broader renewable energy asset class and is particularly relevant for wind assets given the significant volatility of wind energy sources year on year. The Investment Manager, based on its experience, considers that for solar PV assets, more appropriate and meaningful information is provided by the sensitivity analysis of the aggregated effect of solar irradiation and technical performance (in a reasonable range of +/-5% over the life of the DCF valuation horizon). For reference purposes, the sensitivity based on P10/P90 would have resulted in c. +/-11% impact on portfolio valuation.

Secondly, should energy prices fall by 10% from current forecasts, NESF would experience a reduction of 2.2% in its net operating cashflows, such impact being mitigated by the fixed price PPAs in place over the period.

Finally, should the portfolio achieve an outperformance of 5% throughout the 12 months to September 2019 (whether due to higher solar irradiation or asset management), total operating cashflows would increase by 7.3%. Conversely, these sensitivities on cash generation would have similar but opposite results in their respective inverted scenario.

Capital Deployment Timeline

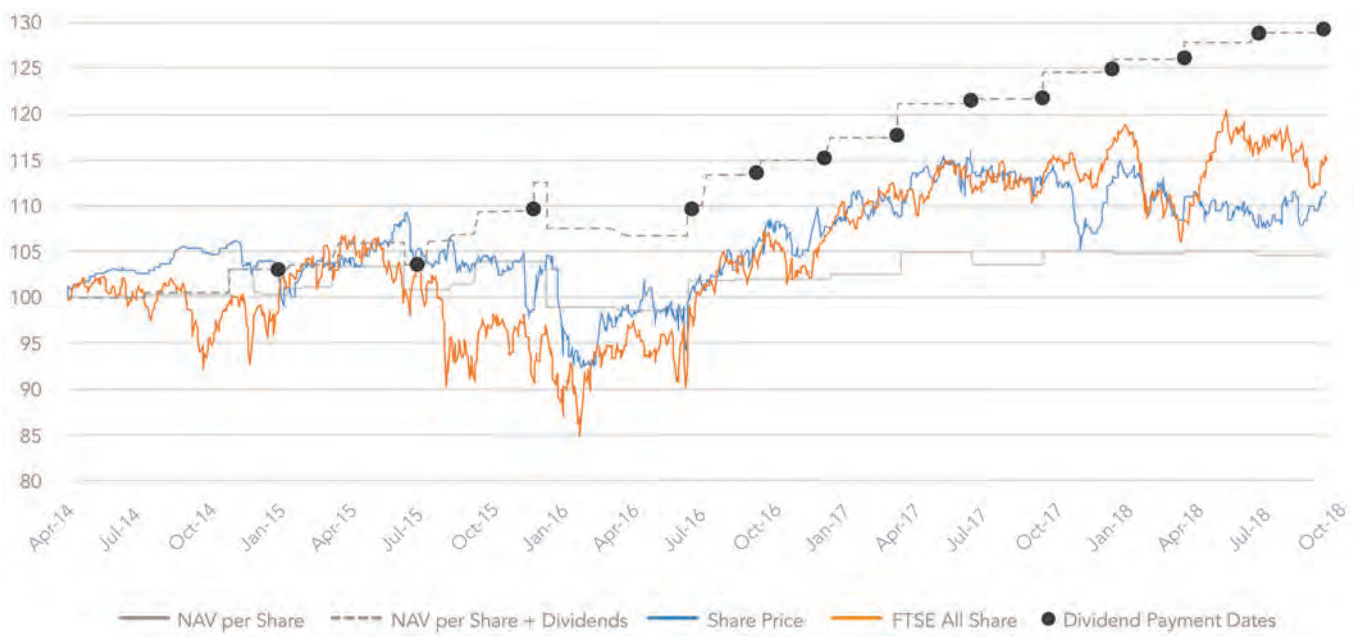


The Company's issued share capital comprised 580,232,465 ordinary shares as at 30 September 2018, which includes scrip dividends. The Company's capital raises are detailed below:

Date	Shares issued	Equity raised (£m)	Equity 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	1.2 years

Date	Debt raised (£m)	Lender	Amount deployed	Status
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%	Drawn
February 2018	20.0	NIBC	Not drawn	Not drawn
July 2018	40.0	Santander	100%	Drawn
July 2018	58.3	Bayern Landesbank	100%	Drawn

Share Price Movement



During the period the share price increased from 111.0p to 111.5p. The table below shows the returns:

	Half Year 2018/19	Total since IPO	Annualised since IPO
Shareholder total return	3.4%	37.4%	8.4%
NAV per share total return	3.1%	31.0%	7.0%

The annualised returns since IPO are in line with the target range of seven to nine percent equity return for investors (at IPO both NAV per share and initial issue price was 100p).

NESF's shares are included in the FTSE All-Share Index as well as the FTSE Small Cap Index. NESF's shares outperformed the FTSE All-Share Index by 5.7% over the period from the IPO to 30 September 2018.

Shareholder total return and NAV total return are used to review the Company's performance against its objectives.

Financing and Cash Management

Preference Shares

On 8 November 2018, the Shareholders agreed to amend the Company's Articles of Incorporation to create a new class of Preference Share and approved the allotment of up to £200m of shares with no pre-emption rights. Subsequently, on the 13 November 2018, the Company announced the issuance of an initial tranche of £100m Preference Shares and advised that a subsequent issue of up to £100m Preference Shares may take place before the next AGM.

The Preference shares are non-redeemable and non-voting shares which carry a fixed preferred dividend of 4.75% as well as 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 rights to dividends and capital in a liquidation ranking pari passu with Ordinary Shares. Conversion price will be at nominal value (plus unpaid dividend if any) relative to NAV per Ordinary Share at the date of conversion.

The Preference Shares give limited redemption and voting rights to the holder – redemption only in the event of a delisting or change of control of the Company and voting in a single pool with the Ordinary Shareholders in the event of changes to the Investment Policy and changes to the Articles detrimental to the rights and terms of the Preference Shares.

From 1 April 2030, the Company may elect to redeem all or some of the Preference Shares. Dividends and redemption will remain at the sole discretion of the Board of Directors of the Company during the life of the Preference Shares therefore representing no refinancing risks for Ordinary Shareholders. 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.

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 will be used to repay a portion of the existing long-term project financing facilities associated with portfolio investments, thereby generating cash savings starting in the current financial year. Should the Company repay the non-optimised debt and the RCF totalling £162m through issuance of Preference Shares, the total external debt outstanding would reduce from 37% to 21% of GAV.

Benefits of the preference shares for NESF include:

- significant increase in dividend cover and equity returns for its Ordinary Shareholders by replacing debt facilities with high cash costs (including interest and principal amortisation);
- the option to redeem Preference Shares starting from 1 April 2030 is at the sole discretion of the Company;
- simplify its capital structure by reducing the number of loans outstanding and the number of financial covenants for the Company;
- reduction in the exposure to secured debt financing;
- in recognition of the priority granted to the Preference Shareholder, the Company amended its Investment Policy to add the Preference Shares to the total debt outstanding for the purpose of the calculation of the 50% Company's leverage limit over GAV (adjusted gearing ratio); and
- the Investment Manager agreed to waive the investment management fees related to the Preference Shares payable by the Company to the Investment Manager under the Investment Management Agreement

Preference Shares are entitled to their fixed 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 onto the following periods until it can be paid. Unpaid preferred dividends accrue at a 4.75% interest rate. Payment of preferred dividends remains at the discretion of the Board. The Preference Shares holder has no redemption rights or voting rights in case of unpaid dividends. Should unpaid dividends be rolled over, they will be included in the calculation for the purposes of determining the conversion ratio post 31 March 2036. Effectively, any unpaid dividends will eventually convert into Ordinary Shares or B shares together with the issued preferred capital.

Debt Financing

As at 30 September 2018, the total pro-forma debt position of the Company on a look-through basis was £365.3m (31 March 2018: £270.4m). This represents gearing of 37% (31 March 2018: 31%) in terms of total debt outstanding vs. GAV (which is equal to NAV plus total debt outstanding). The average cost of debt is 3.7% (31 March 2018: 3.8%).

During the period, the Company closed a £40.0m RCF with Santander and immediately deployed the proceeds. The Company also acquired projects with debt facilities in place (£58.3m with Bayern Landesbank and £1.2m with Lombard).

The table below is a summary of the debt outstanding:

Provider/ Arranger	Type	Borrower	Tranches	Facility amount £'000	Amount outstanding £'000	Termination (including options to extend)	Applicable rate
MIDIS/CBA/NAB	Fully-amortising long-term debt	NESH (Apollo portfolio level debt)	Tranche A – Medium-term	48,387	48,387	31-Dec-26	2.91%(1)
			Tranche B – Floating long-term	24,194	24,194	30-Jun-35	3.68%(1)
			Tranche C – Index linked long-term	38,710	37,302	30-Jun-35	RPI index + 0.36%
			Tranche D – Fixed long-term	38,710	38,710	30-Jun-35	3.82%
			Debt Service Reserve Facility	7,500	–	30-Jun-26	1.50%
MIDIS	Fully-amortising long-term debt	NESH IV (portfolio level debt)	Inflation linked Tranche	27,500	25,281	30-Sep-34	RPI index+ + 1.44%
			Fixed Tranche	27,500	26,891	30-Sep-34	4.11%
UniCredit	Fully-amortising long-term debt	NESH V (portfolio level debt)	Floating long-term	32,920	31,330	30-Jun-29	3.04%(1)
ING	Fully-amortising long-term debt	NESH V (portfolio level debt)	Floating long-term	35,133	33,618	30-Jun-30	4.13%(1)
NIBC	RCF	NESH II	n/a	20,000	–	13-Feb-20	LIBOR+2.20%
Santander	RCF	NESH VI	n/a	40,000	40,000	03-Jul-20	LIBOR+1.30%
Bayerische Landesbank	Fully-amortising long-term debt	NESH III (project level debt)	Tranche A – Medium-term	5,615	5,615	30-Jun-20	2.89%(1)
			Tranche B – Floating long-term	52,705	52,705	31-Mar-33	4.11%(1)
Lombard	Asset purchase agreement	NESH III (project level debt)	n/a	437	437	31-Jul-21	3.48%
Lombard	Term loan	NESH III (project level debt)	n/a	816	816	12-Jun-25	4.20%
Total					365,285		

(1) Applicable rate represents the swap rate.

As at 30 September 2018 the Company held cash of £3.8m in highly rated financial institutions.

Post Period End

Since 30 September 2018, the following relevant events occurred:

On 6 November 2018, the Company announced an interim dividend of 1.6625 pence per ordinary share for the quarter ended 30 September 2018, to be paid on 28 December 2018 to shareholders on the register as at close of business on 15 November 2018.

On 8 November 2018, the Shareholders of the Company voted to amend some provisions in the Articles of Incorporation of the Company and to change the Investment Policy for the purpose of the issuance of Preference Shares as detailed in the circulars dated 16 October 2018 and 23 October 2018.

On 13 November 2018, the Company announced the issuance of the initial tranche of £100m of Preference Shares and advised that a subsequent issue of up to £100m Preference Shares may take place before the next AGM.

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.

As detailed in the Company's Annual Report to 31 March 2018, the principal risks and uncertainties applicable to the Company remain as follows:

- a decline in the price of electricity;
- electricity generation falling below expectation;
- adverse changes in government policy or regulatory framework for Solar PV;
- the pipeline of acquisitions could decrease;
- the financial model used for the valuation could have inaccurate assumptions:
- the life of the land lease could change;
- the operation and maintenance contractor could fail to fulfil their obligations;
- a counterparty could become insolvent;
- increased competition could make it difficult to acquire assets; and
- adverse changes to the taxation rates.

Further information in relation to these principal risks and uncertainties, which are unchanged from 31 March 2018 and remain the risks most likely to affect the Company for the remaining six months of the year, may be found on pages 44 to 46 of the Company's Annual Report for the year ended 31 March 2018.

Forest Farm Solar Plant
Through the Seasons

SPRING

Statement of Directors' Responsibilities

To the best of their knowledge, the directors of NextEnergy Solar Fund Limited confirm that:

(a) The Interim Report and Condensed Interim Financial Statements have been prepared in accordance with IAS 34 Interim Financial Reporting;

(b) The Interim Report, comprising the Chairman's Statement and the Investment Manager's Report, meets the requirements of an interim management report and includes a fair review of information required by:

   (i) DTR 4.2.7R of the UK Disclosure and Transparency Rules, being an indication of important events that have occurred during the period from 01 April 2018 to 30 September 2018 and their impact on the Condensed Interim Financial Statements, and a description of the principal risks and uncertainties for the remaining six months of the year; and

   (ii) DTR 4.2.8R of the UK Disclosure and Transparency Rules, being related party transactions that have taken place in the period from 01 April 2018 to 30 September 2018 and that have materially affected the financial position or performance of the Company during that period, and any material changes in the related party transactions disclosed in the last Annual Report; and

(c) The Condensed Interim Financial Statements give a true and fair view of the assets, liabilities, financial position and profit of the Company as required by DTR 4.2.4R of the UK Disclosure and Transparency Rules.

The Company's Directors believe that the Company has adequate resources to continue in operational existence for at least 12 months from the date of approval of the condensed interim financial statements. Note 14 to the Annual Report and Financial Statements for the year ended 31 March 2018 includes the Company's objectives, policies and processes for managing its capital; its financial risk management objectives; details of its financial instruments and its exposure to credit risk and liquidity risk. The Directors have undertaken a rigorous review of the Company's ability to continue as a going concern including reviewing the level of the Company's assets and significant areas of financial risk including the timing of future investment transactions, expenditure commitments and forecast income and cashflows. As a result, the Directors have, at the time of approving these condensed financial statements, a reasonable expectation that the Company has adequate resources to meet its liabilities and continue in operational existence for at least 12 months from the date of approval of the condensed interim financial statements. The Directors have therefore concluded that it is appropriate to adopt the going concern basis of accounting in preparing these condensed interim financial statements.

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.

By order of the Board

For NextEnergy Solar Fund Limited

Patrick Firth
Director
19 November 2018

NEXTENERGY SOLAR FUND

Forest Farm Solar Plant Through the Seasons

SUMMER

Condensed Interim Financial Statements

Condensed Statement of Comprehensive Income

For the period ended 30 September 2018

	Notes	Unaudited 1 April 2018 to 30 September 2018 £'000	1 April 2017 to 31 March 2018 £'000	Unaudited 1 April 2017 to 30 September 2017 £'000
Income				
Income	5	26,349	41,083	16,421
Net changes in fair value of financial assets at fair value through profit or loss	6	(4,401)	(2,880)	528
Total net income		21,948	38,203	16,949
Expenditure				
Management fees	16	2,675	5,070	2,418
Legal and professional fees		335	482	226
Administration fees		131	268	134
Regulatory fees		29	144	110
Audit fees		83	177	94
Directors' fees	19	86	146	70
Insurance		7	29	15
Sundry expenses		3	12	3
Total expenses		3,349	6,328	3,070
Operating profit		18,599	31,875	13,879
Finance income		55	285	141
Profit and comprehensive income for the period/year		18,654	32,160	14,020
Earnings per share	11	3.23p	5.88p	2.69p

There were no potentially dilutive instruments in issue at 30 September 2018.

All activities are derived from ongoing operations.

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

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

Condensed Interim Statement of Financial Position

As at 30 September 2018

	Notes	Unaudited 30 September 2018 £'000	31 March 2018 £'000	Unaudited 30 September 2017 £'000
Non-current assets				
Investments	6	590,448	526,221	377,612
Total non-current assets		**590,448**	**526,221**	**377,612**
Current assets				
Cash and cash equivalents		3,836	75,893	220,750
Trade and other receivables	7	54,754	28,397	19,154
Total current assets		**58,590**	**104,290**	**239,904**
Total assets		**649,038**	**630,511**	**617,516**
Current liabilities				
Trade and other payables	8	39,259	25,521	15,025
Total current liabilities		**39,259**	**25,521**	**15,025**
Net assets		**609,779**	**604,990**	**602,491**
Equity				
Share Capital and Premium	10	598,370	593,388	590,600
Retained Earnings	10	11,409	11,602	11,891
Total equity attributable to shareholders		**609,779**	**604,990**	**602,491**
Net assets per share	13	**105.1p**	**105.1p**	**105.1p**

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

The financial statements were approved and authorised for issue by the Board of Directors on 19 November 2018 and signed on its behalf by:

Patrick Firth
Director

Sharon Parr
Director

Condensed Statement of Changes in Equity

For the period ended 30 September 2018

	Share Capital and Premium £'000	Retained earnings £'000	Total Equity attributable to Shareholders £'000
For the period 1 April 2018 to 30 September 2018 (Unaudited)			
Shareholders' equity at 1 April 2018	593,388	11,602	604,990
Profit and comprehensive income for the period	–	18,654	18,654
Shares issued	4,982	–	4,982
Dividends declared	–	(18,847)	(18,847)
Shareholders' equity at 30 September 2018	**598,370**	**11,409**	**609,779**
For the year 1 April 2017 to 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
Shares issued	129,047	–	129,047
Dividends declared	–	(34,800)	(34,800)
Shareholders' equity at 31 March 2018	**593,388**	**11,602**	**604,990**
For the period 1 April 2017 to 30 September 2017 (Unaudited)			
Shareholders' equity at 1 April 2017	464,341	14,242	478,583
Profit and comprehensive income for the period	–	14,020	14,020
Shares issued	126,259	–	126,259
Dividends paid	–	(16,371)	(16,371)
Shareholders' equity at 30 September 2017	**590,600**	**11,891**	**602,491**

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

Condensed Statement of Cash Flows

For the period ended 30 September 2018

Cash flows from operating activities	Notes	1 April 2018 to 30 September 2018 £'000	1 April 2017 to 31 March 2018 £'000	1 April 2017 to 30 September 2017 £'000
Profit and comprehensive income for the period/year		18,654	32,160	14,020
Adjustments for:				
Investment proceeds from HoldCos		4,654	104,248	98,385
Investment payments to HoldCos		(70,573)	(217,486)	(59,605)
Change in fair value on investments	6	4,401	2,880	(528)
Finance income		(55)	(285)	(141)
Operating cash flows before movements in working capital		(42,919)	(78,483)	52,131
Changes in working capital				
Movement in trade receivables		(26,357)	(17,231)	(7,943)
Movement in trade payables		11,029	17,244	6,747
Net cash used in operating activities		(58,247)	(78,470)	50,935
Cash flows from investing activities				
Finance income		55	285	96
Net cash generated from investing activities		55	285	96
Cash flows from financing activities				
Proceeds from issue of shares		–	124,372	124,372
Dividends paid		(13,865)	(30,125)	(14,484)
Net cash generated from financing activities		(13,865)	94,247	109,888
Net movement in cash and cash equivalents during period/year		(72,057)	16,062	160,919
Cash and cash equivalents at the beginning of the period/year		75,893	59,831	59,831
Cash and cash equivalents at the end of the period/year		3,836	75,893	220,750

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

Notes to the Condensed Interim Financial Statements

For the period ended 30 September 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 £85.6 million. The Company's ordinary shares were admitted to the premium segment of the UK Listing Authority's Official List and to trading on the Main Market of the London Stock Exchange as part of its initial public offering which completed on 25 April 2014. Subsequent fundraisings since the initial public offering also took place, increasing total equity to £598.4m as at 30 September 2018 (31 March 2018: £593.4m). Details can be found in note 10.

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

The Company currently makes its investments through HoldCos and SPVs, which are 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 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 pursuant to the Investment Advisory Agreement. The Investment Adviser is a company incorporated in England with registered number 05975223 and is authorised and regulated by the FCA.

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

2. Significant accounting policies

Basis of preparation

The condensed interim financial statements have been prepared on a going concern basis in accordance with IAS 34 Interim Financial Reporting. The condensed interim financial statements should be read in conjunction with the annual report and audited financial statements for the year ended 31 March 2018, which have been prepared in accordance with IFRS.

Seasonal and cyclical variations

The Company's results may vary during reporting periods as a result of the spread of irradiation during the period and, together with other factors, will impact the NAV. Other factors include changes in inflation and power prices.

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 whilst preserving capital. The financial information used by the Chief Operating Decision Maker to manage the Company presents the business as a single segment.

Going concern

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

- Timing of future investment transactions;
- Expenditure commitments; and
- Forecast income and cashflows.

The Company has cash and short-term deposits as well as projected positive income streams and an available credit facility (see note 20) 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.

3. New and revised standards

i) 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:

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.

3. New and revised standards (continued)

ii) New standards adopted as at 1 April 2018:

IFRS 9 'Financial Instruments – Classification and Measurement' 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.

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 condensed interim financial statements, and there are no restatements of comparative information required.

4. Critical accounting judgements and key sources of estimation uncertainty

The Company makes estimates and judgements 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. 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 £590m (31 March 2018: £526m) and consist of 87 investments in solar PV assets (held indirectly through the HoldCos) (31 March 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 solar plants not yet operational) and the residual value of net assets at the HoldCo level. The unlevered discount rate applied in the 30 September 2018 valuation was 6.75% (31 March 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.

Overview
Investment Objective
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Additional Information

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

a) Critical accounting estimate: Investments at fair value through profit or loss (continued)

Information about the significant unobservable inputs used at 30 September 2018 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 Investments 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 the following conditions exist:

1. The Company has obtained funds for the purpose of providing investors with professional investment management services;

2. The Company's business purpose, which was communicated directly to investors, is investing for capital appreciation and investment income; and

3. The investments are measured and evaluated on a fair value basis.

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).

5. Income

	Period ended 30 September 2018 £'000	Year ended 31 March 2018 £'000
Investment income	22,474	35,242
Management fee income	3,875	5,841
Total Income	**26,349**	**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 Condensed Interim Statement of Financial Position.

	Period ended 30 September 2018 £'000	Year ended 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	70,573	217,486
Investments payable	2,709	–
Total investments at cost	586,102	517,474
Brought forward unrealised gains on investments	8,747	11,627
Movement in unrealised gains on valuation	(4,401)	(2,880)
Carried forward unrealised gains on investments	4,346	8,747
Total investments at fair value	590,448	526,221

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

7. Trade and other receivables

	Period ended 30 September 2018 £'000	Year ended 31 March 2018 £'000
Management fee income receivable	1,706	608
Prepayments	20	458
Distributions receivable from HoldCos	14,476	–
Due from HoldCos	38,552	27,331
Total trade and other receivables	54,754	28,397

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

8. Trade and other payables

	Period ended 30 September 2018 £'000	Year ended 31 March 2018 £'000
Other payables	248	290
Investments payable	2,709	–
Due to HoldCos	36,302	25,231
Total trade and other payables	39,259	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 are incorporated in the UK and 100% directly owned.

10. Share capital and reserves

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
Total issued at 30 September 2018	580,232,465	605,835	(7,465)	598,370

As at 30 September 2018, the Company currently had one class of ordinary share in issue. All the holders of the ordinary shares, which total 580,232,465, are entitled to receive dividends as declared from time to time and are entitled to one vote per share at general meetings of the Company.

Retained reserves

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

11. Earnings per share

	Period ended 30 September 2018	Year ended 31 March 2018
Profit and comprehensive income for the period/year (£'000)	18,654	32,160
Weighted average number of ordinary shares	576,851,018	547,300,544
Earnings per ordinary share	3.23p	5.88p

12. Dividends

	Period ended 30 September 2018 £'000	Year ended 31 March 2018 £'000
Amounts recognised as distributions to equity holders:		
Interim dividend for the period ended 31 March 2017 of 1.577p per share, paid on 30 June 2017	–	7,199
Interim dividend for the period ended 30 June 2017 of 1.605p per share, paid on 29 September 2017	–	9,171
Interim dividend for the period ended 30 September 2017 of 1.605p per share, paid on 28 December 2017	–	9,198
Interim dividend for the period ended 31 December 2017 of 1.605p per share, paid on 28 March 2018	–	9,232
Interim dividend for the period ended 31 March 2018 of 1.605p per share, paid on 26 June 2018	9,239	–
Interim dividend for the period ended 30 June 2018 of 1.6625p per share, paid on 28 September 2018	9,608	–
Total	18,847	34,800

13. Net assets per ordinary share

	As at 30 September 2018	As at 31 March 2018
Shareholders' equity (£'000)	609,779	604,989
Number of ordinary shares	580,232,465	575,643,840
Net assets per ordinary share	105.1p	105.1p

14. Financial risk management

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 fair 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:

	30 September 2018	31 March 2018
Weighted Average discount rate	7.30%	7.30%
Discount rates	6.75% to 9.00%	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
30 September 2018	(£21.8m)	£591.3m	£23.3m
Fair value – percentage movement	(3.7%)		3.9%
31 March 2018	(£18.2m)	£481.4m	£19.4m
Fair value – percentage movement	(3.8%)		4.0%

Power price

NEC Group continuously reviews multiple inputs from market contributors and leading consultants and adjusts the inputs to the power price forecast when deemed most appropriate. Current estimates imply an average rate of growth of electricity prices of approximately 0.2% in real terms and a long-term inflation rate of 2.75%.

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
30 September 2018	(£38.5m)	£591.3m	£40.6m
Fair value – percentage movement	(6.5%)		6.9%
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 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
30 September 2018	(39.7m)	£591.3m	£40.8m
Fair value – percentage movement	(6.7%)		6.9%
31 March 2018	(£32.6m)	£481.4m	£32.5m
Fair value – percentage movement	(6.8%)		6.7%

Inflation rates

The Portfolio valuation assumes long-term inflation of 2.75% per annum for investments (based on applicable 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
30 September 2018	(£26.6m)	£591.3m	£28.0m
Fair value – percentage movement	(4.5%)		4.7%
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 SPV level, with all other variables held constant.

Operating cost	+10% change	Total Portfolio value	-10% change
30 September 2018	(£10.7m)	£591.3m	£10.4m
Fair value – percentage movement	(1.8%)		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% to 2020, and 17% thereafter in accordance with the UK Government announced reductions.

The Italian tax rate used is 24% with an additional 2.7% local tax rate in accordance with the local tax authority of the incorporated entity.

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

16. Management fee expense

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

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

For the period ended 30 September 2018 the Company has incurred £2.7m in management fees of which £nil was outstanding at 30 September 2018. For the year ended 31 March 2018 the Company incurred £5.1m in management fees of which £nil was outstanding at 31 March 2018. For the period ended 30 September 2017 the Company incurred £2.4m in management fees of which £nil was outstanding at 30 September 2017.

17. 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 16.

The Investment Adviser, NextEnergy Capital Limited, is a related party due to sharing common key management personnel with the subsidiaries of the Company. There are no advisory fee transactions between the Company and the Investment Adviser.

The Operating Asset Manager, WiseEnergy (Great Britain) Limited, is a related party due to sharing common key management personnel with the subsidiaries of the Company. Each of the operating subsidiaries of the Company entered into an asset management agreement with WiseEnergy (Great Britain) Limited. The total value of recurring and one-off services paid to the Operating Asset Manager during the reporting period amounted to £2.9m (for the year to 31 March 2018: £4.1m, for the period to 30 September 2017: £1.2m).

At the period end, £39.0m (31 March 2018: £25.2m, 30 September 2017: £14.8m) was owed to the subsidiaries. £3.9m of management fees were received from the subsidiaries during the period (year to 31 March 2018: £5.8m, period to 31 September 2017: £2.6m), £1.7m of which was outstanding at the period end (31 March 2018: nil, 30 September 2017: £0.2m).

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.

At the period end, the Directors owned the following shares in the Company:

- Kevin Lyon 160,000
- Patrick Firth 78,104
- Vic Holmes 110,000

18. Controlling party

In the opinion of the Directors, on the basis of shareholdings advised to them, the Company has no immediate or ultimate controlling party.

19. Remuneration of the Directors

The remuneration of the Directors was £86k for the period (for the year to 31 March 2018: £146k, for the period to 30 September 2017: £70k) which consisted solely of short-term employment benefits. Sharon Parr was appointed with effect from 1 January 2018.

20. Revolving credit and debt facilities

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. As at 30 September 2018, the outstanding amount was £148.6m.

In July 2015, NESH II agreed a loan with NIBC for £22.7m. In July 2016, £1m 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 £20m in revolving credit facility. As at 30 September 2018, the outstanding amount was £nil.

In 31 March 2016, NESH IV agreed the purchase of Project Radius. The acquisition was partially funded by a debt facility entered between NESH IV Limited and Macquarie Bank Limited for £55.0m, which was fully drawn down. In April 2016. As at 30 September 2018, the outstanding amount was £52.2m. In March 2018, Santander issued a Letter of Credit to the Security Trustee of the facility of £2.0m and NESF provided a counter indemnity to Santander.

In December 2017, NESH V acquired a portfolio of eight operating plants totalling 34.5MW which had a long-term fully-amortising project of £68.1m in place. As at 30 September 2018, the outstanding amount was £64.9m.

In May 2018, NESH III acquired a portfolio of two operating plants totalling 7.2MW which had a term loan and an asset purchase agreement in place with Lombard. As at 30 September 2018 the outstanding amount was £1.3m.

In July 2018, NESH III acquired a portfolio of ten operating plants totalling 66.8MW which had a long-term fully-amortising project financing of £58.3m in place. As at 30 September 2018, the outstanding amount was £58.3m

In July 2018, NESH VI closed a RCF with Santander for £40.0m which was subsequently fully drawndown. As at 30 September 2018, the outstanding amount was £40.0m.

21. 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 the UK or Italy.

22. Reconciliation of Financing Activities

	Opening (£'000)	Cash flows (£'000)	Net income allocation (£'000)	Non-cash flows (£'000)	Closing (£'000)
Share Capital	593,388	–	–	4,982	598,370
Retained Earnings	11,602	(13,865)	18,654	(4,982)	11,409
Total	604,990	(13,865)	18,654	-	609,779

23. Events after the reporting period

Since 30 September 2018, the following relevant events occurred:

- On 6 November 2018, the Company announced an interim dividend of 1.6625 pence per ordinary share for the quarter ended 30 September 2018, to be paid on 28 December 2018 to shareholders on the register as at close of business on 15 November 2018.
- On 8 November 2018, the Shareholders of the Company voted to amend some provisions in the Articles of Incorporation of the Company and to change the Investment Policy for the purpose of the issuance of Preference Shares as detailed in the circulars dated 16 October 2018 and 23 October 2018.
- On 13 November 2018, the Company announced the issuance of the initial tranche of £100m of Preference Shares and advised that a subsequent issue of up to £100m Preference Shares may take place before the next AGM.

Independent review report to NextEnergy Solar Fund Limited

Our conclusion

We have reviewed the accompanying condensed interim financial statements of NextEnergy Solar Fund Limited (the "Company") as of 30 September 2018. Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed interim financial statements is not prepared, in all material respects, in accordance with International Accounting Standard 34, 'Interim Financial Reporting' and the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority.

What we have reviewed

The accompanying condensed interim financial statements comprise:

- the condensed interim statement of financial position as of 30 September 2018;
- the condensed statement of comprehensive income for the six-month period then ended;
- the condensed statement of changes in equity for the six-month period then ended;
- the condensed statement of cash flows for the six-month period then ended; and
- the notes, comprising a summary of significant accounting policies and other explanatory information.

The condensed interim financial statements have been prepared in accordance with International Accounting Standard 34, 'Interim Financial Reporting' and the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority.

Our responsibilities and those of the directors

The Directors are responsible for the preparation and presentation of these condensed interim financial statements in accordance with the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority.

Our responsibility is to express a conclusion on these condensed interim financial statements based on our review. This report, including the conclusion, has been prepared for and only for the Company for the purpose of complying with the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority and for no other purpose. We do not, in giving this conclusion, 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.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements 2410, 'Review of interim financial information performed by the independent auditor of the entity' issued by the International Auditing and Assurance Standards Board. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures.

A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

We have read the other information contained in the interim report and condensed interim financial statements and considered whether it contains any apparent misstatements or material inconsistencies with the information in the interim financial statements.

PricewaterhouseCoopers CI LLP
Chartered Accountants
Guernsey, Channel Islands
19 November 2018

Company Information

Directors:	Kevin Lyon, Chairman Patrick Firth Vic Holmes Sharon Parr
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:	Ipes (Guernsey) Limited 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 and Carey Olsen (Guernsey) LLP
Legal Adviser to the Group as to Debt Financing:	Stephenson Harwood LLP
Brokers to the Company:	Cantor Fitzgerald Europe Shore Capital and Corporate Ltd Fidante Partners (Europe) Ltd Macquarie Capital (Europe) Ltd
Media and Public Relations Adviser:	MHP Communications Ltd

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Glossary of Defined Terms

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
Asset Management Alpha	The difference between the delta of energy generation vs. budget and the delta of solar 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 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

Premium/discount to NAV	The amount by which the Companies shares trade above or below the NAV
DNO	Distribution Network Operators
EPC	Engineering, Procurement and Construction
ESG	Environmental, Social and Governance
EU	European Union
FATCA	Foreign Account Tax Compliance Act
FiT	Feed-in Tariff
GAV	Gross Asset Value
GFSC	Guernsey Financial Services Commission
GFSC Code	Guernsey Financial Services Commission Finance Sector Code of Corporate Governance
Gross Dividend Cover	The ratio of the Company's Gross Income over dividends paid during the financial year
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
ISA	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
Net Dividend Cover	The ratio of the Company's Net Income over dividends paid during the financial year
NPPR	National Private Placement Regime
OCR	Ongoing Charges Ratio – the ratio of annualised on-going charges to average NAV
OECD	Organisation for Economic Co-operation and Development
Official List	The Premium Segment of the UK Listing Authority's Official List
Ordinary Shares	The issued ordinary share capital of the Company
POI Law	Protection of Investors (Bailiwick of Guernsey) Law, 1987

PPA	Power Purchase Agreement
Performance Ratio	The measure of the PV plant energy output compared to the theoretical output on acquisition
PV	Photovoltaic
PwC CI	PricewaterhouseCoopers CI LLP
Radius portfolio	Five plants held with NESH IV
RCF	Revolving Credit Facilities
RO Scheme	Renewable Obligation Scheme
ROC	Renewable Obligation Certificates
RPI	Retail Price Index
Solis portfolio	Eight plants held with NESH V
SPA	Share Purchase Agreement
SPVs	Special purpose vehicles which hold the Company's investment portfolio of underlying operating assets
Total Shareholder Return	The actual rate of return from dividends paid and capital gains on share price movements over a given period of time
Three Kings portfolio	Three plants held with NESH III
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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