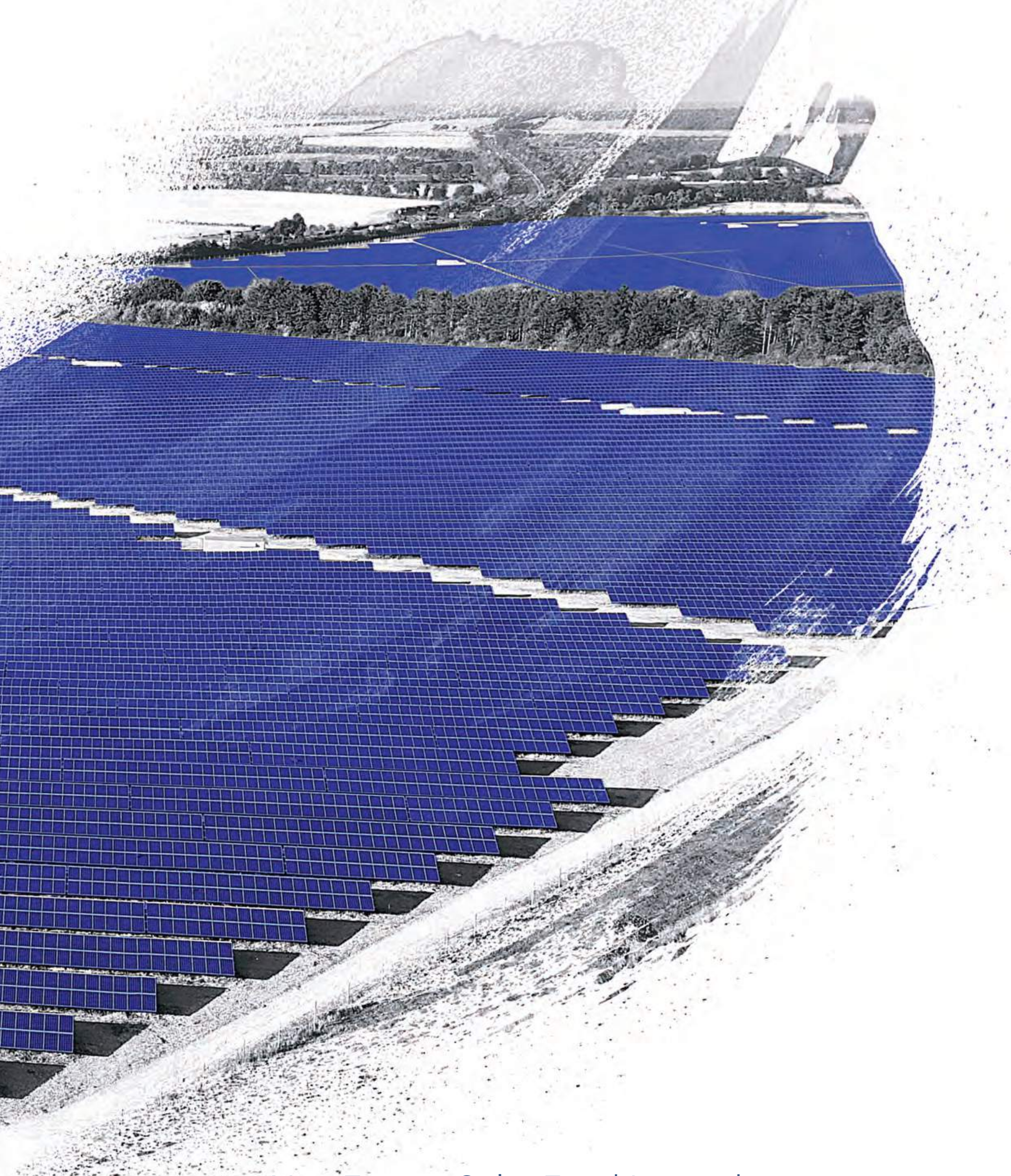


NextEnergy Solar Fund Limited

Annual Report and Audited Financial Statements
for the year ended 31 March 2017

Contents

Highlights

- Investment portfolio as at the date of distribution of this annual report of 48 solar PV plants for a total of c.483MW installed capacity in operation. NESF is the largest listed solar energy fund on the London Stock Exchange in terms of both installed solar capacity and market capitalisation.
- Significant operating asset outperformance – Energy generated from the portfolio amounted to 394GWh, 3.3% above budget (despite solar irradiation lower by 0.3%). This amounts to an Asset Management Alpha of +3.6%.
- Launch of a 350m shares placing programme and completion of equity issuances for a total of £310.8m under the tap issuance programme at the date of distribution of this report.
- NAV per share grew from 98.5p to 104.9p over the year mainly due to operating outperformance, changes in power price forecast, higher RPI inflation expectations and a change in discount rates.
- Equity discount rate lowered by 0.25% to 7.25% for unlevered assets. Risk premium for levered assets unchanged at between 0.7% to 1.0%.
- Total Shareholder Return and NAV Total Return during the year were 21.1% and 14.4% respectively (annualised returns since IPO 3 years ago were 9.1% and 7.2% respectively).
- Refinanced the Company's RCF through a £150m long term debt financing with differentiating features accretive to NAV and dividend cover.
- Income was £35.3m with a cash dividend cover of 1.2x. Reported profit for the year was £49.8m and earnings per share were 13.81p.
- On track to pay target dividend of 6.31p for the year. Targeting a 6.42p dividend distribution for the next year ending 31 March 2018.
- Strong pipeline of acquisition targets in negotiation and further UK solar opportunities under consideration for over 269MW.
- Proposed amendment to investment policy to allow up to 15% of Gross Asset Value to be invested in solar assets outside of the UK.

Corporate Summary

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

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

The Company has 456,388,199 shares in issue, with no shares held in Treasury, all of which are admitted to the premium listing segment of the Official List of the UKLA and are traded on the London Stock Exchange's main market for listed securities under the ticker "NESF".

The Company makes its investments through UK HoldCos and underlying SPVs which are ultimately wholly-owned by the Company. References to the Company's activities (investments in solar PV plants) refer to activities through the UK HoldCos. The UK HoldCos are registered and incorporated in England and Wales under the Companies Act, 2006, as amended:

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

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

The Investment Manager is NextEnergy Capital IM Limited, a company incorporated in Guernsey with registered number 57740 licensed under the POI Law and regulated by the GFSC. The Investment Manager has appointed NextEnergy Capital Limited, a company incorporated in England and Wales on 23 October 2006 with registered number 05975223, to provide investment advice, pursuant to an Investment Advisory Agreement.

Chairman's Statement

Patrick Firth Kevin Lyon Vic Holmes

Introduction

I am pleased to present, on behalf of the Board, the Annual Report and Audited Financial Statements for NextEnergy Solar Fund Limited for the year ended 31 March 2017.

In the 3 years since our IPO the Company has rapidly grown to establish itself as the largest solar energy focused investment company listed on the London Stock Exchange in terms of both installed capacity and market capitalisation.

At the date of distribution of this Annual Report, the Company's portfolio comprised 48 assets amounting to c.483MW installed solar capacity and an invested capital of c.£554m (2016: 33 assets, c.414MW and c.£481m invested capital).

I am pleased to report that all the main targets and goals set at the time of the IPO have been met or exceeded by the Company.

Thanks to the approach of the Investment Manager, NESF has acquired its portfolio at attractive values compared to market average acquisition values, which will contribute to meeting NESF's target cash dividend growth linked to RPI inflation.

Over the 3 years since IPO, NESF has achieved an annualised Total Shareholder Return of 9.1% and an annualised NAV Total Return of 7.2% (based on NAV and dividends per share paid), in line with the target range of seven to nine percent equity return for investors. This is a significant achievement considering the challenging market conditions faced by the UK solar sector during these 3 years.

In addition, NESF's operating asset management strategy has been yielding consistent levels of over-performance in terms of electricity generation compared to the Company's acquisition budgets.

We continue to focus exclusively on solar power projects. Our investment strategy is driven by our belief that solar power projects have significantly less revenue, operating and financial risk than other renewable energy technologies. We also believe that the solar expertise of the NextEnergy Capital Group can be readily transferred across geographies and the Board believes from soundings made from a number of our larger investors that shareholders will support the proposal to broaden the investment policy to permit up to 15% of Gross Asset Value to be invested in solar assets in OECD countries (other than the UK).

During the year the Company has delivered a strong set of operating and financial results and we have significantly increased our asset base via further debt and equity capital raising transactions.

Financial Results and Performance

Financial Results

In accordance with IFRS, the Company prepares its financial statements considering the fair market value of its investments and net assets of its various subsidiaries.

Profit before tax was £49.8m (2016: £2.0m) with earnings per share of 13.81p (2016: 0.78p) positively impacted by an increase in fair value of investments. Cash dividend cover was 1.2x (2016: 1.2x).

The Company's OCR was 1.2% (2016: 1.2%), in line with our budget. The budgeted OCR for the next year ending 31 March 2018 is 1.1%, reflecting the advantage of a larger capital base for the whole of next year.

Portfolio Performance

We are particularly pleased with the operational performance of the portfolio during the year. Overall, energy generated by NESF's plants was 394GWh, approximately 3.3% above our budget. This is the Company's third year of energy generation outperformance relative to budget. During the previous financial year, energy generation from NESF's portfolio amounted to 225GWh.

During the year, solar irradiation across the portfolio was 0.3% below our expectations (2016: +0.4% above expectation). Nonetheless, NESF's asset management alpha was +3.6%, which highlights how the principal driver for our continued outperformance continues to rest with the structure and quality of NESF's asset management organisation.

We did not experience any significant operational issues or technical underperformance across the portfolio as a whole during the course of the year. NESF's asset manager worked hard to prevent and mitigate unexpected or planned outages due to works conducted on the transmission grid by the various DNOs.

The electricity generated by our portfolio is equivalent to a saving of c.156,560 tonnes of carbon emissions per annum and sufficient to power some 100,000 households for a year. This is roughly equivalent to powering a city the size of Southampton for an entire year.

Net Asset Value

At the year end, the Company's NAV was £478.6m, equivalent to 104.9p per share (March 2016: NAV of £273.8m, 98.5p per share). This 6.5% growth in NAV per share over the year was mainly driven by an improved outlook for UK energy prices, sustained operating outperformance, higher RPI inflation expectations and a minor reduction in discount rates. It is also worth mentioning that during the year new assets acquired or completed were NAV-accretive at the time of completion or acquisition.

More specifically on developments in the UK energy sector, during the year we experienced a dynamic and changing market. The wholesale power market in the UK has on average moved upward for reasons that include the depreciation of sterling vs. other currencies immediately following the Brexit vote in June 2016, as well as other short-term effects further described in detail in the Investment Manager's Report. On balance this year we have experienced the first upward review of long term price forecasts since the Company's IPO 3 years ago. Our current estimates are 3.6% higher than those used at the end of the previous reporting year.

The unlevered discount rate was reduced by 0.25% down to 7.25% to reflect the increasing market value for UK operating solar assets, while we continue to value asset portfolios with leverage at higher discount rates up to 8.25%. This, together with the increase in long-term project leverage across the portfolio, led to an increase during the reporting period in the weighted average discount rate from 7.7% to 7.9%.

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

Portfolio Growth

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

During the first 6 months of the year the Company focused on integrating the acquisition of the 2 assets that had been acquired in the prior financial year as well as the ongoing operation of those acquired previously. In the second part of the year, the Investment Adviser focused on developing a strong pipeline of new opportunities, raising additional capital and started executing new acquisitions. As a result, the portfolio grew from 33 to 48 assets at the date of distribution of this Report.

As the UK solar market continued to mature and reached the end of its revenue-subsidised period, we have noticed greater competition for large portfolios of operating assets. This was particularly the case in auction-style sell-side processes in which a wide range of established investors and new entrants were involved. Our Investment Adviser upheld a very diligent approach and sought to maintain our track record of investing at prices below market average by focusing on smaller portfolios of several solar plants to be built for us. Since our last capital increase in November 2016, NESF had added another 73MW of attractively priced assets and is in negotiation on another 269MW.

This strategy of focusing on smaller assets results both in an accretion in the value of the Company's portfolio as well as in a greater risk diversification through fragmentation, with an average size of our solar PV plants of 10.6MW, excluding rooftop assets. Larger PV plants offered on the secondary market are purportedly associated with lower operating expenditure due to economies of scale, but this is not necessarily a benefit for investors. Based on the Investment Adviser's experience in bidding for these assets, every efficiency and/or scale benefit (even those still theoretical) is already priced in by vendors so that there is limited scope for upside for acquirers. As a result, we have found that larger assets or portfolios do not present any particular economic advantage to acquirers due to scale. Besides, the Company's position as the largest listed solar energy fund investor in the UK solar market, allows our Operating Asset Manager to best negotiate any service on behalf of NESF, thus recreating the same economies of scale that would be available to the vendor of a larger single asset.

Overall, considering each site's irradiation and ROC banding, the group of assets added to the portfolio over the year was secured at attractive investment values compared to the average costs for solar plants observed in the market.

Capital Raising and Financing

The Company continued to secure support from its shareholders to pursue its growth strategy. During last summer, the Company issued 64.1m new shares under the tap issuance programme. Afterwards, following continuing market demand and a strong pipeline of acquisitions, the Company launched a new Placing Programme in respect of 350m new shares and issued 110.3m shares in November. A scrip dividend was offered during the year, which allowed the Company to issue an additional 4.0m shares taking the total voting shares in issue to 456.4m. A further 44,646 shares will be issued on 30 June 2017 by way of a scrip dividend. On 23 June 2017, the Company also issued 115 million new shares further to the Company's 350m share issuance programme, taking the total shares in issue to 571.4 million. The strong demand from existing shareholders underlines the backing we enjoy among parties that have supported our growth since the IPO in April 2014. This new capital was used to repay our existing RCF allowing no cash drag and a quick deployment of the capital raised. The remaining capital was rapidly deployed to secure new portfolio assets for the Company.

During the year, the Company took advantage of the strong interest of institutional debt providers and banks to lend to the UK solar sector to refinance its short-term credit facilities with a long-term fully amortising debt facility. This refinancing was in many respects an innovative transaction and included various bespoke features that contributed to create additional value for our shareholders. At year-end, the Company had total financial debt outstanding of £269.8m (2016: £216.6m) on a pro-forma look-through basis including project level debt. Of the total financial debt, £248.1m was long-term fully amortising debt, while the remainder of £21.7m was drawn under the Company's short-term credit facilities. This represents a gearing level of 36% which is comfortably beneath our stated maximum debt-to-GAV level of 50%.

Dividend and Dividend Growth

The Company continues to achieve all of its dividend and dividend growth objectives. For the year under consideration, the Company will have paid out a total dividend of 6.31p per share (2016: 6.25p) in 4 quarterly distributions.

Our target is to grow dividends in line with UK retail price index growth. Our disciplined investment track record has so far resulted in a robust cash dividend cover of 1.2x which should allow us to continue to meet this target. For the 2017/18 financial year, the UK retail price index applicable to the value of ROCs is 1.8% (as published by the Office for National Statistics) we are therefore targeting to grow the dividend to 6.42p per share.

Corporate Governance and Regulation

The Board continues to review the Company's corporate governance structure with a view to maintaining best-practice processes and procedures. During the course of the year, the Board undertook a review of its effectiveness, taking into account the views of the external service providers and consultants of the Company. The outcome of the review was that the Board and the Audit Committee are functioning effectively. We undertake the Board's effectiveness review on a yearly basis. Further details (including adhering to the 2014 UK Corporate Governance Code and viability statement reporting) on the Company's Corporate Governance can be found in the Corporate Governance section on pages 61 to 69.

Market Developments and Outlook

At the Company's IPO in April 2014, the UK Government had a target of 12GW of solar installed capacity by 2020. This target was met in March 2017, 3 years ahead of the target date. This accelerated growth is a striking success for the solar energy industry and for the UK transition to a low-carbon economy.

At the same time, the ROC regime came to an end on 1 April 2017. As such, newly constructed solar projects will not be eligible to receive ROCs for the energy they generate. At present, there is no other relevant mechanism of regulatory support or public subsidies for industrial scale solar assets such as those targeted by NESF.

Nevertheless, the cost of new solar energy installations continues on a downward trajectory and as a result there is less or no need for subsidies in many regions of the world for solar to be cost competitive with other energy sources. Many recent energy auctions in various jurisdictions globally have seen solar PV without subsidy becoming cheaper than wind and even coal.

We expect the UK will experience a next stage of growth in solar energy driven by cheaper system costs and possibly the integration with electricity storage technologies. The recent UK's Fifth Carbon Budget considers scenarios in which solar will reach between 20 and 40GW of installed capacity by 2030 compared to the current 12GW. Solar plants built during this next phase will not require Government incentives and will compete with other forms of electricity generation.

NESF has multiple sources of continued growth. These growth avenues include:

- Acquiring solar plants previously built under the various FiT and ROC regimes by parties looking to sell such assets;
- Acquiring solar plants to be built in the future with long-term power agreements entered into with creditworthy electricity buyers;
- Adding new technologies to our existing solar plant portfolio (e.g. electricity storage, other technologies enhancing productivity);
- Investing in new capacity at existing sites where grid connection capacity and permits allow, albeit such new capacity will not benefit from previous ROC regimes from which the existing site benefits; and
- Acquiring solar plants in selected markets outside the UK where attractive risk-adjusted returns can be achieved.

Considering in detail these 5 growth avenues:

Even without considering the new capacity installed at the very end of Q1 2017, there is a significant secondary market opportunity with a total 4.2GW of assets assumed to be held by non-long term investors that could be acquired in due course. For this reason, we expect to continue issuing equity under the current Placing Programme during the next financial year to finance our attractive and growing pipeline of acquisition targets.

In addition, the Investment Adviser is reviewing several prospects, currently at an early stage of development but that could represent an opportunity to grow the Company's portfolio with value accretive acquisitions in line with its current risk profile and investment policy. NESF has recently acquired all the necessary project rights in respect of 4 sites for a total capacity of 60MW that could be built in the next 12 to 24 months.

We also continue to review the opportunity to add new technologies to our current portfolio with the objective of increasing returns and mitigating risk exposure. We have not yet implemented such new technologies on any of our sites, but expect this to happen over the next 12 to 18 months, if not earlier.

Another growth avenue under analysis is the ability to add new capacity to our existing sites, where our grid access and other permits allow. This new capacity can benefit from the existing significant investment made in grid connection infrastructure, but would not qualify for the ROC regime from which the existing plant benefits. Such incremental investments will be considered when they are financially remunerative with limited market exposure.

Internationalisation represents a further attractive avenue for the Company's growth. The growth in installed solar capacity in other developed markets continues at a rapid pace, and we intend to take advantage of attractive acquisition opportunities in markets where the regulatory structures are well defined and targets offer sound financial returns. We have proposed a special resolution at the next AGM to amend the investment policy of NESF to allow investments in OECD countries other than the UK for up to 15% of GAV.

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

The regulatory and political backdrop is also evolving significantly. The UK is on track on its decision to leave the European Union, having triggered Article 50 of the Treaty on European Union on 29 March 2017. While the impact of Brexit on the Company and on the renewable energy sector is still at this point unclear, we believe it will have limited, if any, impact on the UK's climate change policies or the regulation of the sector. We will continue to monitor any Brexit effects on power prices, sector regulation and growth opportunities carefully.

Kevin Lyon
Chairman of the Board of Directors

Strategic Report

Solar Energy within Renewable Energy Context

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

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

In its third year of operation, the Company has contributed to the reduction of greenhouse gas emissions into the Earth's atmosphere. The amount of CO_2 emissions avoided by the Company's plants amounts to c.156,560 tonnes per annum. This amount is expected to increase as the new plants being acquired are commissioned and achieve a full year of operation.

Market Growth

2016 marked another very strong year for renewable energy worldwide as renewables added 138GW of net power generating capacity in 2016, compared to 101GW from coal, gas and nuclear. The cumulative amount of installed renewable generating capacity as at 2016 stood at 2,006GW. This trend is expected to continue, with renewable energy increasing its share of energy produced as well as of new capacity added to the global grid. Out of this total global share of the market, solar PV constitutes today a 330GW of installed capacity and is estimated to grow to 600GW by 2020, based on publicly announced targets.

The transition to cleaner energy is driven and defined by important considerations, including the need to address climate change, emissions of greenhouse gases into the Earth's atmosphere, the relative rapidity in the construction of renewable energy plants, concerns about reliance of hydrocarbon sourcing and imports, the relative ease of constructing clean energy plants as well as the rapidly declining unit investment cost of renewable energy installations.

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

The Paris COP21 Agreement was ratified by 146 Countries worldwide. It sets out a global action plan to put the world on track to mitigate the negative consequences of climate change by limiting global warming to below 2°C. Governments agreed to undertake rapid reductions thereafter in accordance with the best available science and to come together every 5 years to set more ambitious targets.

The Department for BEIS reported that at the end of 2016 energy from renewables represented 24.4% of all electricity generation in the UK, and solar PV represented c.12.4% of renewable generation for the full year 2016, which is a percentage change increase of 36.1% from the previous year to a record 10.3TWh.

On Friday 26 May 2017, the UK achieved a first time solar power record as 8.7GW of solar power was generated at 1pm representing an impressive 24.3% of the entire power demand in the UK. The Company's portfolio contributed materially to this solar generation with 4% (or 0.35 GW). This represented 1% of the entire power generated in the UK at that time.

Also, earlier in April 2017, news reported how Britain went a full day without using coal to generate electricity for the first time since the 1880s.

Investment Objective and Policy

The Company's Investment Objectives and Policy are stated in the Investment Manager's Report.

Corporate Group Structure

The Company is a Guernsey Registered Closed-ended Investment Scheme. Further information is provided in the Corporate Summary.

The Company has a 31 March financial year-end and announces interim results in November and full year results in June. The updated NAV is published on a quarterly basis and in the course of any fundraising events during the financial year.

The Company's Board and Committees

The Company's Board of Directors comprises 3 independent, non-executive directors. The Board's role is to manage and monitor the Company in accordance with its terms of reference. The Board monitors the Company's adherence to its investment policy, the operational and financial performance of the Company and its underlying assets, as well as the performance of the Investment Adviser and other key service providers. In addition, the Board has overall responsibility for the review and approval of the Company's NAV valuations prepared by the Investment Manager and Administrator. It also maintains the risk register, which it monitors and updates on a regular basis. The structure of the Board processes allows the members to test business controls and choice of acquisitions to ensure they meet the strategy driving the long-term dividend target.

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

The Company's Investment Manager is NextEnergy Capital IM Limited. The Investment Manager has appointed NextEnergy Capital Limited to act as Investment Adviser in relation to the Company. Michael Bonte-Friedheim, Aldo Beolchini and Abid Kazim comprise the Investment Committee of the Investment Adviser, whose role is to consider and, if thought fit, recommend actions to the Investment Manager in respect of the Company's potential and actual investments. Aldo Beolchini is a Director of the Investment Manager.

- Michael Bonte-Friedheim is Founding Partner and CEO of the NextEnergy Capital Group. He has over 20 years' specialist experience in the power and energy sector and was previously Managing Director in Goldman Sachs energy and power investment banking team in London and non-executive Chairman and CEO of listed energy companies.

- Aldo Beolchini is Managing Partner and CFO of the NextEnergy Capital Group. He has over 15 years' experience in investment banking and renewables. Mr Beolchini joined in 2008 and was previously Vice President at Morgan Stanley Investment Banking and an Officer at the Financial Guard Corps in Italy.

- Abid Kazim is the UK Managing Director of the NextEnergy Capital Group and has over 25 years' experience in strategy development and large programme delivery, with a significant track record in business outsourcing, transaction services, and service management in the renewable energy sector.

The Company has also signed a project sourcing agreement with NextPower Development Limited, another unit of the NextEnergy Capital Group. The relationship has increased the efficiency of the transactional process reflected in the size of the investment pipeline and is a key driver for delivering dividend growth.

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

The NextEnergy Capital Group is a privately-owned specialist investment and asset manager focused on the solar sector. It was formed in 2007 and has developed a unique track record in the European solar sector. Prior to the IPO of the Company, it had developed, financed, managed the construction of and owned 14 solar projects in the UK and Italy. In addition, its asset management activities now cover the management and monitoring of in excess of 1,250 utility-scale solar power plants and approximately 3,000 solar rooftop installations for a total capacity of over 1.8GW on behalf of third-party equity investors and financing banks. Its clients include listed solar funds (in addition to the Company), private equity, family offices, renewable energy specialists and other equity investors as well as some of Europe's leading lenders to and financiers of the solar sector. The estimated value of the assets managed and monitored by NextEnergy Capital Group amounts to c.£4.3 billion. It has developed proprietary hardware and software products and solutions to facilitate delivery of its services to its client base. The NextEnergy Capital Group also manages NextPower II LP, a €150m private equity fund dedicated to solar PV investments in Italy.

NextEnergy Capital Group's team comprises some 88 dedicated staff focused on the European solar sector. The team has a combined investment track record of over 1GW in European solar transactions and had roles in over €100 billion in European energy and infrastructure transactions.

The Company, through its contractual arrangements with the NextEnergy Capital Group, has access to a highly experienced investment team and to a leading asset manager in the European solar sector and expects to leverage this expertise to secure further attractive solar power plant acquisitions and achieve best-in-class technical, operational and financial performance from its portfolio of operating plants. The wide range of services provided by the NextEnergy Capital Group strategically positions the Company to best resolve any potential technical and commercial issues that may impact individual assets and drive best-in-class performance. This ensures that the Company's solar PV plants are operated as efficiently as possible to optimise their technical and financial performances with a view to achieve and exceed the target cash flow yield over their useful life span.

Activities of the NEC Group for NextEnergy Solar Fund Limited

Investment Manager
NextEnergy Capital IM Limited

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

Investment Adviser
NextEnergy Capital Limited

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

Developer
NextPower Development Limited

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

Operating Asset Manager
WiseEnergy (GB) Limited

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

Other Key Service Providers

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

Name	Role
Ipes (Guernsey) Limited	Administrator and Company Secretary to the Company
PricewaterhouseCoopers CI LLP	Independent Auditor to the Company
PricewaterhouseCoopers LLP	Independent Auditor to the Company's Subsidiaries
Simmons & Simmons LLP	Legal adviser to the Group as to UK law
Mourant Ozannes	Legal adviser to the Group as to Guernsey law
Carey Olsen	Legal adviser to the Group as to Guernsey law
Stephenson Harwood	Legal adviser to the Group as to Debt Financing
Cantor Fitzgerald	Financial Advisor and Broker to the Company
Shore Capital & Corporate Limited	Broker to the Company
Fidante Capital	Broker to the Company
Macquarie Capital (Europe) Limited	Broker to the Company
MHP Communications	Media and Public Relations Adviser
Capita Registrars (Guernsey) Limited	Registrar and receiving agent to the Company

Investment Outlook

The Company believes the investment outlook for UK solar remains attractive. Over the course of the 2017/18 financial year it expects to complete on investment opportunities secured under letters of intent and exchanged contracts from a variety of vendors. These opportunities are expected to include recently constructed plants accredited under the 1.2 ROC regime or previously constructed projects under the previous ROC regimes.

At the date of distribution of this annual report the Investment Manager, together with the Developer, have identified a pipeline of c.269MW of short-term acquisition targets and are actively developing further opportunities.

The Company's market standing will continue to position the Company as a pre-eminent participant in the UK solar market. In addition, we will now leverage NextEnergy Capital Group's market access in pursuing investment opportunities in selected markets outside the UK, subject to approval by shareholders at the AGM.

Kevin Lyon
Chairman of the Board of Directors

Corporate Social Responsibility

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

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

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

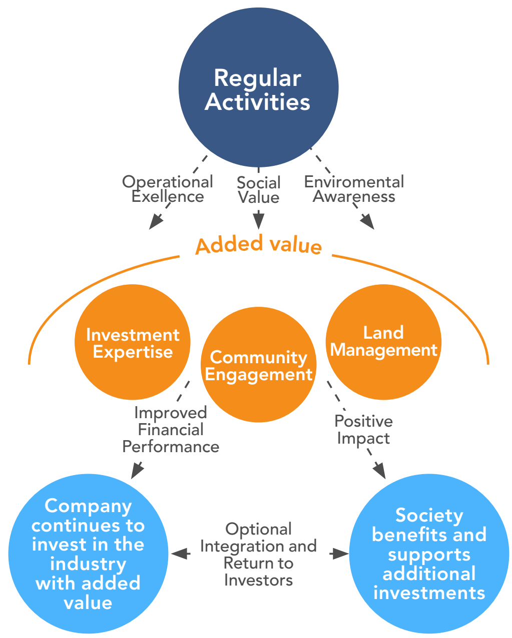
Increasing adverse social and economic pressures have pushed landowners and local communities to look for alternative sources of income and land use to support their financial sustainability. Whilst solar farms present this alternative source of income to the farmers and already benefit the local communities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

Sustainable Metrics

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

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

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



Implementing ESG Metrics in our portfolio

During the year, the Company continued with its efforts in supporting local communities where its projects are located by investing in educational activities and development contributions.

Within a few miles of our Glebe Farm site in Bedfordshire is the Harrold and Odell country park. The Company made a payment towards an outdoor classroom area and agreed a regular amount for 5 years to sponsor teaching materials for local schools to use.

Harrold Odell country park learning area - the provision of the working area for children. This will also be used as a community picnic space.

Biodiversity

The Company, through its Investment Adviser and Operational Asset Manager has made a commitment to ensure its leads best practice in biodiversity in the solar industry. As a member for the Solar Trade Association, the Company already ensures that it complies with the 10 commitments for Land Management. Beyond this, the Company has commissioned an independent Biodiversity review of all its operational assets. The review has highlighted action plans to take sites beyond planning and ecological minimum standards.

The Company has chosen 5 exemplar sites with unique habitats to set a best practice standard which will be implemented across the whole portfolio. One of the exemplar sites, Boxted is a former airfield characterised by patchy grass land with bare areas and risk of weed proliferation. The site is situated adjacent to public footpaths hence represents a positive opportunity for showcasing the improved habitat. The site is now home to bee hives, a pond and grassland. Community boards explaining the fauna and flora which can be now found at site including the nesting yellowhammer and linnet

have also been displayed.

Establishment of bee hives at Boxted Solar Farm.

Community

We believe educating the community about the local environment is very important to improve their relationship with their own society and stimulate the preservation of ecological systems. At our Berwick Solar Farm, public information boards have been posted for the local community and visitors. The existing site has been enhanced with an outdoor classroom for schools. The solar farm developers donated £34,000 to help the 4 local Parish Councils support community projects.

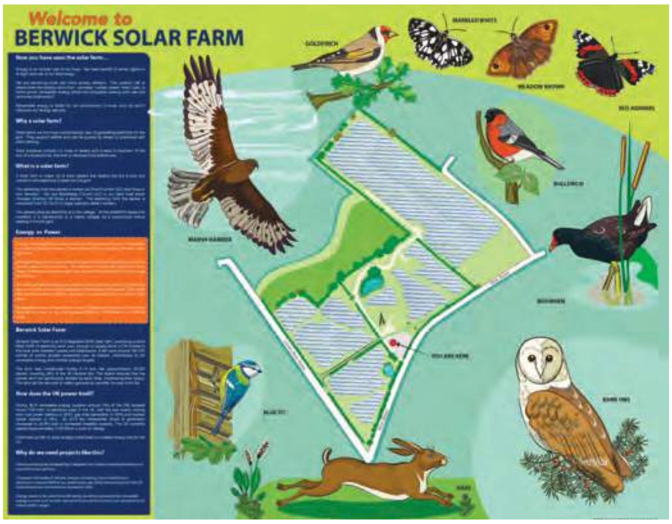
One of the Company's goals is to continue deploying its efforts engaging with the community and start implementing environmental metrics in developing a biodiversity management plan to:

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

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

The Company's first Community Interest Company ("CIC") was Birch CIC near Colchester, Essex. The purpose of a CIC is to benefit the community rather than solely benefiting the shareholders. The goals are (i) to promote education of the environment and renewable energy issues and to promote and develop the renewable energy solar sector to transition towards a low carbon economy and to enhance the social and environmental sustainability of the surrounding communities and habitat and (ii) to benefit the local community by supporting projects through the 2 nearby parishes, Birch Parish and Messing cum Inworth Parish. Birch CIC will distribute around £580k to the community over the operational life of the plant.

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



Environmental

During the year, the Company's portfolio produced 394GWh of clean energy. This is the equivalent of:

100,000 UK homes powered for one year

156,560 tonnes of CO_2 emissions prevented per annum

United Nations Principles for Responsible Investment

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

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

In partnership with:

UNEP FINANCE INITIATIVE

PRI Principles for Responsible Investment

Investment Manager's Report

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

About NextEnergy Capital

The Investment Manager and Investment Adviser are both members of the NextEnergy Capital Group. The NextEnergy Capital Group is a specialist investment and operating asset manager focused on the solar energy sector, with a 88-strong team of which 46 are focused on the UK solar market. Through its operating asset management division, WiseEnergy, the NextEnergy Capital Group manages and monitors over 1,250 utility-scale solar plants and approximately 3,000 solar rooftop installations (comprising an installed capacity of approximately 1.8GW and an estimated £4.3 billion asset value) for a client base which includes leading European banks and equity investors (including private equity funds, listed funds and institutional investors). The NextEnergy Capital Group also manages NextPower II LP, a €150m private equity fund dedicated to solar PV investments in Italy.

Investment Objective

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

Investment Policy

The Company invests exclusively in solar PV plants located in the UK.

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

The Company will typically seek to acquire sole ownership of individual solar PV plants through SPVs, but may enter into joint ventures or acquire majority interests, subject, in each case, to the Company maintaining a controlling interest. Where an interest of less than 100% in a particular solar PV plant is acquired, the Company intends to secure controlling shareholder rights through shareholders' agreements or other legal arrangements. Investments by the Company in solar PV plants may be either by way of equity or a mix of equity and shareholder loans.

The Company has built up a diversified portfolio of solar PV plants and its investment policy contains restrictions to ensure risk diversification. No single investment (or, if an additional stake in an existing investment is acquired, the combined value of both the existing and the additional stake) by the Company in any one solar PV plant will constitute, at the time of investment, more than 30% of the Gross Asset Value. In addition, the 4 largest solar PV plants will constitute, at the time of investment, not more than 75% of the GAV.

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

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

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

A significant proportion of the Company's income is expected to result from the sale of the entirety of the electricity generated by the solar PV plants within the terms of PPAs to be executed from time to time. These are expected to include the sale of ROC's, other regulated benefits and the sale of electricity generated by the plants. Within this context, the Investment Manager expects to conclude PPAs with creditworthy counterparties at the appropriate time.

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

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

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

The Company may invest cash held for working capital purposes and pending investment or distribution in cash or near-cash equivalents, including money market funds.

The Company may (but is not obliged to) enter into hedging arrangements in relation to interest rates and/or power prices.

As required by the Listing Rules, any material change to the investment policy of the Company will be made only with the approval of the FCA and of its Shareholders by ordinary resolution.

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

Portfolio Highlights and Performances

At year end the Company's portfolio included 41 separate solar PV assets for a total installed capacity of c.454MW in operation (2016: 33 PV assets for a total capacity of 414MW). In the period following the year end, the Investment Manager continued with the execution of the pipeline of secured opportunities. As a result, at the date of distribution of this annual report, the Company has announced the acquisition of a further 7 separate solar PV plants increasing the total investment cost to c.£554m, representing a total installed capacity of c.483MW in operation. All of the 48 solar plants in the portfolio were operational and connected to the grid at the year end and qualified for ROC or FiT subsidies.

In the early part of the year, the Company focused on completing and integrating the solar PV assets that had been acquired in the preceding financial year. The NextEnergy Capital Group has actively led the completion process of all the acquisitions made by the Company. The completion process is subject to the satisfaction of several conditions set in the interests of the Company, including the plant satisfactorily passing strictly-defined technical and performance tests. The details of these tests, and whether they refer to the delivery of preliminary, intermediate or final acceptance certificates (or PAC, IAC, FAC as they are known) vary across the portfolio but in general terms these are required by the Investment Manager to ensure that the Company settles the majority of the acquisition consideration only as and when the target solar PV plants demonstrate the desired level of quality and ability to obtain and exceed the expected technical performances in the long run.

The operational performance of the portfolio during the year was very positive. The Investment Manager has provided in this report details of the actual performance compared to expectation for 31 of the portfolio solar PV plants, specifically only those plants that have been managed and monitored by the Investment Adviser for at least 3 months at the year end. As a result of the Company's operating asset management strategy, this sub-portfolio of 31 solar PV plants generated an outperformance of 3.3% above the budgeted generation values, for a total generation of 394GWh. Solar irradiation across the sub-portfolio was slightly below expectations, registering 0.3% under budget.

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

Period	Assets monitored	Solar Irradiation (delta vs. budget)	Power Generation (delta vs. budget)	Asset Management Alpha
Full Year 2014/15	6	(0.4%)	+4.8%	+5.2%
First Half 2015/16	17	+2.9%	+5.7%	+2.8%
Full Year 2015/16	23	+0.4%	+4.1%	+3.7%
First Half 2016/17	31	+0.0%	+3.2%	+3.2%
Full Year 2016/17	31	(0.3%)	+3.3%	+3.6%
Cumulative from IPO to March 2017	31	+0.8%	+4.0%	+3.2%

The Asset Management Alpha allows the Company to identify a "real" outperformance of the solar portfolio due to active management having neutralised the effects of variation in solar irradiation. The nominal outperformance is calculated as GWh generated by the portfolio vs. the GWh expected in the assumptions used at the time of acquisition. In this light, the "nominal" outperformance of the Company's portfolio during the year ended 31 March 2017 was 3.3% whereas the Asset Management Alpha of 3.6% during the year represents the "real" outperformance due to active asset management. This value is in line with the Asset Management Alpha value of +3.7% registered during the previous year on a sub-portfolio of 23 plants. As a like-for-like comparison, during the year the same sub-portfolio of 23 assets registered an Asset Management Alpha of +3.1%.

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

NESF was the first of the 6 investment companies listed on LSE focused on renewable energy to disclose the actual generating performance of each asset compared to budget as well as the information as to what extent the delta in energy generation was due to exogenous weather conditions (i.e. delta in solar irradiation vs. budget). Since then, all other renewable investment companies have started to disclose this information to the benefit of the listed sector transparency. Based on the information publicly disclosed by each market participant, the Company's portfolio has not only performed better than budget but it also outperformed each of the listed peers in every reporting period since its IPO in terms of Asset Management Alpha.

Investment Portfolio

The Investment Manager achieved a high level of diversification in the Company's portfolio: At the date of distribution of this report, the 48 solar PV plants are located across 23 different counties of England and Wales, the largest one represents 7% of the total installed capacity and the 4 largest solar PV plants represent together 22% of the total installed capacity. Leaving aside rooftop assets, the average size of the Company's solar PV plants is 10.8MW and the Investment Manager will seek to maintain this level of fragmentation which is considered beneficial to Shareholders as it mitigates concentration risks. In addition, the portfolio is diversified across 13 non-connected contractors, 13 different Tier 1 solar panel manufacturers and 8 Tier 1 inverter manufacturers. This spread of counterparties effectively diversifies the Company's key counterparty risks.

On the next page is a summary of the overall investment portfolio at the date of distribution of this report with various relevant breakdown analysis:

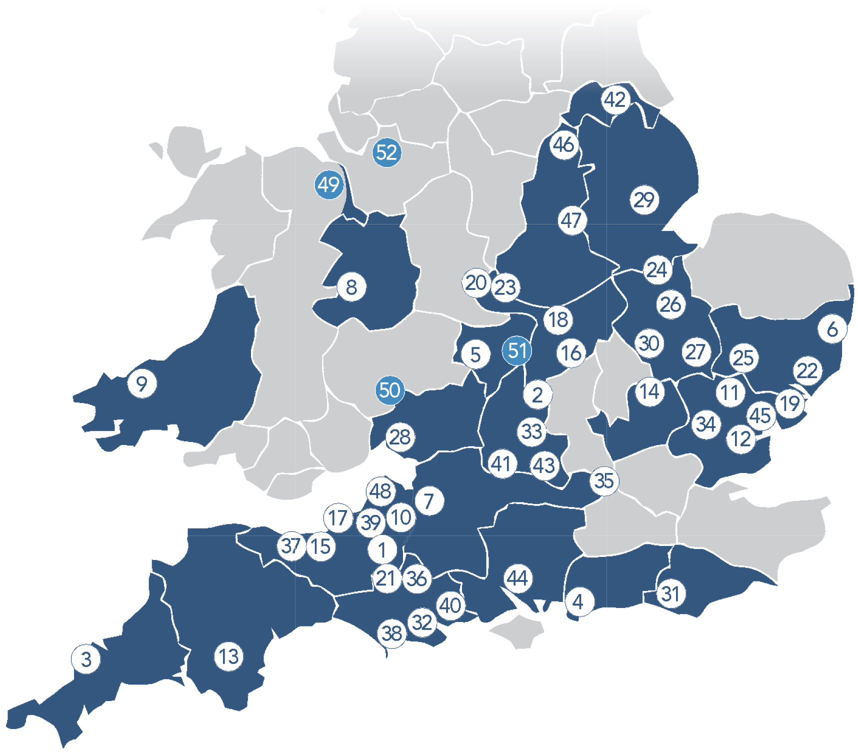
Investment Portfolio

	Power plant	Location	Announcement date	Regulatory Regime[1]	Status[2][8]	Plant capacity (MW)	Investment (GBPm)	Remaining life of the plant (years)	% of Equity Proceeds
1	Higher Hatherleigh	Somerset	01/05/2014	1.6	Completed	6.1	7.3[6]	21.0	1.6%
2	Shacks Barn	Northants	09/05/2014	2.0	Completed	6.3	8.2 [6]	21.0	1.8%
3	Gover Farm	Cornwall	23/06/2014	1.4	Completed	9.4	11.1 [6]	22.6	2.4%
4	Bilsham	West Sussex	03/07/2014	1.4	Completed	15.2	18.9 [6]	22.6	4.1%
5	Brickyard	Warwickshire	14/07/2014	1.4	Completed	3.8	4.1 [6]	22.6	0.9%
6	Ellough	Suffolk	28/07/2014	1.6	Completed	14.9	20.0 [6]	22.0	4.3%
7	Poulshot	Wiltshire	09/09/2014	1.4	Completed	14.5	15.7 [6]	23.0	3.4%
8	Condover	Shropshire	29/10/2014	1.4	Completed	10.2	11.7 [6]	22.5	2.5%
9	Llywndu	Ceredigion	22/12/2014	1.4	Completed	8.0	9.4	22.9	4.4%
10	Cock Hill Farm	Wiltshire	22/12/2014	1.4	Completed	20.0	23.3 [6]	23.0	4.9%
11	Boxted Airfield	Essex	31/12/2014	1.4	Completed	18.8	20.6 [6]	23.0	1.6%
12	Langenhoe	Essex	12/03/2015	1.4	Completed	21.2	22.9 [6]	22.9	3.8%
13	Park View	Devon	19/03/2015	1.4	Completed	6.5	7.7 [6]	23.0	3.1%
14	Croydon	Cambridgeshire	27/03/2015	1.4	Completed	16.5	17.8 [6]	23.0	8.7%
15	Hawkers Farm	Somerset	13/04/2015	1.4	Completed	11.9	14.5 [6]	23.0	2.4%
16	Glebe Farm	Bedfordshire	13/04/2015	1.4	Completed	33.7	40.5 [6]	33.0	2.3%
17	Bowerhouse	Somerset	18/06/2015	1.4	Completed	9.3	11.1 [6]	23.0	1.1%
18	Wellingborough	Northants	18/06/2015	1.6	Completed	8.5	10.8 [6]	22.0	3.1%
19	Birch Farm	Essex	21/10/2015	FiT	Completed	5.0	5.3 [6]	23.2	1.7%
20	Thurlestone Leicester	Leicestershire	21/10/2015	FiT	Completed	1.8	2.3	16.1	2.0%
21	North Farm	Dorset	21/10/2015	1.4	Completed	11.5	14.5 [6]	23.0	5.0%
22	Ellough Phase 2	Suffolk	03/11/2015	1.3	Completed	8.0	8.0 [6]	23.8	0.5%
23	Hall Farm	Leicestershire	03/11/2015	FiT	Completed	5.0	5.0 [6]	23.7	1.1%
24	Decoy Farm	Lincolnshire	03/11/2015	FiT	Completed	5.0	5.2 [6]	23.6	1.1%
25	Green Farm	Essex	26/11/2015	FiT	Completed	5.0	5.8	24.0	1.2%
26	Fenland	Cambridgeshire	11/01/2016	1.4	Completed	20.4	23.9[3][4]	22.9	5.1%
27	Green End	Cambridgeshire	11/01/2016	1.4	Completed	24.8	29.0[3][4]	23.0	6.2%
28	Tower Hill	Gloucestershire	11/01/2016	1.4	Completed	8.1	8.8[3][4]	23.0	1.9%
29	Branston	Lincolnshire	05/04/2016	1.4	Completed	18.9		27.9	
30	Great Wilbraham	Cambridgeshire	05/04/2016	1.4	Completed	38.1		27.9	
31	Berwick	East Sussex	05/04/2016	1.4	Completed	8.2	97.9[3][5]	24.5	21.0%
32	Bottom Plain	Dorset	05/04/2016	1.4	Completed	10.1		28.4	
33	Emberton	Buckinghamshire	05/04/2016	1.4	Completed	9.0		28.1	

(1) An explanation of ROC Regime is available at www.ofgem.gov.uk/environmental-programmes/renewables-obligation-ro
(2) As at Date of Distribution of this annual report.
(3) Acquired with project level debt already in place.
(4) Part of the Three Kings portfolio.
(5) Part of the Radius portfolio.
(6) Part of the Apollo portfolio.
(7) Greater than 100% due to debt financing.
(8) Completed - the asset is operational and the acquisition was completed.
Operational - the asset is operational but the acquisition is not yet completed.

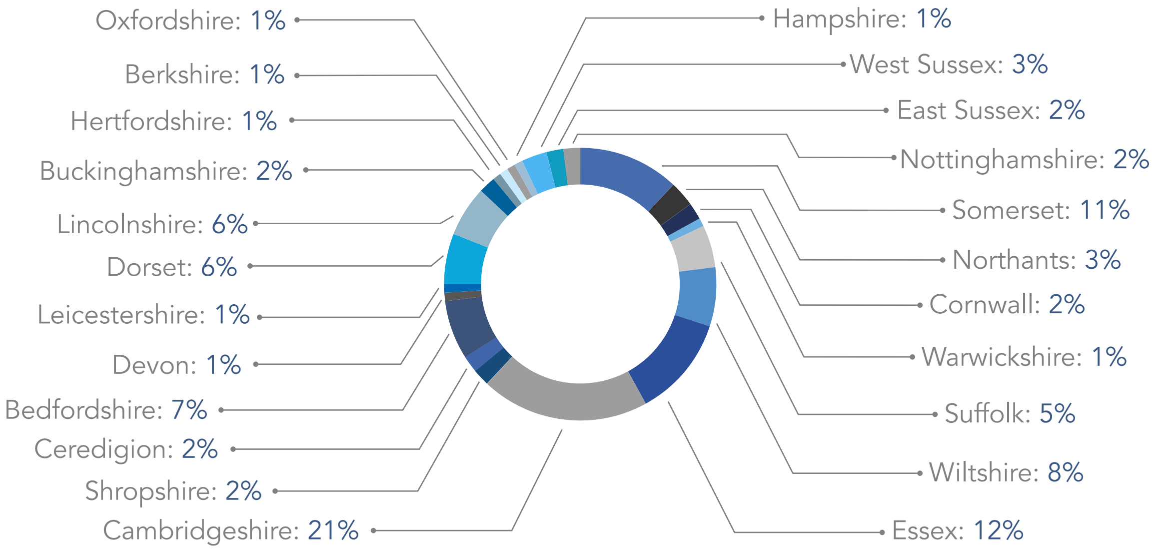
	Power plant	Location	Announcement date	Regulatory Regime[1]	Status[2][8]	Plant capacity (MW)	Investment (GBPm)	Remaining life of the plant (years)	% of Equity Proceeds
34	Kentishes	Essex	22/11/2016	1.2	Operational	5.0	4.4	25.0	1.0%
35	Mill Farm	Herfordshire	04/01/2017	1.2	Operational	5.0	4.2	25.0	0.9%
36	Long Ash Lane	Dorset	04/01/2017	1.2	Operational	5.0	5.7	25.0	1.2%
37	Bowden	Somerset	04/01/2017	1.2	Operational	5.0	5.4	23.7	1.2%
38	Stalbridge	Dorset	04/01/2017	1.2	Operational	5.0	5.3	25.0	1.1%
39	Aller Court	Somerset	21/04/2017	1.2	Operational	5.0	5.4	23.7	1.2%
40	Rampisham	Dorset	21/04/2017	1.2	Operational	5.0	5.8	25.0	1.1%
41	Wasing	Berkshire	21/04/2017	1.2	Operational	5.0	5.2	30.0	1.1%
42	Flixborough	Lincolnshire	21/04/2017	1.2	Operational	5.0	5.0	25.0	1.2%
43	Hill Farm	Oxfordshire	21/04/2017	1.2	Operational	5.0	5.4	25.0	0.8%
44	Forest Farm	Hampshire	21/04/2017	1.2	Operational	3.0	3.2	25.0	1.3%
45	Birch CIC	Essex	12/06/2017	FiT.	Completed	1.7	1.7	23.2	0.4%
46	Barnby Moor	Nottinghamshire	12/06/2017	1.2	Operational	5.0	5.4	24.9	1.1%
47	Bilsthorpe Moor	Nottinghamshire	12/06/2017	1.2	Operational	5.0	5.4	24.9	1.2%
48	Wickfield	Wiltshire	12/06/2017	1.2	Operational	4.9	5.6	24.9	1.2%
	Total					483.3	554.4		119.2%[7]

49	Francis/Gourton	Wrexham	12/06/2017	none	To be built	10·0	–	–	–
50	Glebe	Worcestershire	12/06/2017	none	To be built	19·6	–	–	–
51	Radbrook	Warwickshire	12/06/2017	none	To be built	20·7	–	–	–
52	Moss	Cheshire	12/06/2017	none	To be built	9·5	–	–	–

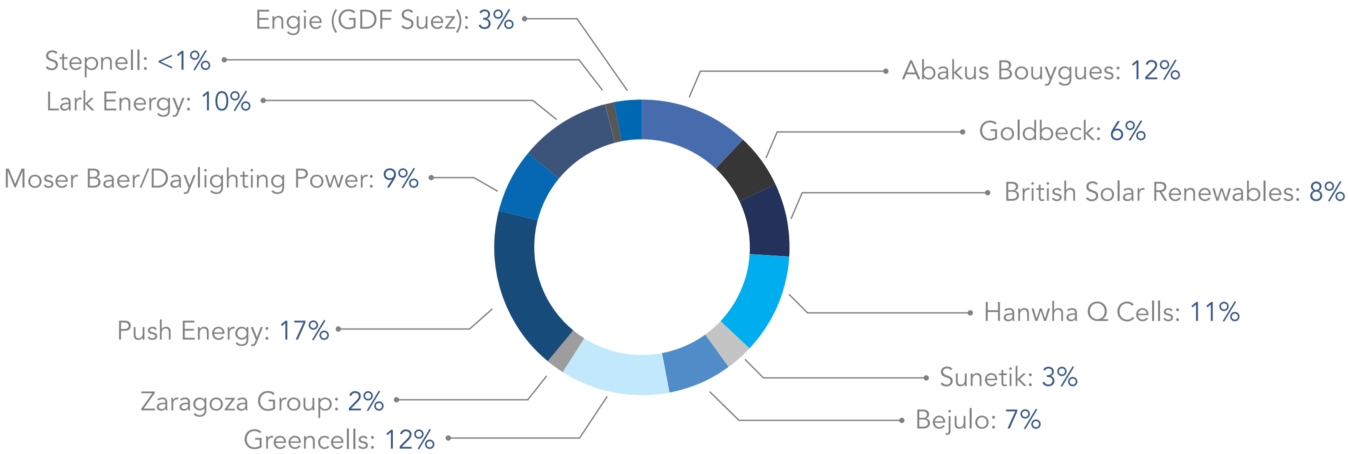


Investment Portfolio Diversification

By County

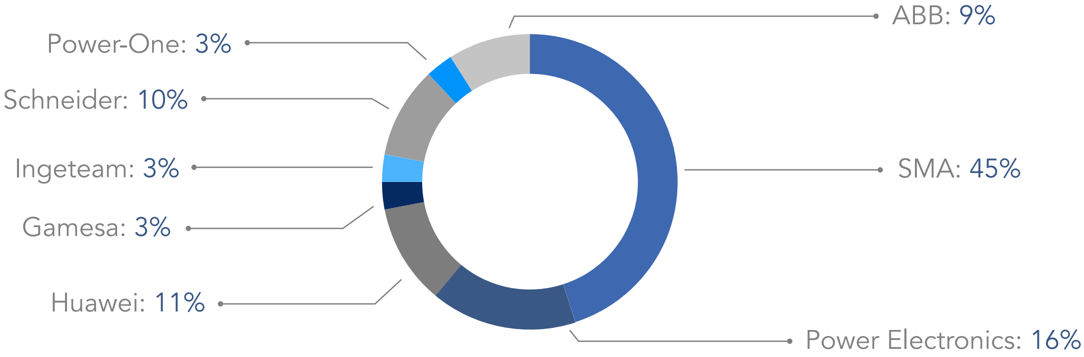


By EPC Contractor

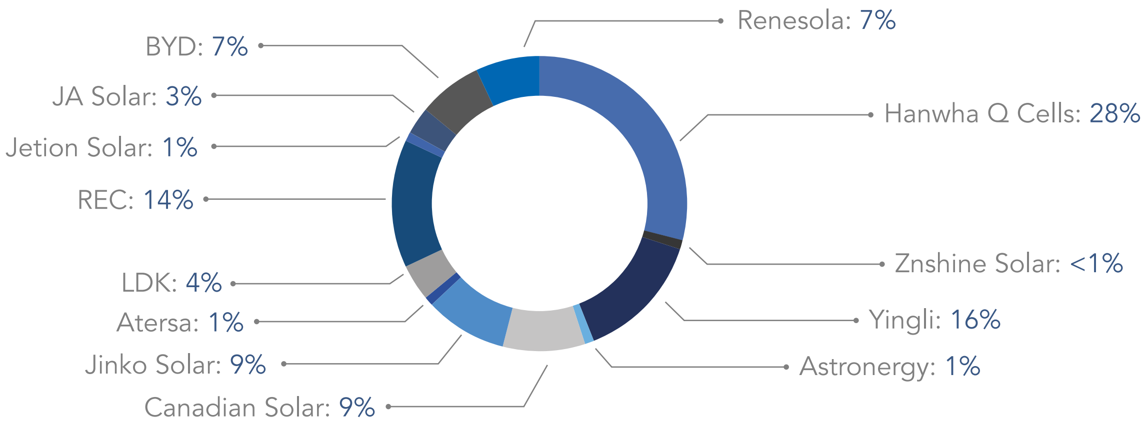


Investment Portfolio Diversification

By Inverter Manufacturer



By Solar Module Manufacturer



1. Higher Hatherleigh

	YE March 2017	Since Acquisition
MWh Generated	5,752	17,605
Solar Irradiation vs expectations	(4.9%)	(0.9%)
Energy Generation vs Budget	(1.3%)	+4.4%

Location	Wincanton, Somerset
Capacity	6.1MW
Regulatory Regime	1.6 ROCs
EPC	Moser Baer/Daylighting Power
Panels	JA Solar
Inverter	Power-One
Operational Since	Apr-13
Acquisition Date	May-14

2. Shacks Barn.

Location	Silverstone, Northants
Capacity	6.3MW
Regulatory Regime	2.0 ROCs
EPC	Moser Baer/Daylighting Power
Panels	JA Solar
Inverter	Power-One
Operational Since	Mar-13
Acquisition Date	May-14

	YE March 2017	Since Acquisition
MWh Generated	6,104	18,107
Solar Irradiation vs expectations	(2.1%)	+1.4%
Energy Generation vs Budget	+6.1%	+9.9%

3. Gover Farm

	YE March 2017	Since Acquisition
MWh Generated	8,879	20,550
Solar Irradiation vs expectations	(1.5%)	+0.4%
Energy Generation vs Budget	(3.6%)	+3.3%

Location	Truro, Cornwall
Capacity	9.4MW
Regulatory Regime	1.4 ROCs
EPC	Moser Baer/Daylighting Power
Panels	BYD
Inverter	ABB
Operational Since	Oct-14
Acquisition Date	Jun-14

4. Bilsham

	YE March 2017	Since Acquisition
MWh Generated	16,443	34,670
Solar Irradiation vs expectations	+1.5%	+0.8%
Energy Generation vs Budget	+5.2%	+4.7%

Location	Bognor Regis, West Sussex
Capacity	15.2MW
Regulatory Regime	1.4 ROCs
EPC	Engie (GDF Suez)
Panels	Renesola
Inverter	ABB
Operational Since	Nov-14
Acquisition Date	Mar-15

5. Brickyard

Location	Leamington Spa, Warwickshire
Capacity	3.8MW
Regulatory Regime	1.4 ROCs
EPC	Moser Baer/Daylighting Power
Panels	BYD
Inverter	ABB
Operational Since	Nov-14
Acquisition Date	Jul-14

	YE March 2017	Since Acquisition
MWh Generated	3,569	7,749
Solar Irradiation vs expectations	(0.8%)	+0.9%
Energy Generation vs Budget	+3.3%	+5.4%

6. Ellough

	YE March 2017	Since Acquisition
MWh Generated	15,344	38,005
Solar Irradiation vs expectations	(1.5%)	(1.7%)
Energy Generation vs Budget	+5.1%	+5.5%

Location	Ellough, Suffolk
Capacity	14.9MW
Regulatory Regime	1.6 ROCs
EPC	Lark Energy
Panels	Hanwha Q Cells
Inverter	Power Electronics
Operational Since	Mar-14
Acquisition Date	Jul-14

7. Poulshot

		YE March 2017	Since Acquisition
	MWh Generated	13,966	22,254
	Solar Irradiation vs expectations	(2.0%)	(3.2%)
	Energy Generation vs Budget	+3.1%	+1.9%

Location	Trowbridge, Wiltshire
Capacity	14.5MW
Regulatory Regime	1.4 ROCs
EPC	Moser Baer/Daylighting Power
Panels	BYD
Inverter	ABB
Operational Since	Mar-15
Acquisition Date	Sep-14

8. Condover

Location	Condover, Shropshire
Capacity	10.2MW
Regulatory Regime	1.4 ROCs
EPC	Zaragoza Group
Panels	Canadian Solar
Inverter	Power Electronics
Operational Since	Mar-15
Acquisition Date	Oct-14

		YE March 2017	Since Acquisition
	MWh Generated	9,218	16,675
	Solar Irradiation vs expectations	(2.7%)	(2.9%)
	Energy Generation vs Budget	(3.2%)	+0.0%

9. Llwyndu

		YE March 2017	Since Acquisition
	MWh Generated	7,439	11,554
	Solar Irradiation vs expectations	(6.2%)	(6.6%)
	Energy Generation vs Budget	(2.0%)	(1.1%)

Location	Blaenporth, Ceredigion
Capacity	8.0MW
Regulatory Regime	1.4 ROCs
EPC	Greencells
Panels	BYD
Inverter	Huawei
Operational Since	Feb-15
Acquisition Date	Dec-14

10. Cock Hill Farm

	YE March 2017	Since Acquisition
MWh Generated	19,694	30,322
Solar Irradiation vs expectations	(2.1%)	(3.7%)
Energy Generation vs Budget	+1.7%	+1.2%

Location	Trowbridge, Wiltshire
Capacity	20.0MW
Regulatory Regime	1.4 ROCs
EPC	Greencells
Panels	Jinko Solar
Inverter	Huawei
Operational Since	Mar-15
Acquisition Date	Dec-14

11. Boxted Airfield

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

	YE March 2017	Since Acquisition
MWh Generated	18,861	37,493
Solar Irradiation vs expectations	+1.0%	+0.2%
Energy Generation vs Budget	+4.8%	+3.9%

12. Langenhoe

	YE March 2017	Since Acquisition
MWh Generated	22,178	44,077
Solar Irradiation vs expectations	+3.7%	+3.2%
Energy Generation vs Budget	+8.7%	+7.7%

Location	Colchester, Essex
Capacity	21.2MW
Regulatory Regime	1.4 ROCs
EPC	Push Energy
Panels	Yingli
Inverter	SMA
Operational Since	Mar-15
Acquisition Date	Oct-14

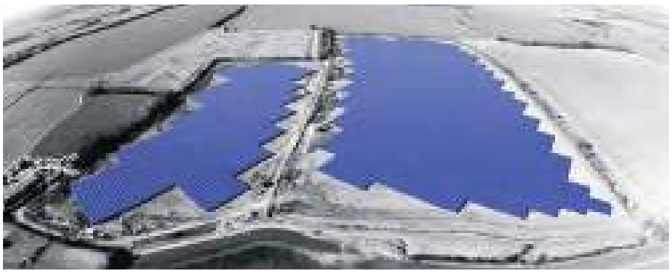
13. Park View

	YE March 2017	Since Acquisition
MWh Generated	6,405	10,031
Solar Irradiation vs expectations	(6.4%)	(6.8%)
Energy Generation vs Budget	(2.8%)	(1.9%)

Location	Ashburton, Devon
Capacity	6.5MW
Regulatory Regime	1.4 ROCs
EPC	Sunetik
Panels	Astronergy
Inverter	SMA
Operational Since	Mar-15
Acquisition Date	Mar-15

14. Croydon

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



	YE March 2017	Since Acquisition
MWh Generated	16,073	31,619
Solar Irradiation vs expectations	+2.6%	+2.5%
Energy Generation vs Budget	+6.7%	+4.7%

15. Hawkers Farm

	YE March 2017	Since Acquisition
MWh Generated	11,686	19,160
Solar Irradiation vs expectations	(3.9%)	(4.1%)
Energy Generation vs Budget	(1.2%)	+0.1%

Location	Theale, Somerset
Capacity	11.9MW
Regulatory Regime	1.4 ROCs
EPC	Greencells
Panels	Jinko Solar
Inverter	Huawei
Operational Since	Mar-15
Acquisition Date	Apr-15

16. Glebe Farm

	YE March 2017	Since Acquisition
MWh Generated	33,596	59,629
Solar Irradiation vs expectations	+2.4%	+2.2%
Energy Generation vs Budget	+8.2%	+9.0%

Location	Wellingborough, Northants
Capacity	33.7MW
Regulatory Regime	1.4 ROCs
EPC	Bejulo
Panels	Canadian Solar
Inverter	SMA
Operational Since	Mar-15
Acquisition Date	May-15

17. Bowerhouse

Location	Banwell, Somerset
Capacity	9.3MW
Regulatory Regime	1.4 ROCs
EPC	Sunetik
Panels	LDK
Inverter	SMA
Operational Since	Mar-15
Acquisition Date	Jun-15

	YE March 2017	Since Acquisition
MWh Generated	9,064	13,999
Solar Irradiation vs expectations	(2.6%)	(3.5%)
Energy Generation vs Budget	(0.5%)	(0.9%)

18. Wellingborough

	YE March 2017	Since Acquisition
MWh Generated	8,278	13,856
Solar Irradiation vs expectations	(1.2%)	(1.9%)
Energy Generation vs Budget	+4.5%	+4.1%

Location	Wellingborough, Northants
Capacity	8.5MW
Regulatory Regime	1.6 ROCs
EPC	Lark Energy
Panels	LDK
Inverter	Power Electronics
Operational Since	Mar-15
Acquisition Date	Jun-15

19. Birch Farm

	YE March 2017	Since Acquisition
MWh Generated	5,033	6,624
Solar Irradiation vs expectations	+1.6%	+0.8%
Energy Generation vs Budget	+5.9%	+4.2%

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

20. Thurlestone Leicester

Location	Leicester, Leicestershire
Capacity	1.8MW
Regulatory Regime	FiT
EPC	Stepnell
Panels	Znshine Solar
Inverter	Power-One
Operational Since	Apr-13
Acquisition Date	Oct-15

	YE March 2017	Since Acquisition
MWh Generated	1,529	1,853
Solar Irradiation vs expectations	N/A	N/A
Energy Generation vs Budget	N/A	N/A

21. North Farm

	YE March 2017	Since Acquisition
MWh Generated	11,731	14,828
Solar Irradiation vs expectations	(8.0%)	(9.5%)
Energy Generation vs Budget	(5.1%)	(6.1%)

Location	Wimborne, Dorset
Capacity	11.5MW
Regulatory Regime	1.4 ROCs
EPC	British Solar Renewables
Panels	Jinko Solar
Inverter	Gamesa
Operational Since	Mar-15
Acquisition Date	Oct-15

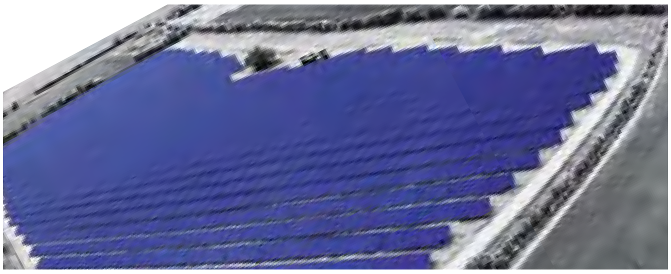
22. Ellough Phase 2

	YE March 2017	Since Acquisition
MWh Generated	4,040	4,040
Solar Irradiation vs expectations	+9.2	+9.2
Energy Generation vs Budget	+14.5	+14.5

Location	Ellough, Suffolk
Capacity	8.0MW
Regulatory Regime	1.3 ROCs
EPC	Lark Energy
Panels	Hanwha Q Cells
Inverter	Power Electronics
Operational Since	Mar-16
Acquisition Date	Aug-16

23. Hall Farm

Location	Newbold Vernon, Leicestershire
Capacity	5.0MW
Regulatory Regime	FiT
EPC	Push Energy
Panels	Hanwha Q Cells
Inverter	Ingeteam
Operational Since	May-16
Acquisition Date	Nov-15



	YE March 2017	Since Acquisition
MWh Generated	1,533	1,533
Solar Irradiation vs expectations	(5.1%)	(5.1%)
Energy Generation vs Budget	+4.5%	+4.5%

24. Decoy Farm

	YE March 2017	Since Acquisition
MWh Generated	1,620	1,620
Solar Irradiation vs expectations	(3.0%)	(3.0%)
Energy Generation vs Budget	+6.5%	+6.5%

Location	Crowland, Lincolnshire
Capacity	5.0MW
Regulatory Regime	FiT
EPC	Push Energy
Panels	Hanwha Q Cells
Inverter	Ingeteam
Operational Since	Jan-16
Acquisition Date	Nov-15

25. Green Farm

	YE March 2017	Since Acquisition
MWh Generated	886	886
Solar Irradiation vs expectations	N/A	N/A
Energy Generation vs Budget	N/A	N/A

Location	Wix, Essex
Capacity	5.0MW
Regulatory Regime	FiT
EPC	Moser Baer/Daylighting Power
Panels	Atersa
Inverter	Power Electronics
Operational Since	Dec-15
Acquisition Date	Nov-15

26. Fenland

Location	Waterbeach, Cambridgeshire
Capacity	20.4MW
Regulatory Regime	1.4 ROCs
EPC	Hanwha Q Cells
Panels	Hanwha Q Cells
Inverter	SMA
Operational Since	Mar-15
Acquisition Date	Jan-16

	YE March 2017	Since Acquisition
MWh Generated	20,699	23,875
Solar Irradiation vs expectations	+0.7%	+1.6%
Energy Generation vs Budget	+6.4%	+7.1%

27. Green End

	YE March 2017	Since Acquisition
MWh Generated	24,183	28,091
Solar Irradiation vs expectations	+0.0%	+0.7%
Energy Generation vs Budget	+2.5%	+3.8%

Location	Ely, Cambridgeshire
Capacity	24.8MW
Regulatory Regime	1.4 ROCs
EPC	Hanwha Q Cells
Panels	Hanwha Q Cells
Inverter	SMA
Operational Since	Mar-15
Acquisition Date	Jan-16

28. Tower Hill

	YE March 2017	Since Acquisition
MWh Generated	7,840	9,079
Solar Irradiation vs expectations	(2.1%)	(1.2%)
Energy Generation vs Budget	+2.5%	+3.6%

Location	Tytherington, Gloucestershire
Capacity	8.1MW
Regulatory Regime	1.4 ROCs
EPC	Hanwha Q Cells
Panels	Hanwha Q Cells
Inverter	SMA
Operational Since	Mar-15
Acquisition Date	Jan-16

29. Branston

Location	Branston, Lincolnshire
Capacity	18.9MW
Regulatory Regime	1.4 ROCs
EPC	Goldbeck
Panels	REC
Inverter	SMA
Operational Since	Mar-15
Acquisition Date	Mar-16

	YE March 2017	Since Acquisition
MWh Generated	18,620	18,620
Solar Irradiation vs expectations	+2.1%	+2.1%
Energy Generation vs Budget	+5.8%	+5.8%

30. Great Wilbraham

	YE March 2017	Since Acquisition
MWh Generated	36,754	36,754
Solar Irradiation vs expectations	+0.6%	+0.6%
Energy Generation vs Budget	+1.8%	+1.8%

Location	Great Wilbraham, Cambridgeshire
Capacity	38.1MW
Regulatory Regime	1.4 ROCs
EPC	Abakus Bouygues
Panels	REC
Inverter	Schneider
Operational Since	Mar-15
Acquisition Date	Mar-16

31. Berwick

	YE March 2017	Since Acquisition
MWh Generated	9,166	9,166
Solar Irradiation vs expectations	+3.2%	+3.2%
Energy Generation vs Budget	+6.3%	+6.3%

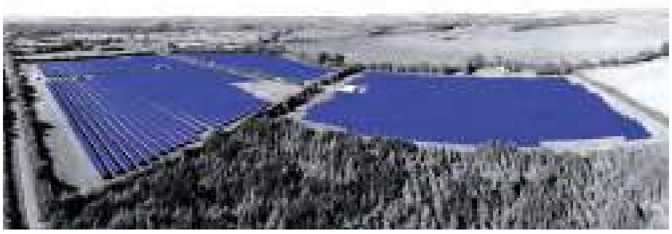
Location	Polegate, East Sussex
Capacity	8.2MW
Regulatory Regime	1.4 ROCs
EPC	Abakus Bouygues
Panels	Renesola
Inverter	SMA
Operational Since	Mar-15
Acquisition Date	Mar-16

32. Bottom Plain

Location	Wareham, Dorset
Capacity	10.1MW
Regulatory Regime	1.4 ROCs
EPC	Abakus Bouygues
Panels	Renesola
Inverter	SMA
Operational Since	Dec-14
Acquisition Date	Mar-16

	YE March 2017	Since Acquisition
MWh Generated	10,250	10,250
Solar Irradiation vs expectations	(2.3%)	(2.3%)
Energy Generation vs Budget	+0.0%	+0.0%

33. Emberton



	YE March 2017	Since Acquisition
MWh Generated	8,567	8,567
Solar Irradiation vs expectations	+0.3%	+0.3%
Energy Generation vs Budget	(0.1%)	(0.1%)

Location	Emberton, Buckinghamshire
Capacity	9.0MW
Regulatory Regime	1.4 ROCs
EPC	Goldbeck
Panels	REC
Inverter	Schneider
Operational Since	Mar-15
Acquisition Date	Mar-16

34. Kentishes

		YE March 2017	Since Acquisition
	MWh Generated	N/A	N/A
	Solar Irradiation vs expectations	N/A	N/A
	Energy Generation vs Budget	N/A	N/A

Location	Braintree, Essex
Capacity	5.0MW
Regulatory Regime	1.2 ROCs
EPC	Push Energy
Panels	Hanwha Q Cells
Inverter	Power Electronics
Operational Since	Feb-17
Acquisition Date	Nov-16

35. Mill Farm

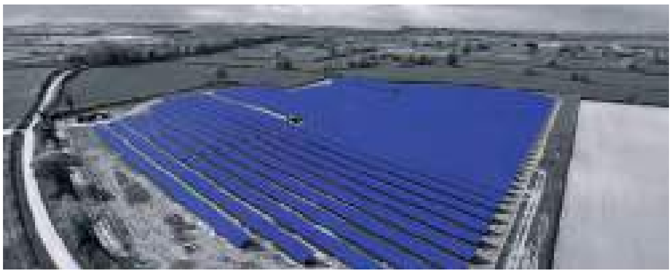
Location	Great Munden, Herefordshire
Capacity	5.0MW
Regulatory Regime	1.2 ROCs
EPC	Push Energy
Panels	Hanwha Q Cells
Inverter	Power Electronics
Operational Since	Feb-17
Acquisition Date	Dec-16

		YE March 2017	Since Acquisition
	MWh Generated	N/A	N/A
	Solar Irradiation vs expectations	N/A	N/A
	Energy Generation vs Budget	N/A	N/A

36. Long Ash Lane

		YE March 2017	Since Acquisition
	MWh Generated	N/A	N/A
	Solar Irradiation vs expectations	N/A	N/A
	Energy Generation vs Budget	N/A	N/A

Location	Bridport, Dorset
Capacity	5.0MW
Regulatory Regime	1.2 ROCs
EPC	British Solar Renewables
Panels	Jetion Solar
Inverter	Gamesa
Operational Since	Mar-17
Acquisition Date	Dec-16



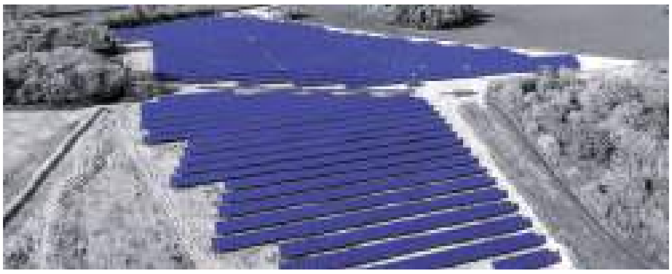
37. Bowden

	YE March 2017	Since Acquisition
MWh Generated	N/A	N/A
Solar Irradiation vs expectations	N/A	N/A
Energy Generation vs Budget	N/A	N/A

Location	Templecombe, Somerset
Capacity	5.0MW
Regulatory Regime	1.2 ROCs
EPC	British Solar Renewables
Panels	Hanwha Q Cells
Inverter	SMA
Operational Since	Mar-17
Acquisition Date	Dec-16

38. Stalbridge

Location	Sturminster Newton, Dorset
Capacity	5.0MW
Regulatory Regime	1.2 ROCs
EPC	British Solar Renewables
Panels	Hanwha Q Cells
Inverter	SMA
Operational Since	Mar-17
Acquisition Date	Dec-16



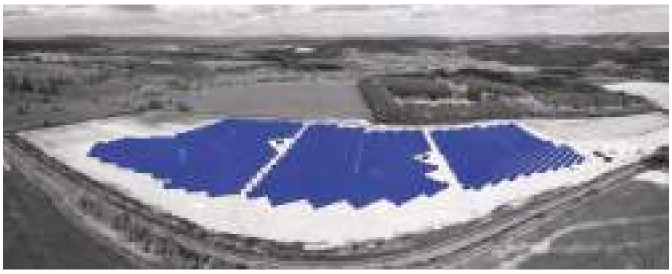
	YE March 2017	Since Acquisition
MWh Generated	N/A	N/A
Solar Irradiation vs expectations	N/A	N/A
Energy Generation vs Budget	N/A	N/A

39. Aller Court

	YE March 2017	Since Acquisition
MWh Generated	N/A	N/A
Solar Irradiation vs expectations	N/A	N/A
Energy Generation vs Budget	N/A	N/A

Location	Langport, Somerset
Capacity	5.0MW
Regulatory Regime	1.2 ROCs
EPC	British Solar Renewables
Panels	Hanwha Q Cells
Inverter	SMA
Operational Since	Mar-17
Acquisition Date	Feb-17

40. Rampisham

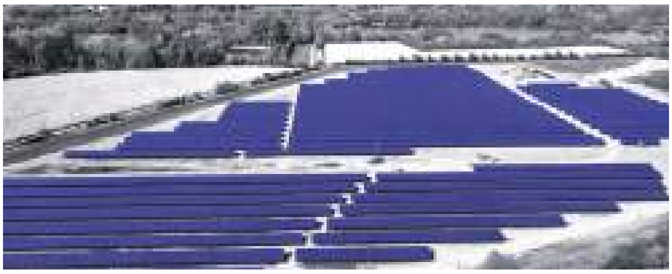


	YE March 2017	Since Acquisition
MWh Generated	N/A	N/A
Solar Irradiation vs expectations	N/A	N/A
Energy Generation vs Budget	N/A	N/A

Location	Rampisham, Dorset
Capacity	5.0MW
Regulatory Regime	1.2 ROCs
EPC	British Solar Renewables
Panels	Hanwha Q Cells
Inverter	SMA
Operational Since	Mar-17
Acquisition Date	Apr-17

41. Wasing

Location	Brompton, Berkshire
Capacity	5.0MW
Regulatory Regime	1.2 ROCs
EPC	Greencells
Panels	Hanwha Q Cells
Inverter	Huawei
Operational Since	Mar-17
Acquisition Date	Feb-17



	YE March 2017	Since Acquisition
MWh Generated	N/A	N/A
Solar Irradiation vs expectations	N/A	N/A
Energy Generation vs Budget	N/A	N/A

42. Flixborough

	YE March 2017	Since Acquisition
MWh Generated	N/A	N/A
Solar Irradiation vs expectations	N/A	N/A
Energy Generation vs Budget	N/A	N/A

Location	Scunthorpe, Lincolnshire
Capacity	5.0MW
Regulatory Regime	1.2 ROCs
EPC	Greencells
Panels	Hanwha Q Cells
Inverter	Power Electronics
Operational Since	Mar-17
Acquisition Date	Feb-17

43. Hill Farm

	YE March 2017	Since Acquisition
MWh Generated	N/A	N/A
Solar Irradiation vs expectations	N/A	N/A
Energy Generation vs Budget	N/A	N/A

Location	Bicester, Oxfordshire
Capacity	5.0MW
Regulatory Regime	1.2 ROCs
EPC	Greencells
Panels	Hanwha Q Cells
Inverter	Huawei
Operational Since	Mar-17
Acquisition Date	Apr-17

44. Forest Farm

Location	Southampton, Hampshire
Capacity	3.0MW
Regulatory Regime	1.2 ROCs
EPC	Greencells
Panels	Hanwha Q Cells
Inverter	Huawei
Operational Since	Mar-17
Acquisition Date	Apr-17

	YE March 2017	Since Acquisition
MWh Generated	N/A	N/A
Solar Irradiation vs expectations	N/A	N/A
Energy Generation vs Budget	N/A	N/A

45. Birch CIC

	YE March 2017	Since Acquisition
MWh Generated	N/A	N/A
Solar Irradiation vs expectations	N/A	N/A
Energy Generation vs Budget	N/A	N/A

Location	Colchester, Essex
Capacity	1.7MW
Regulatory Regime	1.2 ROCs
EPC	Push Energy
Panels	Yingli
Inverter	Ingeteam
Operational Since	Jun-16
Acquisition Date	Apr-17

46. Barnby Moor

	YE March 2017	Since Acquisition
MWh Generated	N/A	N/A
Solar Irradiation vs expectations	N/A	N/A
Energy Generation vs Budget	N/A	N/A

Location	Retford, Nottinghamshire
Capacity	5.0MW
Regulatory Regime	1.2 ROCs
EPC	Lark Energy
Panels	Yingli
Inverter	Power Electronics
Operational Since	Mar-17
Acquisition Date	Jun-17

47. Bilsthrope

Location	Bilsthrope, Nottinghamshire
Capacity	5.0MW
Regulatory Regime	1.2 ROCs
EPC	Lark Energy
Panels	Yingli
Inverter	Power Electronics
Operational Since	Mar-17
Acquisition Date	Jun-17

	YE March 2017	Since Acquisition
MWh Generated	N/A	N/A
Solar Irradiation vs expectations	N/A	N/A
Energy Generation vs Budget	N/A	N/A

48. Wickfield

	YE March 2017	Since Acquisition
MWh Generated	N/A	N/A
Solar Irradiation vs expectations	N/A	N/A
Energy Generation vs Budget	N/A	N/A

Location	Swindon, Wiltshire
Capacity	4.9MW
Regulatory Regime	1.2 ROCs
EPC	Lark Energy
Panels	Yingli
Inverter	Power Electronics
Operational Since	Mar-17
Acquisition Date	Jun-17

Current and Long Term Power Prices

During its third year, the Company experienced the first upward trend in the UK wholesale power market since its IPO. Both electricity spot prices and long term estimates have increased as a result of, inter alia: 1) the depreciation immediately following the Brexit vote in June 2016 of sterling vs. other currencies in which natural gas contracts (the main driver for UK power prices) are denominated internationally; and 2) the increase in energy prices in continental Europe during last winter due to the temporary shut-down of several French nuclear reactors for extraordinary maintenance and security reasons.

Despite some of the drivers of this increase being short-term related and ceasing to impact the UK market at the date of distribution of this Report, on balance both short- and long-term prices have increased during the year. Electricity spot prices rose from c.£34/MWh in March 2016 to c.£42/MWh in March 2017[(1)]. In addition, the market consensus on long-term power prices has also changed in the estimates produced by the Company's appointed independent market consultants. The Investment Manager continuously reviews multiple inputs for power price forecasts and takes the average of the 2 leading energy market 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 Company's consultants in publishing periodic (quarterly) or ad hoc updates following any significant market development.

The power price forecasts employed 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 versus the baseload prices included in the power price estimates. This solar capture discount is estimated by the Company's energy market 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.

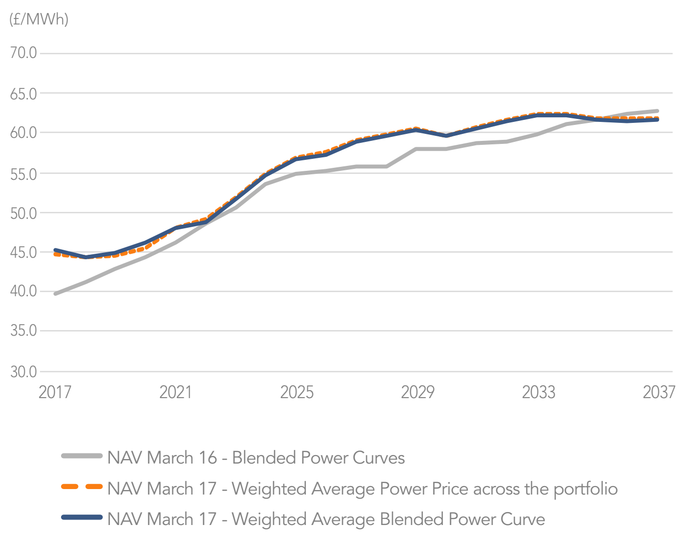
The Company's current long-term power price forecast implies an average growth rate of approximately 1.6% in real terms over the 20-year period starting April 2017. This represents an increase of 3.6% compared to those used at the end of the previous reporting year (but still 29.1% below the assumptions employed at IPO). This power price forecast also includes the latest downward revision published by the Company's consultants in May 2017.

The financial performance of the Company and its NAV are sensitive to further positive and negative movements in the short, medium and long-term power prices. Detailed sensitivity analyses are provided in the Financial Review section of this Annual Report. It is worth noting that this exposure is significantly mitigated by the balanced mix of revenues typical of the solar PV plants acquired by the Company which, as at March 2018 are expected to comprise c.57% of regulated revenues (ROCs and FiTs, mainly linked to RPI) and c.43% of sale of electricity on the wholesale market through PPAs.

Historic UK Power Prices [(1)]

[(1)] Source: N2EX - UK baseload - day ahead

Forecast UK Power Price (Real 2017)



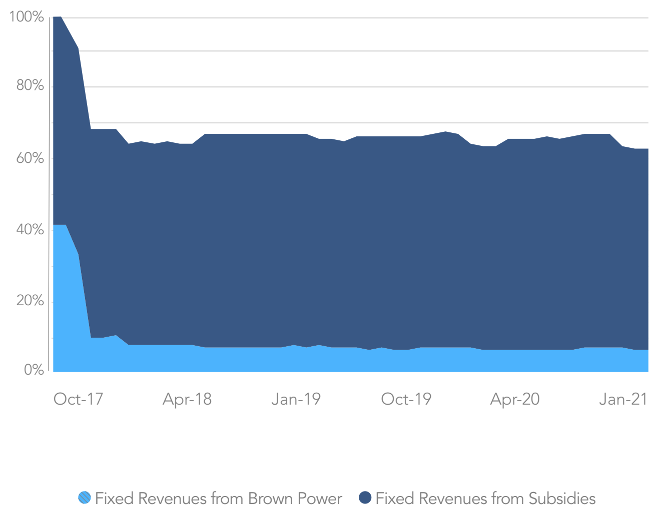
Power Purchase Agreements

The Company's electricity sales strategy is designed to maximise revenues whilst mitigating the negative impact of short-term fluctuations in the power markets. During the year, this strategy allowed for the flexibility required by the rapid growth of the portfolio, so that the Company could build significant scale to then optimise the PPA terms on the entire portfolio. In the context of the £150m long-term financing closed in January 2017, the Company retained flexibility on its electricity sales strategy and thus the underlying Apollo portfolio does not have any fixed price or floor price agreement that are usually associated with a significant discount on the selling price vs. market.

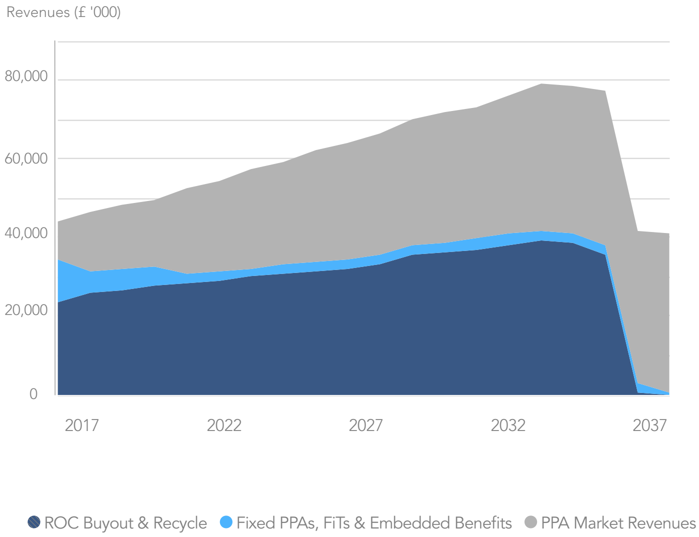
As at 31 March 2017, the Company had a mix of PPA with fixed prices for periods ranging from 3 months to 5 years. As a result of these PPAs as well as of the UK regulatory framework, the Company had a total of c.68% of its revenues linked to fixed power prices and ROCs until March 2021, thereby mitigating the risk of dividend reductions from volatility in the power price market.

The Investment Adviser is assisted by a specialist trading advisor in constantly monitoring developments in the UK power market and fixing prices when most appropriate for the next 12 months on a rolling basis.

% of NESF revenues fixed as at 31 March 2017



NESF Portfolio - Revenues breakdown



Power Price Sensitivities

Taking into account the current level of performance of its portfolio and based on the blended average of the market consultant's power price forecasts, the Company expects to be able to meet its long term RPI-linked dividend targets with a 1.2x dividend cover (Management Case in the chart below).

The Investment Manager has performed 3 sensitivities on dividend cover against different UK Power Price scenarios:

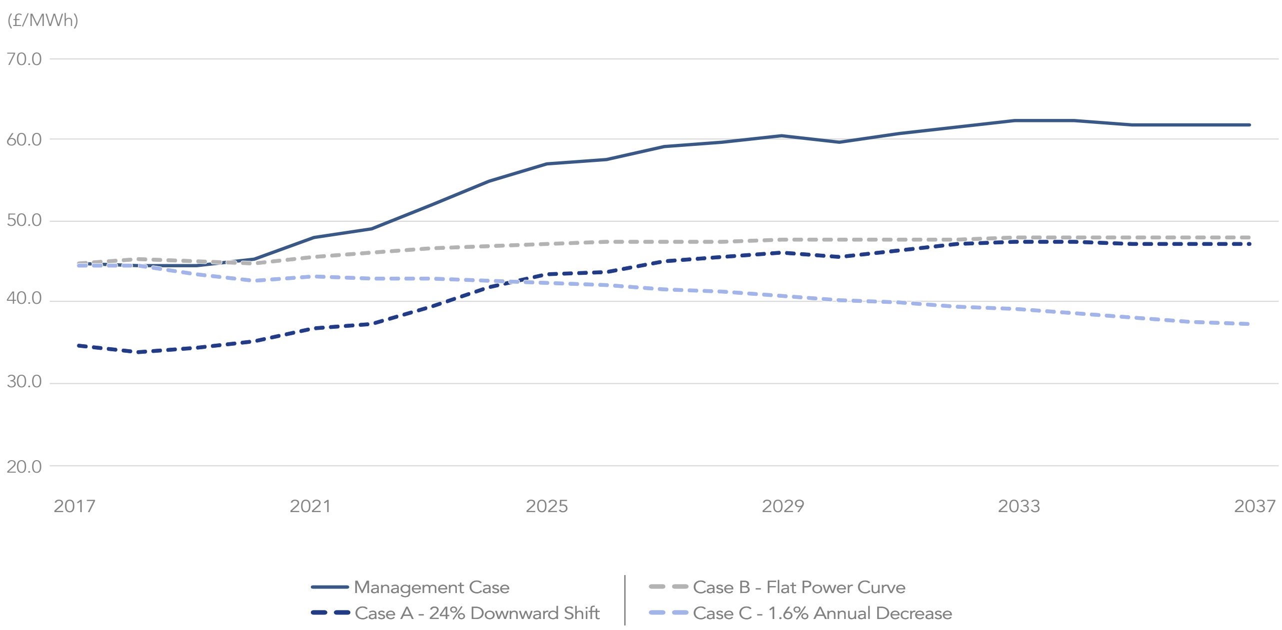
a) Even in a scenario in which power prices for the entire period to 2037 were to fall 24% below current forecasts, the Company would be able to meet a 1.0x dividend cover (Case A in the chart below). In addition, it should be noted that, thanks to the 5-year grace period secured with the £150m long-term debt refinancing transaction, NESF would meet its dividends targets for the next 5 years even in the theoretical scenario in which the power forecasts were to drop by 50% during that period.

Although commonly referred to as standard sensitivities in the market, this parallel downward shift of the entire long-term power curve by a fixed percentage mentioned above is an unlikely scenario. The Investment Manager has therefore also developed 2 additional scenarios. The Company would also be able to meet its targets in these 2 scenarios:

b) In a scenario in which power prices were to remain flat in real terms at today's values, the Company would be able to meet its dividend targets for the period to 2037 with a dividend cover of 1.1x (Case B in the chart below). This scenario is in line with the downside case assumed by the Company's market consultants.

c) In an illustrative extreme downside case of declining power prices, should price forecasts decline in real terms in a straight line over the long term by a 1.6% annual rate (i.e. the exact opposite of the current long term growth rate assumption and equivalent to a price of £37/MWh by 2037 in real terms) then the Company would still be able to meet a 1.0x dividend cover. It should be noted that this is a purely theoretical scenario for illustrative purposes only and is not supported by any downside cases from the Company's market consultants, but it does provide additional comfort on the dividend cover.

Sensitivities to UK Power Prices (Real 2017)



Financial Review

In summary, the Company performed very positively during the year. Operating over-performance and a more favourable wholesale energy market have contributed to deliver better than expected earnings at portfolio level. Fund costs have continued to decrease in percentage terms and financing activity contributed to create significant value added to shareholders. The Company has met its targets for dividend distribution and generation of surplus cash to be re-invested in its portfolio or in further solar assets and expects to continue increasing its dividends in line with RPI inflation index.

Dividends to Shareholders

During the year, the Company moved from semi-annual to quarterly dividend payments and as a consequence it paid dividends in relation to 1 half year end and 3 quarterly accounting periods. Specifically, NESF paid the second interim dividend for the financial year ended 31 March 2016 (of 3.125p per Ordinary Share) and the first 3 quarterly dividends for the year ended 31 March 2017 (each of 1.5775p per Ordinary Share). Therefore, during the year NESF paid total dividends of 7.86p per Ordinary Share, compared to the target annual dividend of 6.31p. But this greater pay-out is due to the one-off transition from semi-annual to quarter dividend payments. In relation to dividends for the year ended 31 March 2017, the fourth and last quarterly dividend of 1.5775p per Ordinary Share (equal to £7,199,524) is expected to be paid to shareholders in June 2017. As a result, the Company will achieve its target for total dividend distribution for the full financial year ended 31 March 2017 of 6.31p per Ordinary Share. The summary of all dividends paid by the Company until the date of distribution of this annual report is set out in the table below.

As stated in the Chairman's Statement, the Company is targeting to pay a dividend of 6.42p per share for the 2017/18 financial year, which represents a growth in line with the RPI index applicable to the underlying portfolio revenues.

During the year, the Company generated income of £35.3m and had net operating costs of £5.0m. As a result, the net dividend cover for the year was 1.2x. The table below provides additional details and metrics.

Dividends paid	Month of Payment	Amount per Ordinary Share (p)	Total (£)
First interim for year 2014/15	Dec-14	2.6250	4,635,750
Second interim for year 2014/15	Jul-15	2.6250	6,309,188
First interim for year 2015/16	Dec-15	3.1250	8,686,160
Second interim for year 2015/16	Jul-16	3.1250	8,686,160
First quarterly dividend for year 2016/17	Sep-16	1.5775	4,058,499[1]
Second quarterly dividend for year 2016/17	Dec-16	1.5775	4,031,158[1]
Third quarterly dividend for year 2016/17	Mar-17	1.5775	5,443,550[1]
Total cash dividends paid to date		16.2325	41,850,464
Fourth quarterly dividend for year 2016/17	Jun-17	1.5775	7,199,524[4]

Cash Income	Total for year 16/17		
Cash Income for year to 31 March 2017	32,149,450[5]		
Net operating costs for year to 31 March 2017	(5,052,231)		
Net Cash Income	27,097,219		

		Gross dividend cover	Net dividend cover
Cash dividend paid during year	22,219,366[2]	1.4x	1.2x
Cash dividend in respect of Financial Year 2016/17	20,732,731[3]	1.5x	1.3x

[1] The scrip dividend option came into effect on 25 August 2016. During the year, a scrip dividend payment was elected by some shareholders. A total of 4,030,168, additional shares were issued resulting in lower total cash dividend pay-out. If the elections were not made, the total amount to be paid out would have been £5,250,584, £5,413,940 and £7,174,775 for the first, second and third quarterly dividends respectively.

[2] This amount represents the post scrip dividend paid during the year (this relates to a 15-month period – the semi-annual dividend for year 15/16 and the first 3 quarterly dividends for year 16/17). If the shares from the scrip dividend were included the total amount paid during the year would have been £26,468,657. The Gross dividend cover would have been 1.2x and the net dividend cover would have been 1.0x.

[3] This amount represents the post scrip dividend for the 4 quarterly dividends for the year 16/17 (including the dividend payable on 30 June 2017). If the shares from the scrip dividend were included, the total amount paid would have been £24,918,446. The Gross dividend cover would have been 1.3x and the net dividend cover would have been 1.1x.

[4] Before election of Scrip dividend is considered.

[5] Cash income differs from the Income in the Statement of Comprehensive Income by £3,157,728. This is because the Statement of Comprehensive Income is on an accruals basis.

Having successfully completed the long-term refinancing of the majority of the short-term debt position, the Investment Manager maintains the 1.2x estimate for future cash dividend cover.

In line with the Board's decision to move to quarterly dividends, as announced in April 2016, the forward-looking dividend calendar is set out in the table below:

Dividend for year 2017/18	Date of Expected Payment	Amount per Ordinary Share (p)
First interim	September 2017	1.6050
Second interim	December 2017	1.6050
Third interim	March 2018	1.6050
Fourth interim	June 2018	1.6050
Total		6.4200

Operating Costs and Profits for the Year

The operating costs of the Company amounted to £5.0m, in line with expectations. The Company's OCR was 1.2% (2016: 1.2%), in line with the budget. The budgeted OCR for the next year ending 31 March 2018 is 1.1%, reflecting the advantage of a larger capital base for the whole of next year.

Ongoing charges	2017	2016
Management fees	3,406,093	2,615,662
Legal and Professional fees	361,153	216,839
Administration fees	258,551	201,152
Directors' fees	130,250	123,000
Audit fees	125,000	100,000
Regulatory fees	94,175	72,652
Insurance	27,125	31,194
Sundry expenses	8,131	6,595
	4,410,478	3,367,094
OCR	1.2%	1.2%

Profit before tax for the year ended 31 March 2017 was £49.8m (2016: £2.0m) with earnings per share of 13.81p (2016: 0.78p), were positively impacted by the increase in fair value of investments.

Cashflow Generation Model

The Company's investment portfolio generates revenues through the sales of electricity and the subsidies provided under different subsidy regimes (ROC and FiT). Both revenue streams are underpinned by 2 main factors:

1) the actual energy output (measured as amount of KWh of energy generated) which is mainly driven by the solar irradiation, technical performance and availability of the plant; and

2) the actual price at which the energy generated is sold by the Company as well as the amount of subsidies received for the same generation.

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

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

Year Ending 31 March 2017			Actual per MW (1)		Budget per MW (1)		Delta vs. Budget	Comments
Solar Irradiation	[A]	(kWh/m²)	1,169		1,172		(0.3)%	Actual irradiation for the year
Conversion Factor (2)	[B]	(%)	84.2%		81.3%		+ 3.6%	Positive delta represents Asset Management Alpha for the year
Metered Generation	[C] = [A x B]	(kWh)	984		953		+ 3.3%	Actual generation measured at the meter for the year
			Power Price	Subsidies	Power Price	Subsidies		
Realized Prices	[D]	(£/MWh)	44.3	62.8	41.4	66.3	(0.5)%	Implied average power price and subsidies across entire portfolio (including ROC recycle and embedded benefits)
Revenues (Brown Power & Subsidies)	[E] = [C x D]	(£ '000)	43.6	61.8	39.4	63.2		
Total Revenues	[E]	(£ '000)	105.4		102.6		+ 2.8%	Actual revenues at portfolio level for the year (unaudited figures per MW)
Operating Expenses	[F]	(£ '000)	(29.4)		(28.0)		+ 5.0%	Actual costs at portfolio level for the year (unaudited figures per MW)
EBITDA (3)	[G] = [E - F]	(£ '000)	76.0		74.6		+ 2.0%	Actual EBITDA for the year (unaudited figures per MW)
EBITDA Margin (3)	[G] / [E]	(%)	72.1%		72.7%			

(1) Based on the average installed capacity over the financial year
(2) Illustrative factor capturing the solar plant Performance Ratio as well as the availibility (which reflects all system shut-downs for maintenance or one-off events such as DNO outages)
(3) EBITDA is in reference to EBITDA at the SPV levels.

During the year, the investment portfolio performance was over budget both in terms of generation and revenues despite slightly lower than expected solar irradiation. This reflects the positive impact of the active asset management strategy of the Company (summarised by an asset management alpha of +3.6%) and the competitive terms and flexibility obtained on the PPA in place. On the other hand, lower ROC recycle and embedded benefits have impacted the actual revenues from subsidies compared to budget. The overall performance of the portfolio generated a higher gross margin than budgeted despite slightly greater operating costs (£585k across the entire portfolio), mainly due to small unexpected costs in the first year post acquisition.

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. The resulting fair market value of the Company's investment portfolio is presented to the Company's Board of

Directors for their review and approval. The valuation is carried out 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 year as well as undertaking a discounted cash flow analysis of each investment made by the Company. The Investment Manager exercises its judgement based on its expertise in the UK solar PV market and in assessing the expected future cash flows from each investment. In the discounted cash flow analysis, the fair value for each operating asset is derived from the present value of the investment's expected future cash flows, using reasonable assumptions and forecasts for revenues and operating costs, and an appropriate discount rate.

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

The Board reviews the operating and financial assumptions, including the discount rates, used in the valuation of the Company's underlying portfolio and approves them based on the recommendation of the Investment Manager. 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 UK solar 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 UK solar sector

- Discount rates applicable for other comparable infrastructure assets classes or regulated energy sectors

- CAPM (Capital Asset Pricing Model) analysis and risk premia over relevant risk free rates

During the year, especially in the last 6 months, the UK solar market has experienced an increase in pricing competition for operating assets driven by factors that include:

- entrance of new UK-based and international investors (possibly facilitated by the devaluation of sterling vs. other currencies);

- reduction in risk-free rates by 0.25% to 0.50%;

- closure of previous subsidies regime for solar PV plants in UK and absence of any incentive framework for new future installations, which instigated a scarcity effect on ROCs assets.

These changing dynamics were evidenced by the experience of the Investment Manager in bidding for solar assets in the UK.

As a result, the Company lowered its discount rate for unlevered operating solar assets by 0.25% (from 7.5% to 7.25%) 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 and the Three Kings portfolio) the Company is continuing to adopt 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 level of financial gearing, maturity profile and cost of debt. This range was unchanged from the previous year (0.7 – 1.0%) and as a result the discount rates applied to these levered portfolios range up to 8.25%.

The resulting weighted average discount rate for the Company's portfolio is 7.9%.

The Company does not adopt WACC as a discount rate for its investments, as it believes that the reduction in WACC deriving from the introduction of long-term debt financing does not reflect the greater level of risk to equity investors associated with levered assets or levered portfolios. However, for the purposes of transparency, the Company's pre-tax WACC as of 31 March 2017 was 5.9%. Compared to the previous year's WACC of 5.8% this value reflects, on one side, the lower than expected cost of debt secured under the £150m long-term refinancing and, on the other side, a reduction in the overall gearing from 44% to 36%, as further described below.

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

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

As of 31 March 2017, the remaining weighted average lease duration of the Company's portfolio was 24.6 years. In the portfolio, the 33MW Glebe Farm is valued on the basis of an extended remaining lease term of 33 years and the 5 assets in the 84MW Radius portfolio on an average remaining lease term of 27.4 years. The rest of the portfolio is valued on an average remaining lease term of 22.8 years. For illustration 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.5.4%. The table on pages 20 to 21 provides the remaining lease duration for each of the Company's assets as of 31 March 2017. The DCF valuation assumes a zero terminal value at the end of the lease term for each asset, therefore excluding any potential residual value and takes into account any decommissioning provisions as deemed appropriate.

As to the other main operating assumptions adopted in the DCF valuation of the portfolio, the Company conservatively values each solar PV plant on the basis of the minimum Performance Ratio guaranteed by the vendor or on the basis of the Performance Ratio estimated by the appointed technical adviser during due diligence. These estimates are generally lower than the actual performance ratios that the Company has been experiencing during subsequent operations. The Investment Manager deems it appropriate to adopt the actual Performance Ratio after 2 years of operating history, when typically, the plants have satisfied the Final Acceptance tests. Only 4 out of the 41 solar PV plants in the investment portfolio had passed the Final Acceptance tests and their actual Performance Ratio was crystallized into the relevant financial model, therefore generating a material uplift in their valuation. As to the other 37 solar PV plants, these are expected to reach their 2-year operating life milestone and begin the relevant tests according to the calendar below. The Investment Manager expects to update the relevant Performance Ratio inputs based on the actual performance observed at that time.

Financial quarter ending June 2017:	213 MW
Financial quarter ending September 2017:	120 MW
Financial quarter ending December 2017:	16 MW
Financial quarter ending June 2018:	5 MW
Financial quarter ending September 2018:	10 MW
Financial year 2019:	53 MW

For illustration purposes, had the entire portfolio of solar PV assets been valued based on actual Performance Ratios observed from date of commissioning until 31 March 2017, the Company's NAV would have increased by c.£3.6m representing c.0.8p per share.

The Company's NAV is calculated on a quarterly basis based on the valuation of the investment portfolio determined by the Investment Manager and the overlay of other net assets provided by the Administrator. It is then reviewed, 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.

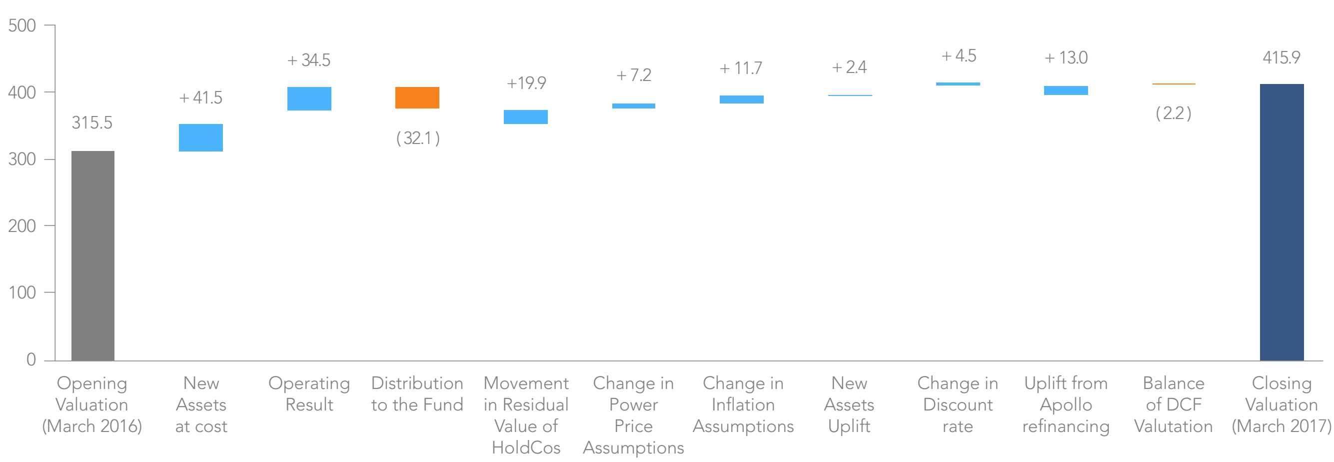
The Company experienced NAV growth during the year ended 31 March 2017 mainly driven by the issuance of new capital in the summer and in November 2016 for c.£179.9m and the revaluation of its investment portfolio during the year. As a result, NAV grew over the year from £273.8m to £478.6m as at 31 March 2017.

The evolution of NAV per share during the year was affected by a number of positive and negative factors. During the year NAV increased from 98.5p to 104.9p. As the Company reports its financial results under IFRS 10 (see note 2(c)) the change during the year in fair value of its assets drives the profit and loss of the Company. The change in NAV per share in the year was mainly driven by the following factors:

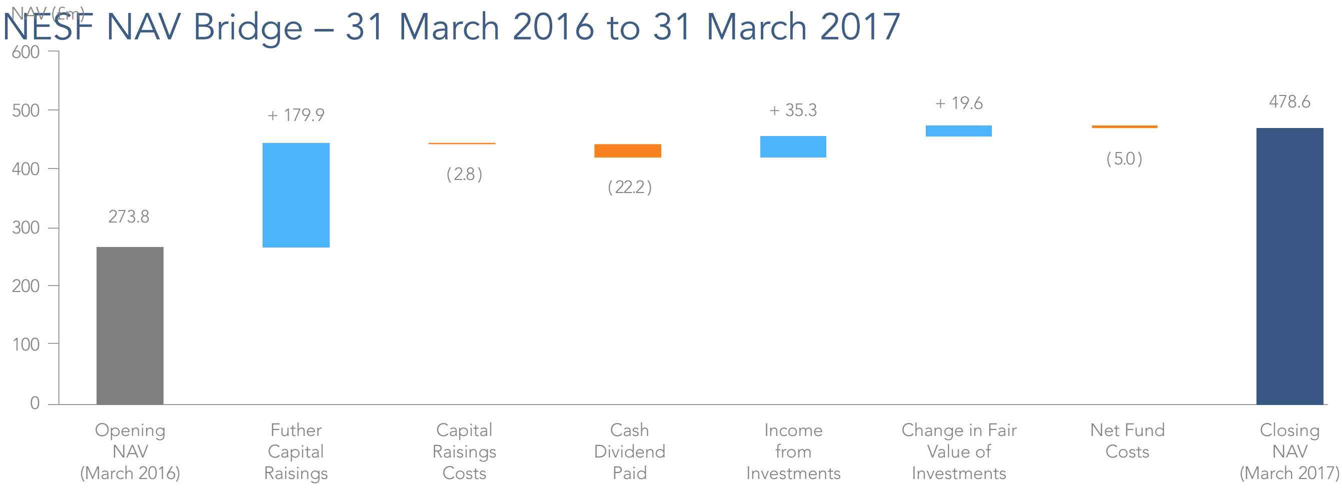
- The upward revisions in the forecasts for long-term power prices adopted by the Company, 3.6% higher compared to the assumptions employed at 31 March 2016 (taking into account the most recent forecasts released by the Company's market consultants in the period between end of the year and the date of preparation of this annual report);
- The upward revisions in the forecasts for both short-term and long-term inflation provided by the UK Government;
- The value uplift generated by the Company completing acquisitions of assets whose internal rate of return was higher than the discount rate applied when valuing them on a discounted cash flow basis;
- The value uplift generated by the Company negotiating a long-term debt refinancing with accretive features such as a 5 year principal repayment grace period, staged draw down and lower than expected cost of debt;
- The value uplift generated by the change in unlevered discount rates reflecting an increase in market value of UK solar assets;
- The operating results achieved by the Company's solar PV plants; and
- The cash dividends paid during the year and the Company's operating costs.

NAV Bridge (Movement)	(GBPm)
Opening NAV (March 2016)	273.8
Further Capital Raising	179.9
Capital Raising Costs	(2.8)
Cash Dividends Paid to Investors	(22.2)
Income from Investments	35.3
Change in Fair Value of Investments	19.6
Net Fund Costs	(5.0)
Closing NAV (March 2017)	478.6

Portfolio Valuation Bridge – 31 March 2016 to 31 March 2017



NESF NAV Bridge – 31 March 2016 to 31 March 2017



An important driver for the movement in NAV was the revaluation of the Investment Portfolio which accounted for £19.6m. This represented the movement in the difference between the acquisition cost and closing fair value of the portfolio at the end of the current and prior years. The revaluation is summarised in the net changes in financial assets at fair value in the Statement of Comprehensive Income.

The Company's investment portfolio is valued at £415.9m, comprising 33 investments valued through discounted cash flow methodology and 8 investments valued at investment cost. Among the 33 investments, the Apollo portfolio is considered as one portfolio investment consisting of 21 solar PV plants and the Radius portfolio is considered as one portfolio investment consisting of 5 solar PV plants. At the date of distribution of this Annual Report, the Company has further committed to acquiring a further 12 assets at an additional investment value of £58.0m.

The valuation of the investment portfolio or asset is net of the project level debt: £45.4m project financing advanced by Bayerische Landesbank to the 53MW

Three Kings portfolio (comprising Fenland, Green End and Tower Hill), acquired by the Company in January 2016; £55m project financing arranged by MIDIS in conjunction with the acquisition of the 84MW Radius portfolio signed by the Company in March 2016; and £150m project financing arranged by MIDIS, NAB and CBA in the context of refinancing short-term facilities used in the process of building the Apollo portfolio of c.241MW.

The 8 investments valued at investment cost (see footnote 1 below) comprise the investments in solar PV plants for which the relevant milestones and technical tests had not yet been finalised at the year end and as such their completion was not deemed imminent. At the year end, all of these 8 solar PV plants were operational and the Investment Manager was in the process of completing their acquisitions.

Investment	Directors' Valuation 31 March 2016 (GBP)	Investment Movements during the year (GBP)	Directors' Valuation 31 March 2017 (GBP)
Llwyndu	9,010,754		9,108,629
Cock Hill Farm	22,214,893		22,382,863
Thurlestone Leicester	2,713,983		2,628,732
Green Farm	5,775,461		6,106,367
Fenland[3]	8,437,289		8,934,013
Green End[3]	10,091,867		11,149,599
Tower Hill[3]	3,507,200		3,899,345
Radius portfolio[3]	51,448,533		54,888,013
Apollo portfolio[3][4]	269,133,275		173,272,726
Kentishes[1]		4,475,915	4,475,915
Mill Farm[1]		4,240,177	4,240,177
Bowden[1]		5,588,792	5,588,792
Stalbridge[1]		5,425,101	5,425,101
Long Ash Lane[1]		5,864,844	5,864,844
Aller Court[1]		5,536,534	5,536,534
Wasing[1]		5,276,464	5,276,464
Flixborough[1]		5,089,998	5,089,998
Total Investment Portfolio	382,333,255	41,497,825	333,868,112
Residual Net Assets of Holding companies	7,711,407		4,481,716
Short-term debt facilities	(74,180,000)		(21,680,000)
Receivable from Apollo refinancing			99,193,549
Total Investment in Holding Company[2]	315,466,679	41,497,825	415,863,377

[1] These investments were not yet completed as at 31 March 2017.

[2] A summary of the total investment in the Holding Company is provided in note 6 (Investments) of the Financial Statements.

[3] These investments have financial leverage at project level.

[4] These investments did not have financial leverage as at 31 March 2016.

Sensitivity Analysis

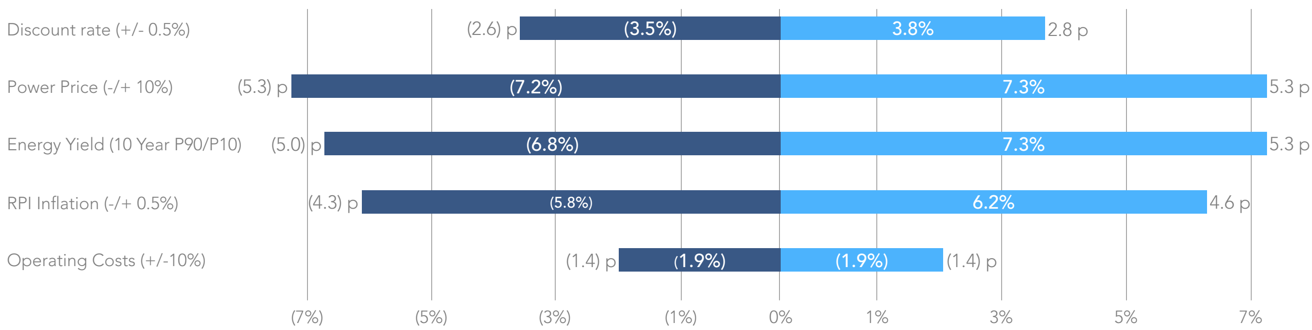
Sensitivities on the Company's NAV and detailed disclosure on the asset valuation methodologies are provided below and in note 15 (Financial instruments) of the Financial Statements.

Sensitivity on energy generation is usually a P10/P90 probability analysis on solar irradiation over 10 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.

In addition to the above sensitivities on NAV, the Investment Manager has performed further sensitivities on actual cash generation. This analysis takes into account the impact of selected changes in valuation assumptions over the twelve months to March 2018. In this analysis, should energy prices fall by 10% from current forecasts, NESF would experience a reduction of only 0.6% in its net operating cashflows, such impact being mitigated by the fixed price PPAs in place over the period. Also, should the portfolio achieve an over performance of 5% throughout the twelve months to March 2018 (whether due to higher solar irradiation or asset management), total operating cashflows would increase by 2.7%. Conversely, these sensitivities on cash generation would have similar but opposite results in their respective inverted scenario.

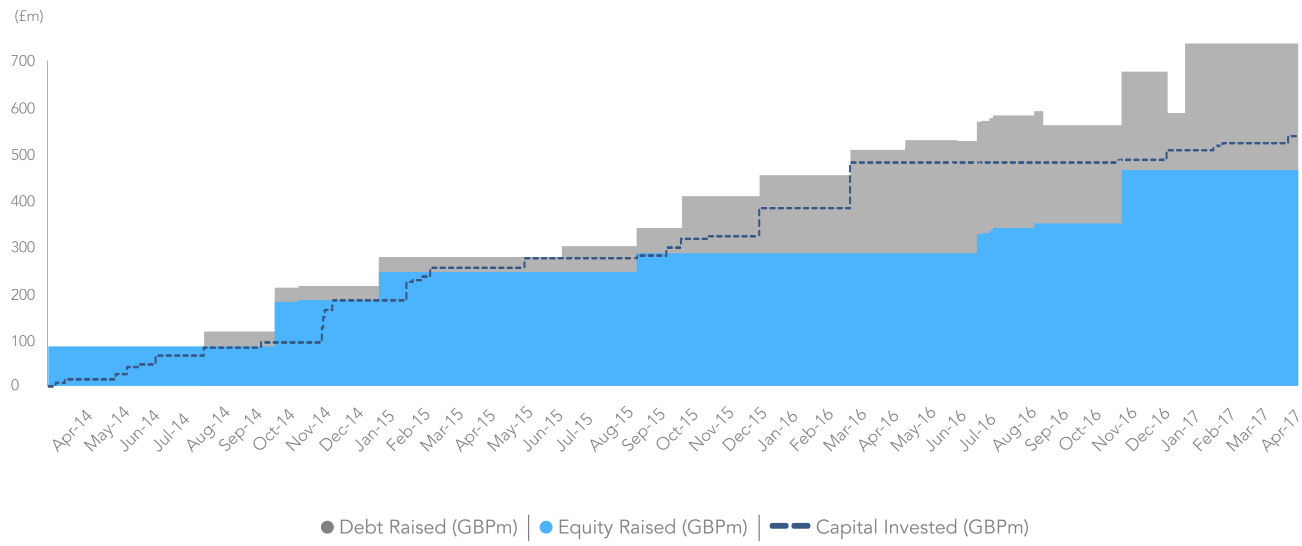
Since the Company's IPO in April 2014, the long-term power price forecast used by the Company was revised several times with a cumulative reduction of c.29%. For the purpose of illustration, had the power price forecasts remained in line with those at the time of the IPO, the Company's NAV would be 127.4p per share.

NAV per Share



The sensitivity highlights 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.

NESF Capital Deployment Timeline



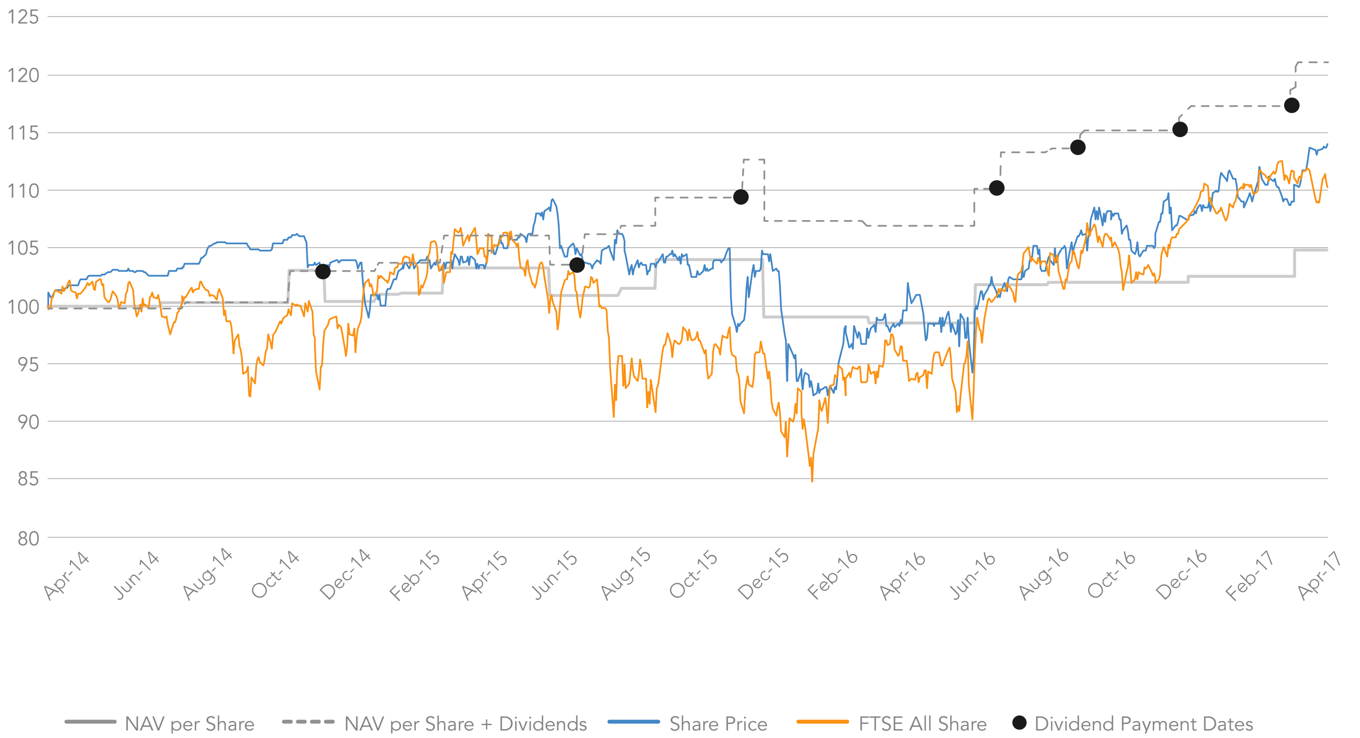
The Company has completed multiple capital raisings since inception: its IPO of 85.6m New Ordinary Shares in April 2014, a second issue of 91.0m New Ordinary Shares in November 2014, a placing of 4.0m New Ordinary Shares in December 2014, a 59.8m New Ordinary Shares in February 2015, and a further 37.6m New Ordinary Shares in September 2015. The Company had a tap issue of 64.1m New Ordinary Shares over summer 2016, and a further issue of 110.3m New Ordinary Shares in November 2016. All issues following the IPO have been completed pursuant to the Placing Programme announced on 10 November 2014 and a Tap issuance programme announced on 15 July 2016. Furthermore, an additional 4.0m Ordinary Shares have been issued during the year as a result of shareholders electing a scrip dividend.

The Company's issued share capital comprised 456,388,199 Ordinary Shares as at 31 March 2017. This figure may be used by Shareholders and other investors as the denominator for the calculations by which they will determine if they are required to notify their interest in, or a change to their interest in, the Company under the FCA's Disclosure and Transparency Rules.

Date	Equity Raised (GBPm)	Equity Invested	Time to Deployment
April 2014	85.6	c.95% by September 2014	c.4 months
November/December 2014	99.6	c.95% by January 2015	c.6 weeks
February 2015	61.4	c.100% by April 2015	c.6 weeks
September 2015	38.8	c.100% by November 2015	c.6 weeks
July/August/September 2016	64.7	Used to repay debt facility	Immediate
November 2016	115.3	c. 100% by June 2017	On-going

Date	Debt Raised (GBPm)	Lender	Amount Deployed
July 2015	22.7	NIBC	c.100%
January 2016	45.4	Bayern Landesbank	c.100%
March 2016	55.0	MIDIS	c.100%
February 2017	150.0	Macquarie/NAB/CBA	On-going

Share Price Development



During the year the share price increased from 97.75p to 110.50p.

As a result of share price developments, and taking into account dividends paid, NESF total shareholder return was 21.1% for the year ended 31 March 2017 (and 26.7% since IPO). NAV total return for the year was 14.4% (and 21.1% since IPO). The annualised values since IPO 3 years ago are 9.1% and 7.2% respectively, in line with the target range of 7 to 9 percent equity return for investors (both NAV per share and initial issue price at IPO were equal to 100p).

	Full Year 2016/17	Total Since IPO	Annualised since IPO
Total Shareholder Return	21.1%	26.7%	9.1%
NAV Total Return	14.4%	21.1%	7.2%

NESF shares are included in the FTSE All-Share Index as well as the FTSE Small Cap Index. NESF shares outperformed the FTSE All-Share Index by 1.8% since IPO.

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

NEXTENERGY SOLAR FUND

Financing and Cash Management

As of 31 March 2017, the total pro-forma debt position of the Company on a look-through basis was £269.8m. This represents a gearing of 36% in terms of total debt vs. Gross Asset Value (which is equal to NAV plus total financial debt outstanding). The corresponding average cost of debt is 3.6%.

This represents an increase compared to the total financial debt position at the beginning of the year (£216.6m) resulting from the following:

- in July 2016 the Company extended the NIBC facility for a further 3 years to 4 July 2019. NIBC previously financed the construction of the Cock Hill and Llwyndu projects. This short-term facility was designed to be expanded up to £50m to finance the acquisition of additional solar assets. Upon expiry, it is intended that this facility will be repaid through one or a combination of the following: rollover of the same short-term facilities, refinancing with a long-term debt facility and/or further equity issuance.

- in January 2017, the Company refinanced its RCF with Macquarie and Santander with a new £150m long term debt facility arranged by MIDIS, NAB and CBA, further described below.

Provider/Arranger	Type	Borrower	Tranches	Facility Amount (GBP)	Amount Outstanding (GBP)	Termination (including options to extend)	Applicable Rate
MIDIS/CBA/NAB	Fully-amortising long-term debt	NESH (Apollo portfolio level debt)	Tranche A – Medium term	48,387,098	48,387,098	31-Dec-26	2.91%[1]
			Tranche B – Floating Long Term	24,193,548	24,193,548	30-Jun-35	3.68%[1]
			Tranche C – Index Linked Long Term	38,709,677	38,709,677	30-Jun-35	RPI index + 0.36%
			Tranche D – Fixed Long Term	38,709,677	38,709,677	30-Jun-35	3.82%
			Debt Service Reserve Facility	7,500,000	0	30-Jun-26	1.50%
NIBC	Acquisition facility	Fund/NESH II level		21,680,000	21,680,000	04-Jul-19	3m Libor + 2.20%[2]
Bayern LB	Fully-amortising long-term debt	Three Kings portfolio level debt (part of NESH III)		45,398,000	43,815,387	30-Jun-33	3.88%[1]
MIDIS	Fully-amortising long-term debt	NESH IV (Radius portfolio level debt)	Inflation linked Tranche	27,500,000	26,829,259	30-Sep-34	RPI index + 1.44%
			Fixed Tranche	27,500,000	27,500,000	30-Sep-34	4.11%
Total					269,824,646		

(1) Applicable Rate represents the swap rate for 100% of the interest.

(2) Applicable Rate represents the swap rate for 75% of the interest.

£150m Long-term refinancing transaction

As disclosed in last years annual report, the Investment Adviser was in the process of refinancing the £120m RCF and achieved the successful closing of this refinancing in January 2017. A competitive tender process was executed with the assistance of Santander Global Corporate Banking as financial adviser to the Company. Around 50 names including leading institutional debt investors and lending banks with experience in solar PV financing were invited to offer their best terms and 18 of these investors were selected for one-to-one meetings with the Investment Adviser. At the end of this process, a syndicate of lenders was selected including a long-term debt investor and 2 lending banks (NAB and CBA).

The new facility refinanced NESH owning the Apollo portfolio, a solar portfolio comprising 21 plants (with an installed capacity of 241MWp) which include solar farms with the longest operating history in the NESF portfolio.

Thanks to the excellent operating performance exhibited by the portfolio and the quality of the legal and technical due diligence, the Investment Adviser was able to negotiate attractive terms and some unique features not usually offered in transactions of this type:

- The Facility provides long-term debt financing, fully amortising within a final maturity in 2035 that matches the regulated life of the portfolio, and comprises a mix of fixed rate and inflation-linked debt tranches. This debt structure eliminates any refinancing risk and interest rate risk and provides an additional level of inflation hedge, on top of the inflation-linked financing already in place in the Company's capital structure (as part of the Radius portfolio financing).

- The Facility combines a £48m debt tranche that fully amortises in the first 10 years and a £102m tranche that amortises between years 10 and 19. This hybrid structure allowed the Company to benefit from the relatively lower cost of debt that lending banks can offer on a short and medium duration compared to institutional lenders. The all-in weighted average cost of 3.32% demonstrates the effectiveness of this hybrid structure. When adjusting for the movements in long-term base rates, which increased during the year from their lowest point in summer 2016, this facility has the lowest cost of debt of any other debt financing disclosed on the market during the year.

- In addition, the Investment Adviser was able to negotiate a number of value-adding features including:

  a) Bespoke 5-year grace period that allows no principal repayment over the first 5 years;

  b) Staged draw-down to reduce cash-drag and minimise interest expenses in the first year;

  c) Competitive upfront fees

  d) Retained flexibility over power sales strategy (as the Company is not bound to any penalising long-term fixed price PPA arrangements, usually required by lenders in transactions of this type

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

The debt financing strategy of the Company is supported by strong indications of support from equity investors for both further capital increases to increase the Company's size and the employment of financial leverage up to the 50% maximum level to optimise equity returns. Additional comfort on the employment of structural debt comes from the evidence of robust and increasing appetite from institutional debt capital providers for long-term dated securities backed by solar PV assets, as demonstrated by the £150m long-term refinancing transaction.

As at 31 March 2017 the Company's total assets included cash totalling £59.8m held at Barclays Bank PLC.

Outlook

The UK solar PV market continued to experience exceptional growth during the year, reaching a total installed capacity of 11.7GW as at the end of March 2017, an increase of 18% over the last twelve months. The approaching end of the ROC regime for large scale solar from 1 April 2017 caused a strong acceleration in the rate of new installations constructed in the second part of the year with a view to be commissioned before 31 March 2017.

A significant amount of the new installations have been financed by short term investors and it is estimated that between 1.5GW and 2.5GW of solar PV assets will be disposed of on the secondary market over the next

12 months, up to a maximum of 4.2GW. Despite competition for these assets increasing, during the year the Investment Adviser actively developed a pipeline of attractive acquisition opportunities, mainly focused on fragmented portfolios of 5MW assets built under the 1.2ROCs regime. The Company will be able to benefit from this significant pipeline of opportunities identified by the Developer which, at the date of distribution of this annual report, total c.269MW of short-term acquisition targets.

The financial year end of NESF also coincides with the end of an era for the UK solar PV market, whose intense investment activity was supported by the existence of a stable incentive regime in the form of ROCs. The solar PV industry has developed significantly over the last 3 years, mainly in terms of cost reduction but also in operating efficiency. Since the Company's IPO in April 2014, the Investment Adviser observed a reduction in the all-in cost of solar systems by more than 50% (in terms of £/MW) and this is expected to decline even further. As a result, solar PV is about to be cost competitive with traditional energy sources in the UK even in the absence of subsidies.

This significant and continuous cost reduction is expected to eventually open new market opportunities in the UK that may include: new installations generating revenues through private wires or long term Power Purchase Agreements; development of residential and commercial rooftop portfolios; extension of current portfolio sites on existing or adjacent land (to optimize existing grid access); integration of energy storage and other technologies enhancing productivity on existing and new assets.

At this stage in the development of the UK solar industry it is too early to predict which of these avenues for growth (or any new avenue that may arise) will prevail. In any case, NESF will continue to benefit from the NEC Group's long-standing experience as an investor and leading asset manager in the solar sector to focus on reducing solar investment and operating costs to meet the incentive-free market in the future.

In addition to these growth opportunities, in the UK market, the global solar market is expected to grow from the current 330GW to c.600GW installed capacity by 2020 based on publicly announced targets. This significant growth represents an opportunity to invest in solar PV plants in developed markets where risk adjusted returns are in line or accretive to the Company's current portfolio. NESF is therefore seeking to expand its investment policy to allow up to 15% of GAV to be invested in solar assets in OECD countries other than the UK.

Description of the Principal Risks and Uncertainties

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

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

Based on the Board's assessment, the principal risks faced by the Company are:

- Adverse changes to regulatory framework

  Uncertainty for the future regulatory framework for solar PV in the UK and the risk that further planned acquisitions do not take place, affecting the Company's growth potential, or that regulatory changes may affect the profitability and valuation of the current portfolio. The Company actively monitors regulatory changes within the industry.

- Increased competition

  Risk that the heightened competition for solar assets will make it more difficult for the Company to continue acquiring assets in the secondary market at attractive values. This increased competition may be fuelled by investors with aggressive financial structures seeking lower returns than the Company for the same solar PV assets. The Company is involved in competitive tenders for solar assets and therefore becomes aware of competitor's returns.

- Changes in energy prices

  Exposure to the wholesale energy market impacts the prices received for energy generated and revenues forecasted by the operating assets of the Company. This also exposes the Company to a risk of further reduction in forward price curves. The Company endeavours to agree fixed power contracts where appropriate.

- Uncertainty of Brexit

  The UK government held a referendum on 23 June 2016 for the UK to vote either to remain in or leave the European Union where the majority of those voting elected to leave the European Union. As a result of the referendum vote, the UK triggered Article 50 of the Treaty on European Union on 29 March 2017 and commenced Brexit negotiations with the European Union. The Investment Manager believes Brexit is likely to have a very limited effect on the Company's financial and operating prospects. The UK's 2008 Climate Change Act enshrines the Government's commitment to reduce the country's greenhouse gas emissions by 80 per cent compared to 1990 levels, and we do not think government will introduce primary legislation to reverse this commitment as a result of Brexit. The most relevant impact of Brexit since the referendum vote on 23 June 2016 was a reduction in UK interest rates and a slight devaluation of the sterling against USD and EUR which in turn resulted in a moderate increase in UK power prices due to the higher cost of natural gas (a commodity mainly traded in USD and EUR denominated contracts). Further implications of Brexit on the Company are not identifiable at present. This risk is beyond the control of the Company, but the Company closely monitors Brexit developments and their impact on the solar industry.

Post Year-End Update

Since 31 March 2017, the following relevant events occurred:

- On 13 April 2017, the Company drew down a further £51m and on 26 June 2017 it drew down the last £48m of the £150m long-term facility refinancing the Apollo portfolio.

- On 21 April 2017, the Company announced the acquisition of 6 plants totaling 28MW with an investment value of £30.5m. All 6 plants were successfully connected to the grid in advance of the 31 March 2017 deadline for 1.2 ROC assets and, therefore, are expected to receive appropriate ROC accreditation in advance of NESF completing their respective acquisitions.

- On 19 May 2017, the Company announced an interim dividend of 1.5575 pence per Ordinary Share for the quarter ending 31 March 2017, to be paid on 30 June 2017 to shareholders on the register as at close of business on 26 May 2017. On 30 June 2017 the Company will issue 44,646 shares to those shareholder who elected for a scrip dividend.

- On 30 May 2017, the Company announced that a related company, WiseEnergy (Great Britain) Ltd, was appointed to provide accounting and back office services to the subsidiary companies of NESF. The agreement came into effect on 1 June 2017.

- On 12 June 2017, the Company announced the acquisition of 3 plants totaling 15MW. Barnby Moor, Bilsthorpe and Wickfield are all 1.2 ROC assets.

- On 12 June 2017, the Company announced the acquisition of project rights to build 4 solar sites for a total of 59.8MW.

- On 12 June 2017, the Company also announced the completion of the acquisition of the 1.7MW Birch CIC solar plant.

- On 23 June 2017, the Company issued 115m new shares further to the Company's 350m share issuance programme.

NextEnergy Capital IM Limited
27 June 2017

Corporate Governance

Introduction

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

The Board recognises the importance of a strong corporate governance culture that meets the requirements of the UK Listing Authority as well as other relevant bodies such as the GFSC and the AIC.

As an AIC member, the Board has also considered the principles and recommendations of the AIC Code by reference to the AIC Guide. The AIC Code addresses all the principles set out in the UK Code, as well as setting out additional principles and recommendations on issues of specific relevance to the Company. The AIC Code published in February 2013, and updated in July 2016, addresses all of the principles set out in the UK Code, and has been endorsed by the Financial Reporting Council as ensuring investment company boards fully meet their obligations to the UK Code and LR 9.8.6 of the Listing Rules. Having adopted the AIC Code with effect from Admission (25 April 2014), the Board has therefore assessed itself, the Committees and performance of the Directors against the parameters and principles outlined within the AIC Code for the year ended 31 March 2017.

The GFSC Code came into force in Guernsey on 1 January 2012. The Company is deemed to satisfy the GFSC Code provided that it continues to conduct its governance in accordance with the requirements of the AIC Code, which incorporates the UK Code.

The Board is of the view that throughout the year ended 31 March 2017, the Company has complied with the recommendations of the AIC Code and the relevant provisions of the UK Code, except as set out below:

- The role of the chief executive;
- Executive directors' remuneration;
- The need for an internal audit function; and
- The appointment of a Management Engagement Committee.

For the reasons set out in the AIC Guide, and as explained in the UK Code, the Board considers that given the Company's current size and the structure of the Board, these provisions are not currently relevant or appropriate to the position of the Company.

Chairman

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

Prior to the Chairman's appointment, a job specification was prepared which included an assessment of the time commitment anticipated for the role. Discussions were undertaken to ensure the Chairman was sufficiently aware of the time needed for his role, and agreed to upon signature of his letter of appointment. Other significant business commitments of the Chairman were disclosed to the Company prior to appointment to the Board, and were publicly disclosed in the Company's Prospectus dated 18 March 2014 relating to the Company's listing, in the Company's Prospectus dated 10 November 2014 and further within the Supplementary Prospectus dated 19 August 2015, both relating to the Company's first Placing Programme, and again in the Company's Prospectus relating to the Company's second Placing Programme dated 15 November 2016. There have not been any subsequent changes to the Chairman's business commitments, as stated in the most recent Prospectus that require to be declared. A summary of Mr Lyon's commitments can be identified in his biography on page 70.

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

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

Board Independence and disclosure

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

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

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

As part of the annual performance evaluation process, the independence of each of the Directors was considered. Following the annual performance evaluation, it was deemed that the Directors had been proven to challenge the Investment Manager throughout the year under review, as minuted and recorded, therefore for the purposes of assessing compliance with the AIC Code, the Board as a whole considers that each Director is independent of the Investment Manager and free from any business or other relationship that could materially interfere with the exercise of his independent judgment. If required, the Board is able to access independent professional advice. The Investment Manager is also requested to declare any potential conflicts surrounding votes, share dealing and soft commissions on an annual basis to the Board to help with the assessment of investments.

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

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

Similar to the process outlined above for the appointment of the Chairman, a job specification was prepared for each Directorship which included an assessment of the time commitment anticipated for the role to ensure each Director was aware of the time commitment needed for the role. The Directors' other significant business commitments were disclosed to the Company prior to appointment to the Board, and were publicly disclosed in the Company's Prospectus dated 18 March 2014 relating to the Company's listing, in the Company's Prospectus dated 10 November 2014 and further within the Supplementary Prospectus dated 19 August 2015 both relating to the Company's first Placing Programme and again in the Company's Prospectus dated 15 November 2016 relating to the Company's second Placing Programme. On 3 June 2016, the Company announced that Mr Vic Holmes had been appointed to the board of Highbridge Multi-Strategy Fund Limited, a company incorporated in Guernsey and listed on the Main Market of the London Stock Exchange. No further changes have required to be declared during the year. Each Director's commitments can be identified in their biographies detailed on pages 70 to 72. Details of the skills and experience provided by each director can also be found in their biographies, alongside identification of the role each Director currently holds in the Company.

The terms and conditions of appointment for non-executive Directors are outlined in their letters of appointment, and are available for inspection by any person at the Company's registered office during normal business hours and at the AGM for fifteen minutes prior to and during the meeting.

During the course of the year, Mr Vic Holmes was appointed to the position of Senior Independent Director.

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

Development

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

Balance of the Board and diversity policy

It is perceived that the Board is well-balanced, with a wide array of skills, experience and knowledge that ensures it functions correctly and that no single director may dominate the Board's decisions. Having 3 Directors appointed ensures that during any transition period, there are at least 2 Directors to provide stability.

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

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

Annual performance evaluation

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

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

Re-election and Board tenure

During the course of the year, the Company established a combined Remuneration and Nominations Committee whose role includes undertaking a thorough process of reviewing the skill set of the individual Directors, and proposes new, or renewal of current, appointments to the Board. Prior to the establishment of the Remuneration and Nominations Committee, this function was undertaken by the Board.

Each director was required to be re-elected by shareholders at the first Annual General Meeting of the Company and thereafter will be submitted for re-election not less than once in every 3-year period. Patrick Firth is therefore submitting himself for re-election at the AGM on 24 August 2017.

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

It is anticipated that, should any Director have served on the Board for 9 or more years, their independence would not automatically be considered to be compromised through length of service, but it would be closely scrutinised and the Director would be subject to annual election. Going forward, any director that is appointed to the Board will be required to submit themselves for re-election at the first Annual General Meeting following their appointment and thereafter once every 3 years.

Appointment process

The appointment process for the Chairman and Directors at the time of incorporation of the Company is described above.

As detailed above a Remuneration and Nominations Committee has been established during the course of the year. As no new Director has been appointed since the Company's launch and the Remuneration and Nominations Committee believes there is no gap that currently needs to be filled, no appointment process has been formalised. It is anticipated, however, that the process will be led by the Remuneration and Nominations Committee and will involve identifying gaps and needs in the Board's composition and balance, including diversity, then reviewing the skill set of potential candidates before making appropriate recommendations to the Board. For renewal of current appointments, all Directors except the individual in question are entitled to vote at the meeting. Similarly, no new nominations have been made for the role of Chairman of the Board since prior to launch.

Board and Board Committees

Matters reserved for the Board include a review of the Company's overall strategy and business plans; approval of the Company's interim and annual report; review and approval of any alteration to the Company's accounting policies or practices and valuation of investments; approval of any alteration to the Company's capital structure; approval of dividend policy; appointments to the Board and constitution of Board Committees; observation of relevant legislation and regulatory requirements; and performance review of key service providers. The Board also retains ultimate responsibility for Committee decisions; every Committee is required to refer to the Board, who will make the final decision.

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

The Board met 31 times during the year ended 31 March 2017; the meeting attendance record is displayed further on in the Corporate Governance Statement. The Company Secretary acts as the Secretary to the Board.

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

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

Audit Committee

The Board has established an Audit Committee composed of all the independent members of the Board. The Chairman of the Board is included as a Committee member to enable a full understanding of the issues facing the Company, but cannot be Audit Committee Chairman. The Audit Committee, its membership and its terms of reference are kept under regular review by the Board, and it is perceived all members have sufficient financial skills and experience. Patrick Firth is Audit Committee Chairman.

The Audit Committee met 4 times during the year ended 31 March 2017; the meeting attendance record is displayed below. The Company Secretary acts as the Secretary to the Audit Committee.

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

The Audit Committee is intended to assist the Board in discharging its responsibilities for the integrity of the Company's financial statements, as well as aiding the assessment of the Company's internal control effectiveness and objectivity of the external auditors.

Further information on the Audit Committee's responsibilities is given in the Audit Committee Report on pages 80 to 83.

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

Remuneration and Nominations Committee

The Board established, during the course of the year, a joint Remuneration and Nominations Committee composed of all the independent members of the Board. The Chairman of the Board is included as a Committee member to enable a full understanding of the issues facing the Company, but cannot be Remuneration and Nominations Committee Chairman. The Remuneration and Nominations Committee, its membership and its terms of reference are kept under regular review by the Board. Vic Holmes is Remuneration and Nominations Committee Chairman.

The Remuneration and Nominations Committee met once during the year ended 31 March 2017; the meeting attendance record is displayed below. The Company Secretary acts as the Secretary to the Remuneration and Nominations Committee.

Further information on the Remuneration and Nominations Committee's responsibilities is given in the Directors Remuneration Report on pages 78 to 79.

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

Board and Committee meeting attendance

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

	Board	Ad Hoc Board	Audit Committee	Remuneration and Nominations Committee
Kevin Lyon	4	5	4	1
Patrick Firth	4	10	4	1
Vic Holmes	4	10	4	1
Total meetings for the year	4	11	4	1

All Directors have attended all scheduled quarterly Board and Audit Committee meetings. During the year, a further 11 ad hoc Board meetings were convened in Guernsey to deal with administrative and process matters, and to conclude a number of matters previously discussed at scheduled meetings. In such instances it is not always necessary or practical for all Directors to be in attendance at all ad hoc meetings. Directors who are unable to attend ad hoc meetings convey their opinion to their fellow Directors where necessary in advance of such meetings.

Company Secretary

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

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

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

Financial and Business Information

An explanation of the Directors' roles and responsibilities in preparing the Annual Report and Audited Financial Statements for the year ended 31 March 2017 is provided in the Statement of Directors' responsibilities on page 73.

Further information enabling shareholders to assess the Company's performance, business model and strategy can be sourced in the Chairman's Statement on pages 3 to 6, the Strategic Report on pages 8 to 11 and the Report of the Directors on pages 74 to 77.

Viability Statement

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

- The Group's strategic review covers a five year period, and

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

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

Based on the results of this analysis, and subject to passing any continuation vote, the Directors have a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the five year period of their assessment up to and including 31 March 2022.

Principal Risk Management and Risk Control

Details of the Company's principal risks can be found in the Financial Review on pages 58 to 59.

Risk Management and Risk Control

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

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

(i) Control environment

The Company is ultimately dependent upon the quality and integrity of the staff and management of its Investment Manager, its Investment Adviser and its Administration and Company Secretarial service providers. In each case, qualified and able individuals have been selected at all levels. The staff of both the Investment Manager and Administrator, are aware of the internal controls relevant to their activities and are also collectively accountable for the operation of those controls. Appropriate segregation and delegation of duties is in place.

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

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

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

(ii) Identification and evaluation of business risks

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

(iii) Key procedures

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

Although no system of internal control can provide absolute assurance against material misstatement or loss, the Company's system is designed to assist the Directors in obtaining reasonable assurance that problems are identified on a timely basis and dealt with appropriately. It is the view of the Board that the controls in relation to the Company's operating, accounting, compliance and IT risks performed robustly throughout the year. In addition, all have been in full compliance with the Company's policies and external regulations, including:

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

Corporate Governance Statement

There were no protected disclosures made pursuant to the Company's whistleblowing policy, or that of service providers in relation to the Company, during the year ended 31 March 2017.

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

Alternative Investment Fund Management Directive ("AIFMD")

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

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

In accordance with AIFMD disclosure obligations, note 6 provides a summary of realised gains and losses.

The Investment Manager does not receive an additional fee, to that stated in note 18, as a result of acting as the AIFM. The Investment Manager received an aggregate fee of £3,406,093 for the year ended 31 March 2017.

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

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

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

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

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

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

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

More than 90 jurisdictions, including all 34 member countries of the OECD and the G20 members, have committed to implement the CRS. Building on the model created by FATCA, the CRS creates a global standard for the annual automatic exchange of financial account information between the relevant tax authorities.

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

Dialogue with Shareholders

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

All Directors are available for discussions with shareholders, as and when required.

AGM

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

By order of the Board

Kevin Lyon
Chairman of the Board of Directors

27 June 2017

Biographical Information of the Directors

Kevin Lyon

(Independent Non-Executive Director and Chairman)

Mr Lyon is a qualified Chartered Accountant, with over 30 years of experience in private equity and senior director positions in a number of different companies. He spent approximately 17 years with the 3i Group, responsible for their core private equity business across the UK, with a team of 10 Directors and 40 executives. Mr Lyon is currently chairman of Drilling Systems Ltd, a designer and manufacturer of simulators for the oil and gas industry, of Inoapps Ltd, a vendor of Oracle software, of ROVOP, an independent provider of subsea remotely operated vehicle services, and of ACS Clothing Limited, the leading men's hirewear supplier in the UK. He was former chairman of Smart Metering Systems plc, Valiant Petroleum plc, RBG, Wyndeham Press Group, Craneware plc, Incline GTS and Ambrian plc and was a non-executive director on Booker plc, David Lloyd Leisure, and Phase 8. He won the Institute of Directors Scotland, Non-Executive Director of the Year Award in March 2013. Mr Lyon graduated from Edinburgh University in 1982 and has attended management courses at INSEAD, IESE and Ashridge.

Patrick Firth

(Independent Non-Executive Director and Audit Committee Chairman)

Mr Firth qualified as a Chartered Accountant with KPMG Guernsey in 1991 and is also a member of the Chartered Institute for Securities and Investment. Mr Firth is a director of a number of management companies, general partners and investment companies, including Riverstone Energy Limited, JZ Capital Partners Limited, ICG-Longbow Senior Secured UK Property Debt Investments Limited, DW Catalyst Fund Ltd. and GLI Finance Limited. He has worked in the fund industry in Guernsey since joining Rothschild Asset Management C.I. Limited in 1992 before moving to become managing director at Butterfield Fund Services (Guernsey) Limited (subsequently Butterfield Fulcrum Group (Guernsey) Limited), a company providing third party fund administration services, where he worked from April 2002 until June 2009. Mr Firth is a former Chairman of the Guernsey International Business Association and of the Guernsey Investment Fund Association. He is a resident of Guernsey.

Vic Holmes

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

Mr Holmes is a qualified Chartered Certified Accountant. He has been involved in financial services for over 30 years. In 1986, Mr Holmes joined the board of Guernsey International Fund Management Limited, Guernsey's largest fund administration company. In 1990, he was appointed managing director of the newly established Irish-based Baring Asset Management subsidiary, providing international fund administration services from a Dublin base. He continued in that position until 2003, when he was appointed head of fund administration services for the Baring Asset Management group of companies, providing services out of London, Dublin, Guernsey, Isle of Man and Jersey. Subsequent to the acquisition of the Baring Asset Management Financial Services Group by Northern Trust in 2005, he was appointed country head of Northern Trust's Irish businesses and, in 2007, he returned to Guernsey to assume the position of jurisdictional head of Northern Trust's Channel Island businesses. Since 1986, Mr. Holmes has served on a wide range of fund-related boards, based mainly in Guernsey and Ireland, but also in the UK and the Cayman Islands. Mr Holmes' current directorships include Permira Holdings Limited, Generali Worldwide Insurance Company Limited, Picton Property Income Limited (London listed), Highbridge Multi-Strategy Fund Limited (London listed), DBG Management GP (Guernsey) Limited and a range of Ashmore funds. Mr Holmes was the first chairman of what is now known as the Irish Fund Industry Association which he was instrumental in establishing in 1991, and served as chairman of the executive committee of the Guernsey Investment Fund Association from April 2013 to April 2015. He is a resident of Guernsey.

Statement of Directors' Responsibilities

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

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

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

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

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

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

- They have complied with the above requirements in preparing the financial statements;
- There is no relevant audit information of which the Company's auditors are unaware;
- All Directors have taken the necessary steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditors are aware of said information;
- The financial statements, prepared in accordance with IFRS and applicable laws, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company; and
- The Chairman's Statement, Report of the Directors and Corporate Governance Statement include a fair review of the development and the business and the position of the Company, together with a description of the principal risks and uncertainties that it faces.

The 2016 UK Corporate Governance Code, as adopted through the AIC Code by the Company, also requires Directors to ensure that the Annual Report and Audited Financial Statements are fair, balanced and understandable. In order to reach a conclusion on this matter, the Board has requested that the Audit Committee advise on whether it considers that the Annual Report and Audited Financial Statements fulfils these requirements. The process by which the Committee has reached these conclusions is set out in the Audit Committee Report on pages 80 to 83. Furthermore, the Board believes that the disclosures set out on pages 8 to 59 of the annual report provide the information necessary for shareholders to assess the Company's performance, business model and strategy.

Having taken into account all the matters considered by the Board and brought to the attention of the Board for the year ended 31 March 2017, as outlined in the Corporate Governance Statement, Strategic Report and the Audit Committee Report, the Board has concluded that the Annual Report and Audited Financial Statements for the year ended 31 March 2017, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's performance, business model and strategy.

For NextEnergy Solar Fund Limited

Kevin Lyon
Chairman of the Board of Directors
27 June 2017

Report of the Directors

The principal activities and investment objectives of the Company are to provide investors with a sustainable and attractive dividend that increases in line with RPI over the long term by investing exclusively in a diversified portfolio of solar PV assets that are located in the UK. The Company's principal activities and investment objectives are detailed more fully in the Strategic Report on pages 8 to 11.

The structure of the Group, as detailed fully on pages 8 to 10 of the Strategic Report, facilitates the holding and management of the Company's assets to enable the Company to pursue its principal activities and objectives.

Dividends

For details regarding the Dividend Policy applied by the Company, please refer to page 5.

During the year, the Company has declared 4 dividends totalling £26,525,459 relating to the year ended 31 March 2017. For each quarterly dividend, a scrip alternative was offered to cash, with the number of shares issued pursuant to the scrip detailed in the table in the Capital section below. The dividends declared during the year were as follows:

- 1.5775 pence per share for the quarter ended 30 June 2016, declared on 15 August 2016, to shareholders on the register on 26 August 2016 and paid on 30 September 2016;
- 1.5775 pence per share for the quarter ended 30 September 2016, declared on 10 November 2016, to shareholders on the register on 18 November 2016 and paid on 30 December 2016;
- 1.5775 pence per share for the quarter ended 31 December 2016, declared on 13 February 2017, to shareholders on the register on 24 February 2017 and paid on 31 March 2017; and
- 1.5775 pence per share for the quarter ended 31 March 2017, declared on 19 May 2017, to shareholders on the register on 26 May 2017 and scheduled to be paid on the date of this Report, being 27 June 2017.

Capital

As part of the Company's IPO, completed on 25 April 2014, 85,600,000 ordinary shares of the Company, with an issue price of 100 pence per share, were admitted to the premium segment of the UK Listing Authority's Official List and to trading on the Main Market of the London Stock Exchange. Since the IPO the Ordinary Shares in issue has increased to 456,388,199 as a result of further share issues made pursuant to the first Placing Programme, tap issues, the current Placing Programme and scrip dividends. The Placings and Offers for Subscription made under the placing programme are as follows:

Date	Description	New Ordinary Shares Issued	Cumulative Number of Shares in Issue
25 April 2014	Initial Public Offering	85,600,000	85,650,000
19 November 2014	Issue of Shares – Placing	85,316,434	170,916,434
	Issue of Shares – Offer	5,683,566	176,600,000
23 December 2014	Issue of Shares – Placing	4,000,000	180,600,000
27 February 2015	Issue of Shares – Placing	55,356,358	235,956,358
	Issue of Shares – Offer	4,393,642	240,350,000
30 September 2015	Issue of Shares – Placing	37,607,105	277,957,105
6 November 2015	Issue of Shares – Placing	30,850,000	308,807,105
6 November 2015	Transaction in Own Shares – buy back to Treasury	30,850,000	277,957,105
27 July 2016	Issue of Shares – Tap Issuance Programme	41,991,242	319,948,347
	Issue of Shares – Tap Issuance Programme	1,822,656	321,771,003
4 August 2016	Issue of Shares – Tap Issuance Programme	4,254,855	326,025,858
	Issue of Shares – Tap Issuance Programme	740,690	326,766,548
	Issue of Shares – Tap Issuance Programme	300,000	327,066,548

Date	Description	New Ordinary Shares Issued	Cumulative Number of Shares in Issue
9 August 2016	Issue of Shares – Tap Issuance Programme	5,775,557	332,842,105
9 September 2016	Issue of Shares – Tap Issuance Programme	9,215,926	342,058,031
30 September 2016	Issue of Shares – Scrip Dividend	1,139,374	343,197,405
25 November 2016	Issue of Shares – Placing	110,206,229	453,403,634
	Issue of Shares – Offer	93,771	453,497,405
30 December 2016	Issue of Shares – Scrip Dividend	1,321,959	454,819,364
31 March 2017	Issue of Shares – Scrip Dividend	1,568,835	456,388,199
23 June 2017	Issue of Shares – Placing	115,000,000	571,388,199

Reviewed Debt Facilities

Details on the Company's debt facilities can be seen in the Financial Review on pages 44 to 59.

Business Review

As at the date of distribution of this Annual Report and Audited Financial Statements the Company had announced the acquisition of 48 solar PV plants for a total of c.483MW and a total investment value of c.£554m, representing 119,2% of the equity proceeds raised since its IPO in April 2014 and will utilise its debt facilities to finance any amounts not covered by its available equity funding and to fund further investment opportunities.

Full details of the Company's performance during the year ended 31 March 2017, its position at that date and the Company's future developments are detailed in the Chairman's Statement, the Strategic Report and the Investment Manager's Report on pages 3 to 42.

Substantial Interests

As at 31 May 2017, the Company is aware of the following material shareholdings:

Name	Ordinary shares purchased	% shareholding as at 31 May 2017
Prudential plc group of companies	77,663,615	17.12
Artemis Investment Management LLP on behalf of discretionary funds under management	71,303,081	15.72
Old Mutual plc	60,004,057	13.23
Investec Wealth & Investment Limited	45,601,840	10.06
Legal & General Group plc	26,782,623	5.90
Baillie Gifford & Co	22,932,062	5.02

Directors and Directors' Interests in Shares

The Directors who have served throughout the year ended 31 March 2017 were Kevin Lyon, Patrick Firth and Vic Holmes.

Biographical details of each of the Directors are shown on pages 70 to 72.

The Directors' interests in shares are shown below:

Name	Ordinary shares at 31 March 2017	Ordinary shares as at 31 March 2016
Kevin Lyon	160,000	60,000
Patrick Firth	71,315	20,000
Vic Holmes	110,000	10,000

Corporate Governance

The Corporate Governance Statement on pages 61 to 69 sets out in detail the code of corporate governance against which the Company reports. It also sets out the Company' compliance with the relevant principals and any reasons for deviations from the code. Finally, it includes details regarding the Audit Committee, its composition and terms of reference.

Going Concern

The Company's business activities and factors likely to affect its performance, position and prospects are set out in the Strategic Report on pages 8 to 11. Further to this, the Strategic Report provides further information on the financial position of the Company, its cash flows, liquidity and borrowing facilities.

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

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

Investment Manager and Service Providers

The Investment Manager during the year was NextEnergy Capital IM Limited. The Investment Manager has appointed NextEnergy Capital Limited to provide investment advice pursuant to an Investment Advisory Agreement.

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

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

Share Repurchase/Treasury Shares

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

On 6 November 2015, 30,850,000 shares had been repurchased and held in Treasury such shares being subsequently sold from Treasury during the Tap Issuance Programme as summarized in the Capital section above. Authority to purchase Ordinary Shares to be held in Treasury/Cancellation was sought and obtained at the second annual general meeting of the Company held on 24 August 2016 and will expire at the conclusion of the third annual general meeting of the Company, at which point it is envisaged that the Directors will propose to extend the authority.

Annual General Meeting

The Company's Annual General Meeting is convened for 10.00 a.m. on 24 August at the offices of Ipes (Guernsey) Limited, 1 Royal Plaza, Royal Avenue, St Peter Port, Guernsey, GY1 2HL.

Accountability and Audit

The respective responsibilities of the Directors and the Auditors in connection with the financial statements are set out on page 73.

Independent Auditor

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

Disapplication of Pre-emption Rights

Resolution 8 will be proposed as a special resolution at the AGM to provide the Directors with an annual authority to disapply pre-emption rights in respect of up to 114,277,640 shares, equivalent to 20% of the current issued share capital (excluding shares held in treasury at the date of this Annual Report), when issuing shares and/or selling shares from treasury for cash. This authority will expire at the conclusion of the AGM in 2018. Any future issues, or sales of shares from treasury, will only be undertaken at a premium to the prevailing NAV per share.

Purchase of the Company's Securities

As part of the discount control mechanisms, the Board may undertake share buy-backs (subject to the limitations to be set out in Resolution 9 in the Notice of the Annual General Meeting of the Company and all other applicable laws and regulations) Resolution 9 will be proposed as a special resolution at the AGM to provide the Company with an authority to purchase, through the market, up to 14.99% of the issued share capital. Shares repurchased by the Company may be held within treasury and resold or cancelled. Annual shareholder approval will be sought to renew this authority. This authority will expire at the conclusion of the AGM in 2018.

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

Recommendation

Your Board considers each of the AGM resolutions to be in the best interests of the Company and its members as a whole. Accordingly, your Board recommends that shareholders should vote in favour of each of the resolutions to be proposed at the Annual General Meeting, as they intend to do in respect of their own beneficial shareholdings amounting to 341,315 shares.

By order of the Board

Kevin Lyon
Chairman of the Board of Directors
27 June 2017

Directors' Remuneration Report

Remuneration Policy and Components

The Board established a combined Remuneration and Nominations Committee at a meeting of the Board of Directors held on 23 September 2016 and comprises all Directors. Vic Holmes is Chairman of the Remuneration and Nominations Committee. The Chairman of the Board is a member of the Remuneration and Nominations Committee. Prior to the establishment of the Remuneration and Nominations Committee, the Board undertook the Committee's functions.

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

Remuneration is set by the Board with details of remuneration of the Board as per Directors' Letters of Appointment. During the course of the year, the Remuneration and Nominations Committee appointed Deloitte to provide market data relevant for an assessment of the Director fees for the Company. As a consequence of this comparison, the growing complexity of regulation and the increased workload on individual Directors, the Board followed the Remuneration and Nominations Committee's recommendation to increase the level of Directors' remuneration. With effect from 1 October 2016, each Director receives a base annual fee of £35,000, with a £5,000 increment to the basic fee level for the Chairman of the Audit Committee, a £2,500 increment to the basic fee level for the Senior Independent Director. The Chairman of the Board receives an annual fee of £60,000. This is the first increase in Directors' fees since its establishment with the total Directors' remuneration still less than the direct peer group companies considered by Deloitte as part of their review. No element of the Directors' remuneration is performance related. A resolution to receive and adopt the Directors' Remuneration Report will be proposed at the Annual General Meeting.

The aggregate remuneration and benefits in kind of the Directors in respect of the Company's year ended 31 March 2017 which will be payable out of the assets of the Company equalled £160,250. It is the Company's policy to determine the level of Directors' fees, having regard for the level of fees payable to non-executive Directors in the industry generally, the role that individual Directors fulfil in respect of responsibilities related to the Board and Audit Committee and the time dedicated by each Director to the Company's affairs. Base fees are set out below.

Base Fees	Per annum £ (from 1 October 2016)	Per annum £ (pre 30 September 2016)
Kevin Lyon – Chairman	60,000	60,000
Patrick Firth – Audit Committee Chairman	40,000	33,000
Vic Holmes – Senior Independent Director	37,500	30,000
Total Directors' Fees	137,500	123,000

In accordance with the articles of incorporation the Board may determine that additional remuneration may be paid, from time to time, to any one or more Directors in the event such Director or Directors are requested by the Board to perform extra or special services on behalf of the Company. In accordance with this provision and in recognition of the additional work the Directors have done in connection with the Placing Programme, it was agreed that each Director is entitled to receive an additional fee of £10,000 on completion of the Initial Placing, and to cover the additional time commitment required from each Director for the forthcoming year in relation to the Placing Programme.

As outlined in the Articles of incorporation, the Directors shall also be paid all reasonable travelling, hotel and other expenses properly incurred by them in attending and returning from meetings of the Directors or any committee of the Directors or general meetings of the Company or in connection with the business of the Company. The total amount of Directors' expenses paid for the year ended 31 March 2017 is £3,370 (31 March 2016: £1,024).

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

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

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

(i) Resignation by the director by giving written notice (6 months for the Chairman and 3 months for the remaining Directors) to the Board;

(ii) A resolution of the Shareholders;

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

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

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

Directors' Fees

The Directors received the following fees during the year under review, totalling £160,250 (2016: £123,000):

Director	Director fee for the year ended 31 March 2017 £	Additional remuneration paid for extra/special services £	Total fee for year £	Total fee for the year ended 31 March 2016 £
Kevin Lyon	60,000	10,000	70,000	60,000
Patrick Firth	36,500[1]	10,000	46,500	33,000
Vic Holmes	33,750[2]	10,000	43,750	30,000
Aggregate fees	130,250	30,000	160,250	123,000

Vic Holmes
Remuneration and Nominations Committee Chairman
27 June 2017

[1] £33,000 per annum for the 6 months ended 30 September 2016, £40,000 per annum for the 6 months ended 31 March 2017

[2] £30,000 per annum for the 6 months ended 30 September 2016, £37,500 per annum for the 6 months ended 31 March 2017

Audit Committee Report

The Board is supported by the Audit Committee, which was established at a meeting of the Board of Directors held on 30 June 2014 and comprises of all of the Directors. Patrick Firth is Chairman of the Audit Committee. The Chairman of the Board is a member of the Audit Committee, to enable his greater understanding of the issues facing the Company. The Board has considered the composition of the Audit Committee and is satisfied it has sufficient recent and relevant skills and experience. All 3 Directors are qualified accountants.

Role and Responsibilities

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

- Monitoring the integrity of the financial statements of the Company and any formal announcements relating to the Company's financial performance, and reviewing significant financial reporting judgements contained within said statements and announcements;
- Reviewing the Company's internal financial controls, and the Company's internal control and risk management systems;
- Monitoring and reviewing the independence, objectivity and effectiveness of the external Auditor, taking into consideration relevant regulatory and professional requirements;
- Making recommendations to the Board in relation to the appointment, re-appointment and removal of the external auditor and approving their remuneration and terms of engagement, which in turn can be placed before the shareholders for their approval at the Annual General Meeting;
- Developing and implementing the Company's policy on the provision of non-audit services by the external Auditor, as appropriate;
- Reviewing the arrangements in place to enable employees of the Investment Manager or any other adviser to, in confidence, raise concerns about possible improprieties in matters of financial reporting or other matters insofar as they may affect the Company;
- Providing advice to the Board on whether the annual financial statements, taken as a whole, are fair, balanced and understandable and provide the information necessary for shareholders to assess the Company's performance, business model and strategy;
- Take into account the new provision of going concern basis of accounting that Directors should state whether they considered it appropriate to adopt the going concern basis of accounting in preparing the annual and half-yearly financial statements, and to identify any material uncertainties to the Company's ability to continue to adopt this approach over a period of at least twelve months from the date of approval of the financial statements;
- Take into account the recommendation of providing a longer term viability statement in respect of a broader assessment of the Company's long-term solvency and liquidity. Such statement to explain in the annual report how Directors have assessed the prospects of the Company, over what period and why they consider that period to be appropriate and whether they have a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the period of assessment; and
- Reporting to the Board on how the Committee discharged all relevant responsibilities at each Board meeting.

The Committee met 4 times during the year under review; individual attendance of Directors is outlined on page 65. The main matters discussed at those meetings were:

- Detailed review of the Annual Report and Accounts and recommendation for approval by the Board;
- Establish the audit requirements for the Company;
- Terms of Reference for the Committee to present to the Board for consideration;

- Detailed review of the Half Year Report and Accounts and recommendation for approval by the Board;
- Review and approval of the interim review plan of the external Auditor;
- Discussion of reports from the external Auditor following their interim reviews;
- Review and approval of the annual audit plan of the external Auditor; and
- Review of the Company's key risks and internal controls.

The Committee has assessed the effectiveness and independence of the external Auditor following the conclusion of the 31 March 2017 audit process. The Committee has also reviewed and considered the whistleblowing policy in place for the Investment Adviser and other service providers, and is satisfied the relevant staff can raise concerns in confidence about possible improprieties in matters of financial reporting or other matters insofar as they may affect the Company.

Significant Issues in Relation to the Financial Statements

Following discussions with the Investment Manager, Investment Adviser and the external Auditor, the Committee determined that the significant issues connected with the preparation of the financial statements of the Company related to:

- Existence of investments – existence of the assets provides a higher inherent risk given the nature of purchasing a solar farm. There is an initial commitment to purchase while the solar farm is under construction; however final payment is only made when the asset is fully operational.
- Investment Valuation – valuation of the assets provides a higher inherent risk as the valuations are based upon models which require complex and subjective judgements or estimates for inputs into the model.

Existence of Investments

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

The Committee has access to and reviews the key transaction documents as well reviewing the agreements for the commitment to purchase new solar farms by the UK HoldCos, with particular focus on initial recognition of the farms as assets of the UK HoldCos. This includes discussion between the Investment Manager and the Investment Adviser.

For operational assets, the Committee has reviewed transactions and balances which support the assertions of existence and ownership at the SPV level and also of the ownership of each SPV to the UK HoldCos and in turn the UK HoldCos to the Company.

Investment Valuation

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

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

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

Internal Controls and Risk Management

The Board is ultimately responsible for the Company's systems of internal control and for reviewing its effectiveness. Under the Committee's Terms of Reference, responsibility has been delegated to the

Committee for monitoring the Company's internal financial controls, and the Company's internal control and risk management systems. The Committee maintains a risk matrix which is reviewed and, where necessary, amended and updated at each meeting and reports on any changes to the Board at the next available opportunity for the Board's consideration.

The Internal Controls and Risk Management process is detailed more fully in the Corporate Governance Statement on pages 61 to 69.

Internal Audit

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

Review of External Audit Process Effectiveness

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

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

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

During the year PwC CI's year end audit was selected for a quality review by the Financial Reporting Council. The Board discussed the findings of the review with PwC CI and was satisfied with the outcome.

The Audit Committee is satisfied with PwC CI's effectiveness and independence as Auditor having considered the degree of diligence and professional scepticism demonstrated by them. Having carried out the review described above and having satisfied itself that the Auditor remains independent and effective, the Audit Committee has recommended to the Board that PwC CI be reappointed as Auditor for the year ending 31 March 2018.

Auditors' Tenure and Objectivity

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

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

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

During the year ended 31 March 2017, PwC UK has provided non-audit services to the Company in relation to its current placing programme. The level of fees paid in respect of this service was £210,000. The Committee considered the services being provided by PwC UK and acknowledge that the level of non-audit fees exceeds those of the audit. However, the Committee is of the opinion that it was beneficial to the Company that PwC UK carried out the work in relation to the placing programme due to their understanding of the Company and the dynamics of its business. The audit and non-audit work carried out by PwC UK was also substantially completed by separate offices, creating a degree of separation.

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

Conclusions in Respect of the Financial Statements

The production and the audit of the Company's Annual Report and Audited Financial Statements is a comprehensive process requiring input from a number of different contributors. In order to reach a conclusion on whether the Company's Annual Report and Audited Financial Statements are fair, balanced and understandable, as required under the UK Corporate Governance Code dated September 2014, the Board has requested that the Audit Committee advise on whether it considers that the Annual Report and Audited Financial Statements fulfils these requirements as detailed in the Committee's terms of reference. In outlining its advice, the Audit Committee has considered the following:

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

As a result of the work performed, the Audit Committee has concluded and reported to the Board that the Annual Report and Audited Financial Statements for the year ended 31 March 2017, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's performance, business model and strategy. The Board's conclusions in this respect are set out in the Statement of the Directors Responsibilities on page 73.

Patrick Firth
Audit Committee Chairman
27 June 2017

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

Report on the audit of the financial statements

Our opinion

In our opinion, the financial statements give a true and fair view of the financial position of NextEnergy Solar Fund Limited as at 31 March 2017, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards and have been properly prepared in accordance with the requirements of the Companies (Guernsey) Law, 2008.

What we have audited

The Company's financial statements comprise:

- the statement of financial position as at 31 March 2017;
- the statement of comprehensive income for the year then ended;
- the statement of changes in equity for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies.

Basis for opinion

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

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

Independence

We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants ("IESBA Code"). We have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

Our audit approach

Overview

Materiality

- Overall materiality was £11.9 million which represents 2.5% of net assets.

Audit scope

- The principal activity of the Company comprise investing in a diversified portfolio of solar photovoltaic assets located in the UK through a structure of intermediate holding companies.

- As the Company is required to measure its subsidiaries at fair value rather than consolidate on a line-by-line basis, the Company has been treated as having only one component. There has been no change in this approach for the current period.

- We conducted our audit work in Guernsey and we tailored the scope of our audit taking into account the type of investments held by the Company, the accounting processes and controls and the industry the Company is exposed to through its investments.

- We conducted our audit of the financial statements from information provided by Ipes (Guernsey) Limited to whom the Board of Directors has delegated the provision of administrative functions. We conducted our audit work in Guernsey.

Key audit matters

- Valuation of investments

Audit scope

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

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

Materiality

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

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

Overall Company materiality	£11.9m
How we determined it	2.5% of net assets
Rationale for the materiality benchmark	We believe that net assets is the most appropriate benchmark because this is the key metric of interest to investors. It is also a generally accepted measure used for companies in this industry.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above £595,000, as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

Key audit matters

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

Key audit matter	How our audit addressed the Key audit matter
Valuation of investments The Company's investments held at fair value comprise investments in intermediate holding companies which in turn hold equity and subordinated debt interests in solar park projects for which there is no liquid market and which are valued on a discounted cash flow basis. The Company's portfolio grew during the year, adding £80.8m of further investments, principally funded through the issue of equity by the Company. The year-end valuation of £415.9m at 31 March 2017 necessitates significant management judgement in respect of the forecast cash flows and discount rates applied. The judgements in respect of forecast cash flows include assumptions around future energy yields, discount rates, power prices, inflation, tax rates, exchange rates and operating costs. The Audit Committee have set out their consideration of this risk on page 81 and it is disclosed as a critical accounting judgement in note 4 of the financial statements. A breakdown of the assumptions applied to the valuation of investments are described in note 15	We planned our audit so as to critically assess management's assumptions and the investment valuation model in which they are applied. Our audit procedures included: We understood the design and implementation of internal controls covering the valuation model used at 31 March 2017; We read the independent advice received by the Company in respect of energy yields, power prices and discount rates; We used our own PricewaterhouseCoopers internal valuation specialists to benchmark the discount rate and other key assumptions against comparable market participants and other macroeconomic data; We read the share purchase agreements for any newly acquired assets in order to confirm the acquisition cost and the nature and amount of any deferred consideration; We tested the mathematical accuracy of the valuation model to ensure the incorporation of the assumptions into the valuation model was performed correctly and the correct application of the selected discount rates;

Key audit matter (continued)	How our audit addressed the Key audit matter (continued)
	We corroborated the cash flow projections where possible, focusing on changes since the previous reporting date or the date of acquisition for current period assets acquired, substantiating any contracted revenues and costs and comparison against actual historical results for the underlying investments.

No issues nor misstatements were identified in our testing of investments which required reporting to the Audit Committee.

Other information

The Directors are responsible for the other information. The other information comprises the Highlights, Corporate Summary, Chairman's Statement, Strategic Report, Corporate Social Responsibility, Investment Manager's Report, Financial Review, Corporate Governance, Biographical Information of the Directors, Statement of Director's Responsibilities, Report of the Directors, Director's Remuneration Report, the Audit Committee Report, Notice of Annual General Meeting and Corporate Information (but does not include the financial statements and our auditor's report thereon).

Other than as specified in our report, our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

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

Responsibilities of the Directors for the financial statements

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

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

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

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

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

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

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

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

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

Report on other legal and regulatory requirements

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

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

We have no exceptions to report arising from this responsibility.

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

- the directors' statement set out on page 73 in relation to going concern. As noted in the directors' statement, the Directors have concluded that it is appropriate to adopt the going concern basis in preparing the financial statements. The going concern basis presumes that the Company has adequate resources to remain in operation, and that the directors intend it to do so, for at least one year from the date the financial statements were signed. As part of our audit we have concluded that the directors' use of the going concern basis is appropriate. However, because not all future events or conditions can be predicted, these statements are not a guarantee as to the Company's ability to continue as a going concern;
- the directors' statement that they have carried out a robust assessment of the principal risks facing the Company and the directors' statement in relation to the longer-term viability of the Company. Our review was substantially less in scope than an audit and only consisted of making inquiries and considering the directors' process supporting their statements; checking that the statements are in alignment with the relevant provisions of the UK Corporate Governance Code; and considering whether the statements are consistent with the knowledge acquired by us in the course of performing our audit; and
- the part of the Corporate Governance Statement relating to the Company's compliance with the ten further provisions of the UK Corporate Governance Code specified for our review.

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

John Luff
For and on behalf of PricewaterhouseCoopers CI LLP
Chartered Accountants and Recognised Auditor
Guernsey, Channel Islands
27 June 2017

Financial Statements

Statement of Comprehensive Income
For the year ended 31 March 2017

	Notes	1 April 2016 to 31 March 2017 (GBP)	1 April 2015 to 31 March 2016 (GBP)
Income			
Income	5	35,307,178	24,046,160
Net changes in fair value of financial assets at fair value through profit or loss	6	19,560,833	(18,503,991)
Total net income		**54,868,011**	**5,542,169**
Expenditure			
Management fees	19	3,406,093	2,615,662
Legal and professional fees		946,888	490,324
Administration fees		258,551	201,152
Directors' fees	22	160,250	123,000
Audit fees	17	151,018	75,000
Regulatory fees		94,175	72,652
Insurance		27,125	31,194
Sundry expenses		8,131	6,595
Total expenses		**5,052,231**	**3,615,579**
Operating profit		**49,815,780**	**1,926,590**
Finance income		13,391	108,111
Profit and comprehensive income for the year		**49,829,171**	**2,034,701**
Earnings per share	12	**13.81p**	**0.78p**

There were no potentially dilutive instruments in issue at 31 March 2017.

All activities are derived from ongoing operations.

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

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

Statement of Financial Position

As at 31 March 2017

	Notes	2017 (GBP)	2016 (GBP)
Non-current assets			
Investments	6,15	415,863,377	315,466,679
Total non-current assets		415,863,377	315,466,679
Current assets			
Cash and cash equivalents		59,831,343	5,937,663
Trade and other receivables	7	11,165,786	13,000
Total current assets		70,997,129	5,950,663
Total assets		486,860,506	321,417,342
Current liabilities			
Trade and other payables	8	8,277,677	137,825
Investment payable	9	–	47,468,639
Total current liabilities		8,277,677	47,606,464
Net assets		478,582,829	273,810,878
Equity			
Share Capital and Premium	11	464,340,864	314,956,625
Treasury shares	11	–	(32,084,000)
Reserves		14,241,965	(9,061,747)
Total equity attributable to shareholders		478,582,829	273,810,878
Net assets per share – (pence)	14	104.9p	98.5p

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

The financial statements were approved and authorised for issue by the Board of Directors on 27 June 2017 and signed on its behalf by:

Patrick Firth
Director

Vic Holmes
Director

Statement of Changes in Equity
For the year ended 31 March 2017

	Share Capital and Premium (GBP)	Treasury shares (GBP)	Retained earnings (GBP)	Total Equity (GBP)
For the year 1 April 2016 to 31 March 2017				
Shareholders' equity at 1 April 2016	314,956,625	(32,084,000)	(9,061,747)	273,810,878
Profit and comprehensive income for the year	–	–	49,829,171	49,829,171
Shares issued	149,384,239	32,084,000	–	181,468,239
Dividends paid	–	–	(26,525,459)	(26,525,459)
Shareholders' equity at 31 March 2017	**464,340,864**	**–**	**14,241,965**	**478,582,829**
For the year 1 April 2015 to 31 March 2016				
Shareholders' equity at 1 April 2015	244,459,639	–	3,898,899	248,358,538
Profit and comprehensive income for the year	–	–	2,034,701	2,034,701
Shares issued	70,496,986	(32,084,000)	–	38,412,986
Dividends paid	–	–	(14,995,347)	(14,995,347)
Shareholders' equity at 31 March 2016	**314,956,625**	**(32,084,000)**	**(9,061,747)**	**273,810,878**

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

Statement of Cash Flows

For the year ended 31 March 2017

Cash flows from operating activities	Notes	1 April 2016 to 31 March 2017 (GBP)	1 April 2015 to 31 March 2016 (GBP)
Profit and comprehensive income for the year		49,829,171	2,034,701
Adjustments for:			
Purchase of investments		(80,835,865)	(128,341,159)
Movement in investment payable		(47,468,639)	–
Change in fair value on investments	6	(19,560,833)	18,503,991
Finance income		(13,391)	(108,111)
Operating cash flows before movements in working capital		(98,049,557)	(107,910,578)
Changes in working capital			
Movement in trade receivables		(11,152,786)	56,482
Movement in trade payables		8,139,852	48,883
Net cash used in operating activities		(101,062,491)	(107,805,213)
Cash flows from investing activities			
Finance income		13,391	108,111
Net cash generated from investing activities		13,391	108,111
Cash flows from financing activities			
Proceeds from issue of shares	11	145,078,148	38,412,986
Proceeds from treasury shares	11	32,084,000	–
Dividends paid	13	(22,219,368)	(14,995,347)
Net cash generated from financing activities		154,942,780	23,417,639
Net movement in cash and cash equivalents during year		53,893,680	(84,279,463)
Cash and cash equivalents at the beginning of the year		5,937,663	90,217,126
Cash and cash equivalents at the end of the year		59,831,343	5,937,663

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

Notes to the Audited Financial Statements
For the year ended 31 March 2017

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 fund raisings also took place, increasing total equity to £464.3m as at 31 March 2017 (31 March 2016: £282.9m). Details can be found in note 11. Treasury Shares of £32.1m were also raised on 6 November 2015 and sold on 22 July 2016.

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

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

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

The Investment Manager has appointed NextEnergy Capital Limited as its Investment Adviser (the "Investment Adviser") pursuant to the Investment Advisory Agreement dated 18 March 2014. The Investment Adviser is a company incorporated in England with registered number 05975223 and is authorised and regulated by the FCA.

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

2. Significant accounting policies

a) Basis of preparation

The financial statements, which give a true and fair view, have been prepared on a going concern basis in accordance with IFRS.

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

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

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

Level 1 inputs are quoted prices in active markets for identical assets or liabilities that the Company can access at the measurement date

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

Level 3 inputs are unobservable inputs for the asset or liability.

b) Going concern

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

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

The Company has cash and short-term deposits as well as projected positive income streams and an available credit facility (see note 22) 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.

2. Significant accounting policies (continued)

c) Basis of non-consolidation

The Company has acquired SPVs through its investment in the holding companies. The Company meets the definition of an investment entity as described by IFRS 10. Under IFRS 10 investment entities are required to hold subsidiaries at fair value through the Statement of Comprehensive Income rather than consolidate them. There are four Holding Companies, NextEnergy Solar Holding Limited, NextEnergy Solar Holding II Limited, NextEnergy Solar Holding III Limited and NextEnergy Solar Holding IV Limited, collectively the 'HoldCos'. The HoldCos are also direct investment entities and as described under IFRS 10 value their investments at fair value.

Characteristics of an investment entity

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

I. Obtains funds from one or more investors for the purpose of providing those investors with investment management services; and

II. Commits to its investors that its business purpose is to invest funds solely for returns from capital appreciation, investment income, or both (including having an exit strategy for investments); and

III. Measure and evaluate the performance of substantially all of its investments on a fair value basis.

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

I. The Company has multiple investors and obtains funds from a diverse group of shareholders who would otherwise not have access individually to investing in solar energy infrastructure due to high barriers to entry and capital requirements;

II. The Company's purpose is to invest funds for both investment income and capital appreciation. The Company's investments have indefinite lives however the underlying assets do not have an unlimited life and therefore minimal residual value and therefore will not be held indefinitely; and

III. The Company measures and evaluates the performance of all of its investments on a fair value basis which is the most relevant for investors in the Company. Management use fair value information as a primary measurement to evaluate the performance of all of the investments and in decision making.

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

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

d) Taxation

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

2. Significant accounting policies (continued)

e) Segmental reporting

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

f) Dividends

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

g) Income

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

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

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

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

h) Expenses

All expenses are accounted for on an accruals basis.

i) Cash and cash equivalents

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

j) Trade and other payables

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

k) Financial instruments

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

2. Significant accounting policies (continued)

k) Financial instruments (continued)

Investments

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

Offsetting financial instruments

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

l) Share capital and share premium

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

3. New and revised standards

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

IFRS 9	Financial Instruments (revised, early adoption permitted)
IFRS 12 (amendments)	Clarification of the scope of the Standard
IFRS 15	Revenue from Contracts with Customers
IFRS 16	Leases
IAS 7	Additional disclosure of changes in liabilities arising from financial activities
IAS 12 (amendments)	Recognition of Deferred Tax Assets for Unrealised Losses

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

4. Critical accounting judgements and key sources of estimation uncertainty

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

a) Investments at fair value through profit or loss

The Company's investments are measured at fair value for financial reporting purposes. The Board of Directors has appointed the Investment Manager to produce investment valuations based upon projected future cashflows. These valuations are reviewed and approved by the Board. The investments are held through Special Purpose Vehicles, a list of subsidiaries is included in note 10.

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

The investments at fair value through profit or loss, whose fair values include the use of Level 3 inputs, are valued by discounting future cash flows from investments to the Company at a discount rate when the assets are operational. The discount rate applied in the 31 March 2017 valuation was 7.25% (31 March 2016: 7.5%). The discount rate is a significant level 3 input and a change in the discount applied could have a material effect on the value of the investments. Investments in solar PV plants that are not yet operational are held at fair value, where the cost of the investment is used as an appropriate approximation of fair value. There are other critical accounting estimates (discussed in note 14), Level 3 financial instruments.

Level 3 investments amount to £415,863,377 (31 March 2016: £315,466,679) and consist of 41 investments in solar PV plants (held indirectly through the HoldCo's) (31 March 2016: 33 (held indirectly through the HoldCo's)), all of which have been valued on a look through basis based (except for those solar plants not yet operational) on the discounted cash flows of the solar PV plants and the residual value of net assets at the HoldCo level. Level 3 valuations are reviewed regularly by the Investment Manager who reports to the Board of Directors on a periodic basis. The Board considers the appropriateness of the valuation model and inputs, as well as the valuation result.

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

b) Significant judgement: consolidation of entities

The Directors have concluded that the Group controls the SPVs that hold the 8 assets held at cost even though it does not hold 100% ownership of these entities as at 31 March 2017. This is because the Group has contracted to acquire these investments before year end and has subsequently completed on these acquisitions post year end. They are therefore included within investments as at year end.

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

The table below sets out information about significant unobservable inputs used at 31 March 2017 in measuring financial instruments categorised as Level 3 in the fair value hierarchy. Unlisted investments reconcile to the Closing Investment Portfolio Value as per the Investments table in note 6.

Description	Fair value at 31 March 2017 (GBP)	Valuation technique	Unobservable input	Input value	Sensitivity to change in significant unobservable inputs
Unlisted investments	292,370,287	Discounted cash flows based on underlying valuation of residual assets at the four hold cos.	Discount rate	7.25% (unlevered assets) up to 8.0% (levered assets	The estimate fair value would increase if the discount rate was lower and vice versa.
Investments held at cost	41,497,825	Cost	n/a	n/a	n/a
Residual value of net assets at HoldCo's	81,995,265	Adjusted net asset value attributable to the Company at fair value	n/a	n/a	n/a
Total	415,863,377				

5. Income

	Year ended 31 March 2017 (GBP)	Year ended 31 March 2016 (GBP)
Investment income	(27,266,676)	(24,046,160)
Management fee income	(8,040,502)	–
Total Income	**(35,307,178)**	**(24,046,160)**

6. Investments

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

	Year ended 31 March 2017 (GBP)	Year ended 31 March 2016 (GBP)
Brought forward cost of investments	323,400,117	147,590,319
Total investment acquired in the year	80,835,865	175,809,798
Carried forward cost of investments	404,235,982	323,400,117
Brought forward unrealised (losses)/gains on valuation	(7,933,438)	10,570,553
Movement in unrealised gains/(losses) on valuation	19,560,833	(18,503,991)
Carried forward unrealised gains/(losses) on valuation	11,627,395	(7,933,438)
Total investments at fair value	**415,863,377**	**315,466,679**

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

7. Trade and other receivables

	Year ended 31 March 2017 (GBP)	Year ended 31 March 2016 (GBP)
Management fee receivable	3,157,728	–
Other receivables	13,000	13,000
Due from subsidiaries	7,995,058	–
Total trade and other receivables	**11,165,786**	**13,000**

Amounts due from subsidiaries are interest free and payable on demand.

8. Trade and other payables

	Year ended 31 March 2017 (GBP)	Year ended 31 March 2016 (GBP)
Other payables	282,619	137,825
Due to subsidiaries	7,995,058	–
Total trade and other receivables	8,277,677	137,825

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

9. Investment payable

	As at 31 March 2017 (GBP)	As at 31 March 2016 (GBP)
Radius investment payable	–	(47,468,639)
Total investment payable	–	(47,468,639)

On 31 March 2016 the Company agreed the purchase of Project Radius. The acquisition is part funded by a debt facility entered between NextEnergy Solar Holding IV Limited and Macquarie Bank Limited for £55.0m. On 14 April 2016 the above amount was settled by a combination of loan and equity payments.

10. Subsidiaries

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

Name	Country of Incorporation	Direct or Indirect Holding	Principal Activity	Ownership at 31 March 2017	Ownership at 31 March 2016
Berwick Solar Park Ltd	UK	Indirect	SPV	100%	100%
BL Solar 2 Limited	UK	Indirect	SPV	100%	100%
Bottom Plain Solar Park	UK	Indirect	SPV	100%	100%
Bowerhouse Solar Limited	UK	Indirect	SPV	100%	100%
Branston Solar Park Ltd	UK	Indirect	SPV	100%	100%
Ellough Solar 2 Ltd	UK	Indirect	SPV	100%	0%
Emberton Solar Park Ltd	UK	Indirect	SPV	100%	100%
Empyreal Energy Ltd	UK	Indirect	SPV	100%	0%
ESF Llwyndu Ltd	UK	Indirect	SPV	100%	100%
Fenland Renewables Ltd	UK	Indirect	SPV	100%	100%
Glebe Farm SPV Limited	UK	Indirect	SPV	100%	100%
Glorious Energy Limited	UK	Indirect	SPV	100%	100%
Great Wilbraham Solar Park Ltd	UK	Indirect	SPV	100%	100%
Green End Renewables Ltd	UK	Indirect	SPV	100%	100%

10. Subsidiaries (continued)

Name	Country of Incorporation	Direct or Indirect Holding	Principal Activity	Ownership at 31 March 2017	Ownership at 31 March 2016
Greenfields (A) Limited	UK	Indirect	SPV	100%	100%
Hanwha UK Solar 1 Ltd	UK	Indirect	SPV	100%	100%
NESF – Ellough LTD	UK	Indirect	SPV	100%	100%
NextEnergy Solar Holding II Limited	UK	Direct	HoldCo	100%	100%
NextEnergy Solar Holding III Limited	UK	Direct	HoldCo	100%	100%
NextEnergy Solar Holding IV Limited	UK	Direct	HoldCo	100%	100%
NextEnergy Solar Holding Limited	UK	Direct	HoldCo	100%	100%
NextPower Ellough LLP	UK	Indirect	SPV	100%	100%
NextPower Gover Farm Ltd	UK	Indirect	SPV	100%	100%
NextPower Higher Hatherleigh Ltd	UK	Indirect	SPV	100%	100%
NextPower Radius Ltd	UK	Indirect	SPV	100%	100%
NextPower Shacks Barn Ltd	UK	Indirect	SPV	100%	100%
North Farm Solar Park Limited	UK	Indirect	SPV	100%	100%
Push Energy (Birch) Ltd	UK	Indirect	SPV	100%	100%
Push Energy (Boxted Airfield) Ltd	UK	Indirect	SPV	100%	100%
Push Energy (Croydon) Ltd	UK	Indirect	SPV	100%	100%
Push Energy (Decoy) Ltd	UK	Indirect	SPV	100%	100%
Push Energy (Hall) Ltd	UK	Indirect	SPV	100%	0%
Push Energy (Langenhoe) Ltd	UK	Indirect	SPV	100%	100%
SSB Condover Ltd	UK	Indirect	SPV	100%	100%
ST Solarinvest Devon 1 Limited	UK	Indirect	SPV	100%	100%
Sunglow Power Limited	UK	Indirect	SPV	100%	100%
Thurlestone-Leicester Solar Ltd	UK	Indirect	SPV	100%	100%
Tower Hill Farm Renewables Ltd	UK	Indirect	SPV	100%	100%
Trowbridge PV Ltd	UK	Indirect	SPV	100%	100%
Wellingborough Solar Limited	UK	Indirect	SPV	100%	100%
Push Energy (Kentishes) Limited	UK	Indirect	SPV	0%	0%
Push Energy (Mill Farm) Ltd	UK	Indirect	SPV	0%	0%
Bowden Lane Solar Limited	UK	Indirect	SPV	0%	0%
Long Ash Lane Solar Park Limited	UK	Indirect	SPV	0%	0%
Stalbridge Solar Park Limited	UK	Indirect	SPV	0%	0%
Aller Court Solar Park Limited	UK	Indirect	SPV	0%	0%
INRG (Solar Parks) 17 Limited	UK	Indirect	SPV	0%	0%
INRG (Solar Parks) 21 Limited	UK	Indirect	SPV	0%	0%

11. Share capital and reserves

Share Issuance	Number of shares	Gross amount raised (GBP)	Issue costs (GBP)	Share premium (GBP)
Issued on 20 December 2013	1	1	–	1
Issued on 25 April 2014	85,600,000	85,600,000	–	85,600,000
Cancellation of founder's share on 24 October 2014	(1)	(1)	–	(1)
Issued on 19 November 2014	91,000,000	95,459,000	(1,399,246)	94,059,754
Issued on 19 December 2014	4,000,000	4,120,000	(43,565)	4,076,435
Issued on 27 February 2015	59,750,000	61,405,075	(681,625)	60,723,450
Issued on 30 September 2015	37,607,105	38,848,139	(435,153)	38,412,986
Issued on 6 November 2015	30,850,000	32,084,000	–	32,084,000
Total issued at 31 March 2016	**308,807,105**	**317,516,214**	**(2,559,589)**	**314,956,625**
Sale of treasury shares (see below)	(30,850,000)	(32,084,000)	–	(32,084,000)
Issued on 27 July 2016	41,991,242	42,159,207	(649,635)	41,509,572
Issued on 27 July 2016	1,822,656	1,829,947	(28,202)	1,801,745
Issued on 4 August 2016	4,254,855	4,297,404	(64,461)	4,232,943
Issued on 4 August 2016	1,040,690	1,051,097	(15,766)	1,035,331
Issued on 9 August 2016	5,775,557	5,833,313	(87,500)	5,745,813
Issued on 9 September 2016	9,215,926	9,515,444	(142,732)	9,372,712
Scrip Dividend – 30 September 2016	1,139,374	1,192,085	–	1,192,085
Issued on 21 November 2016	110,300,000	115,253,272	(1,789,240)	113,464,032
Scrip Dividend – 30 December 2016	1,321,959	1,382,781	–	1,382,781
Scrip Dividend – 31 March 2017	1,568,835	1,731,225	–	1,731,225
Total issued at 31 March 2017	**456,388,199**	**469,677,989**	**(5,337,125)**	**464,340,864**

The Company currently has 1 class of ordinary share in issue. All the holders of the ordinary shares, excluding Treasury Shares, which totals 456,388,199, are entitled to receive dividends as declared from time to time and are entitled to 1 vote per share at meetings of the Company.

Treasury shares

On 6 November 2015 the Company issued 30,850,000 new ordinary shares which the Company purchased at a price of 104.0p per share. The shares purchased were placed in treasury. The Treasury shares were not entitled to receive dividends and did not hold any voting rights. On 22 July 2016 the Treasury shares were sold, as part of the capital issuance programme, at a price of 100.4 pence per share.

Retained reserves

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

12. Earnings per share

	Year ended 31 March 2017	Year ended 31 March 2016
Profit and comprehensive income for the year (GBP)	49,829,171	2,034,701
Weighted average number of ordinary shares	360,841,240	259,256,304
Earnings per ordinary share – pence	13.81p	0.78p

13. Dividends

	Year ended 31 March 2017 (GBP)	Year ended 31 March 2016 (GBP)
Amounts recognised as distributions to equity holders:		
Interim dividend for the period ended 31 March 2015 of 2.625p per share, paid on 30 July 2015	–	6,309,188
Interim dividend for the period ended 30 September 2015 of 3.125p per share, paid on 18 December 2015	–	8,686,159
Interim dividend for the period ended 31 March 2016 of 3.125p per share, paid on 22 July 2016	8,686,160	–
Interim dividend for the period ended 30 June 2016 of 1.5775p per share, paid on 30 September 2016	5,250,584	–
Interim dividend for the period ended 30 September 2016 of 1.5775p per share, paid on 30 December 2016	5,413,940	–
Interim dividend for the period ended 31 December 2016 of 1.5775p per share, paid on 31 March 2017	7,174,775	–
Total	26,525,459	14,995,347

14. Net assets per ordinary share

	As at 31 March 2017	As at 31 March 2016
Shareholders' equity (GBP)	478,582,829	273,810,878
Number of ordinary shares (excluding Treasury shares)	456,388,199	277,957,105
Net assets per ordinary share – pence	104.9p	98.5p

15. Financial risk management

Capital management

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

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

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

Financial risk management objectives

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

Market risk

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

Currency risk

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

Interest rate risk

Of the £269.8m credit facilities outstanding, £131.7m has fixed interested rates and the remaining £138.1m has floating interest rates. Interest Rate Swaps were implemented over the term of the loans to mitigate interest rate risks for £132.7m. The counterparties to these swaps are all Investment grade financial institutions. The remaining £5.4m had floating rates which are not hedged. The Company's remaining exposure to interest rate risk is not considered to be significant.

Credit risk

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

The Company does not have any significant credit risk exposure to any single counterparty in relation to trade and other receivables. On-going credit evaluation is performed on the financial condition of accounts receivable. As at 31 March 2017 there were no receivables considered impaired.

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

15. Financial risk management (continued)

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

31 March 2017	Credit rating Standard & Poor's	Cash (GBP)	Short term fixed deposits (GBP)	Total as st 31 March 2017 (GBP)
Barclays Bank PLC	Long – A Short – A-2	59,831,343	–	59,831,343
Total		59,831,343	–	59,831,343

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

Liquidity risk

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

15. Financial risk management (continued)

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

31 March 2017	Up to 3 months (GBP)	Between 3 and 12 months (GBP)	Between 1 and 5 years (GBP)	Total (GBP)
Assets				
Cash and cash equivalents	59,831,343	–	–	59,831,343
Trade and other receivables	11,165,786	–	–	11,165,786
Liabilities				
Trade and other payables	(8,277,677)	–	–	(8,277,677)
Total	62,719,452	–	–	62,719,452

31 March 2016	Up to 3 months (GBP)	Between 3 and 12 months (GBP)	Between 1 and 5 years (GBP)	Total (GBP)
Assets				
Cash and cash equivalents	5,937,663	–	–	5,937,663
Trade and other receivables	13,000	–	–	13,000
Liabilities				
Investment payable	(47,468,639)	–	–	(47,468,639)
Trade and other payables	(137,825)	–	–	(137,825)
Total	(41,655,801)	–	–	(41,655,801)

Valuation methodology

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

15. Financial risk management (continued)

Discount rates

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

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

	31 March 2017	31 March 2016
Weighted Average discount rate	7.90%	7.70%
Discount rates	7.25% to 8.25%	7.50% to 8.50%

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

Discount rate	+0.5% change	Total Portfolio value	–0.5% change
Fair value at 31 March 2017 (GBP)	(11.7m)	333.9m	12.7m
Fair value – percentage movement	(3.5%)		3.8%
Fair value at 31 March 2016 (GBP)	(14.6m)	382.3m	15.7m
Fair value – percentage movement	(3.8%)		4.1%

Power price

NEC Group continuously reviews multiple inputs from market contributors and leading consultants and adjust the inputs to the power price forecast when a conservative approach is deemed most appropriate. Current estimates imply an average rate of growth of electricity prices of approximately 1.6% 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.

Power price	–10% change	Total Portfolio value	+10% change
Fair value at 31 March 2017 (GBP)	(24.0m)	333.9m	24.4m
Fair value – percentage movement	(7.2%)		7.3%
Fair value at 31 March 2016 (GBP)	(19.7m)	382.3m	19.6m
Fair value – percentage movement	(5.2%)		5.1%

15. Financial risk management (continued)

Energy generation

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

Energy generation	5% under performance	Total Portfolio value	5% over performance
Fair value at 31 March 2017 (GBP)	(22.7m)	333.9m	24.4m
Fair value – percentage movement	(6.8%)		7.3%
Fair value at 31 March 2016 (GBP)	(24.6m)	382.3m	24.3m
Fair value – percentage movement	(6.4%)		6.4%

Inflation rates

The Portfolio valuation assumes long-term inflation of 2.75% per annum for investments (based on UK RPI). A change in the inflation rate by plus or minus 0.5% has the following effect on the valuation.

Inflation rate	–0.5% change	Total Portfolio value	+0.5% change
Fair value at 31 March 2017 (GBP)	(19.4m)	333.9m	20.7m
Fair value – percentage movement	(5.8%)		6.2%
Fair value at 31 March 2016 (GBP)	(16.7m)	382.3m	17.6m
Fair value – percentage movement	(4.4%)		4.6%

Operating costs

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

Operating costs	+10% change	Total Portfolio value	–10% change
Fair value at 31 March 2017 (GBP)	(6.3m)	333.9m	6.3m
Fair value – percentage movement	(1.9%)		1.9%
Fair value at 31 March 2016 (GBP)	(6.3m)	382.3m	6.3m
Fair value – percentage movement	(1.6%)		1.6%

Tax rates

The UK corporation tax assumption for the Portfolio valuation was 18% to 2018, 19% to 2020, and 17% thereafter in accordance with the UK Government announced reductions.

16. 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.

17. Audit fees

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

	Year ended 31 March 2017 (GBP)	Year ended 31 March 2016 (GBP)
Fees payable to the auditor for the audit of the Company's 31 March 2017 financial statements	119,500	–
Additional fee and disbursements for prior year	31,518	–
Fees payable to the auditor for the audit of the Company's 31 March 2016 financial statements	–	75,000
Total audit fees	151,018	75,000

18. Management fee

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

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

For the year ended 31 March 2017 the Company has incurred £3,406,093 in management fees of which £nil was outstanding at 31 March 2017. For the year ending 31 March 2016 the Company incurred £2,615,662 in management fees of which £nil was outstanding at 31 March 2016.

19. 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 18.

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

The Operating Asset Manager, WiseEnergy (GB) Limited, is a related party due to sharing common key management personnel with the subsidiaries of the Company. Each of the operating subsidiaries of the Company entered into an asset management agreement with WiseEnergy (GB) Limited. The total value of recurring and one-off services paid to the Operating Asset Manager by the subsidiaries during the reporting year amounted to £1,795,295 (31 March 2016: £1,449,044).

At the year end, £7,995,058 (31 March 2016: Nil) was owed to and from the subsidiaries, in relation to their restructuring. See note 23. £8,040,502 of management fees was received from the subsidiaries during the year (31 March 2016: Nil), of which £3,157,728 was outstanding at the year end (31 March 2016: Nil).

NextPower Development Limited is a related party due to sharing common key management personnel with the subsidiaries of the Company. There are no advisory fee transactions between the Company, its subsidiaries and NextPower Development Limited.

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

20. Controlling party

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

21. Remuneration of the Directors

The remuneration of the Directors was £160,250 for the year (for the year ended 31 March 2016: £123,000) which consisted solely of short-term employment benefits.

22. Revolving credit and debt facilities

In January 2017, NextEnergy Solar Holding Limited, a subsidiary of the Company, closed a syndicated loan with MIDIS, NAB and CBA for £157.5m ("Project Apollo") to refinance its revolving credit facility. As at 31 March 2017, £51.5m of the facility was drawn. In April 2017, an additional £50.8m of the facility was drawn and the remaining £47.7m will be available to draw until June 2017. As part of the facility agreement, the lenders provide and additional Debt Service Reserve Facility of £7.5m and hold a charge over the assets of NextEnergy Solar Holding Limited. As at 31 March 2017, the outstanding amount was £51.5m.

22. Revolving credit and debt facilities (continued)

In July 2015, NextEnergy Solar Holdings II Limited, a subsidiary of the Company, agreed a loan with NIBC for £22.7m. In July 2016, £1m was repaid and the remaining outstanding amount as at 31 March 2017 was £21.7m.

In January 2016, NextEnergy Solar Holdings III Limited, a subsidiary of the Company, acquired a portfolio of three operating plants totalling 53MWp for £61.7m which had a long term fully-amortising project financing of £45.4m in place. As at 31 March 2017 the outstanding amount was £43.8m.

On 31 March 2016 NextEnergy Solar Holdings IV Limited, a subsidiary of the Company agreed the purchase of Project Radius. The acquisition is part funded by a debt facility entered between NextEnergy Solar Holding IV Limited and Macquarie Bank Limited for £55.0m. On 14 April 2016 the facility was fully drawn down to complete the acquisition of the Radius portfolio. As part of the debt facility agreement Macquarie Bank Limited holds a charge over the assets of NextEnergy Solar Holding Limited. As at 31 March 2017, the outstanding amount was £54.3m.

23. Restructuring at Subsidiary

During the prior year ended 31 March 2016, a subsidiary paid dividends to the Company even though it did not have sufficient distributable reserves at the time of declaration. As a result, during the year ended 31 March 2017, the subsidiary undertook a restructuring to create distributable reserves. The effect of this was to return the Company to the position it would have been in had the relevant dividends paid from the subsidiary been made properly.

24. Events after the reporting period

On 13 April 2017, the Company drew down a further £51m and on 26 June 2017 it drew down the last £48m of the £150m long-term facility refinancing the Apollo portfolio.

On 21 April 2017, the Company announced the acquisition of six plants totaling 28MW with an investment value of £30.5m. All six plants were successfully connected to the grid in advance of the 31 March 2017 deadline for 1.2 ROC assets and, therefore, are expected to receive appropriate ROC accreditation in advance of NESF completing their respective acquisitions.

On 19 May 2017, the Company announced an interim dividend of 1.5575 pence per Ordinary Share for the quarter ending 31 March 2017, to be paid on 30 June 2017 to shareholders on the register as at close of business on 26 May 2017. On 30 June 2017 the Company will issue 44,646 shares to those shareholder who elected for a scrip dividend.

On 30 May 2017, the Company announced that a related company, WiseEnergy (Great Britain) Ltd, was appointed to provide accounting and back office services to the subsidiary companies of NESF. The agreement came into effect on 1 June 2017.

On 12 June 2017, the Company announced the acquisition of three plants totaling 15MW. Barnby Moor, Bilsthorpe and Wickfield are all 1.2 ROC assets.

On 12 June 2017, the Company announced the acquisition of project rights to build four solar sites for a total of 61.5MW.

On 12 June 2017, the Company announced the acquisition of project rights to build four solar sites for a total of 59.8MW.

On 12 June 2017, the Company also announced the completion of the acquisition of the 1.7MW Birch CIC solar plant.

On 23 June 2017, the Company issued 115m new shares further to the Company's 350m share issuance programme.


AUXILIARY TRANSFORMER
Schneider Electric
Schneider Electric

Corporate Information

Directors:	Kevin Lyon, Chairman Patrick Firth Vic Holmes
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 17 Hanover Square London UK W1S 1BN
Secretary and Administrator:	Ipes (Guernsey) Limited 1 Royal Plaza Royal Avenue St Peter Port Guernsey GY1 2HL
Independent Auditors:	PricewaterhouseCoopers CI LLP Royal Bank Place 1 Glategny Esplanade St Peter Port Guernsey GY1 4ND

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
Apollo portfolio	21 plants held within NESH
Base Fee	The fee that the Investment Manager is entitled to under the Investment Management Agreement
BEIS	The Department for Business, Energy & Industrial Strategy
Brexit	The UK voting to leave the European Union
Cash Dividend Cover	The ratio of the Company's Cash Income over dividend paid during the financial year.
CBA	Commonwealth Bank of Australia
Company/NESF	NextEnergy Solar Fund Limited
CfD	Contract for Difference
CRS	Common Reporting Standard for automatic exchange of tax information
CSR	Corporate Social Responsibility
DCF	Discounted Cash Flow
Developer	NextPower Development Limited
DNO	Distribution Network Operators
EBITDA	Earnings before Interest, Tax, Depreciation and Amortisation
EPC	Engineering, Procurement and Construction
ESG	Environmental, Social and Governance
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 Cash Income over dividend 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 and NESH IV
IAS	International Accounting Standards
IFRS	International Financial Reporting Standards
Investment Advisor	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
Net Dividend Cover	The ratio of the Company's Net Cash Income over dividend paid during the financial year.
NPPR	National Private Placement Regime
OCR	Ongoing Charges Ratio
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	the Protection of Investors (Bailiwick of Guernsey) Law, 1987
PPA	Power Purchase Agreement
PV	Photovoltaic
PVGIS	Photovoltaic Geographical Information Systems
PwC CI	PricewaterhouseCoopers CI LLP
Radius portfolio	5 plants held within NESH IV
RCF	Revolving Credit Facilities
RO Scheme	Renewable Obligation Scheme
ROC	Renewable Obligation Certificates
RPI	Retail Price Index
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	5 plants held within NESH III
UK Code	UK Corporate Governance Code dated September 2014
UKLA	UK Listing Authority
WACC	Weighted Average Cost of Capital

NextEnergy Solar Fund Limited

Registered Address
1 Royal Plaza, Royal Avenue
St Peter Port
Guernsey GY1 2HL
T: +44 (0) 1481 713 843

Email:
ir@nextenergysolarfund.com
Website:
nextenergysolarfund.com