NextEnergy Solar Fund Limited

NEXTENERGY SOLAR FUND

Annual Report and Audited Financial Statements
for the year ended 31 March 2018

Contents

Highlights

105.1p

NAV per share
increased by 0.2p during the year

8.5%

Annualised shareholder total return
(since IPO)

6.42p

Dividends payable
for the year ended 31 March 2018

1.2x

Cash dividend cover
for the year ended 31 March 2018

569MW

Total capacity installed
increased by 115MW during the year

451GWh

Total electricity generation
for the year ended 31 March 2018

£605m

Net Asset Value
as at 31 March 2018

31%

Gearing
as at 31 March 2018

1.8%

Asset Management Alpha
for the year ended 31 March 2018

63

Number of solar assets
as at 31 March 2018

Chairman's Statement

Kevin Lyon Patrick Firth Sharon Parr Vic Holmes

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 2018.

In the four years since our IPO, the Company has rapidly grown to establish itself as the largest solar energy focused investment company listed on any European stock exchange in terms of market capitalisation.

As at 31 March 2018, the Company's portfolio comprised 63 assets amounting to 569MW installed solar capacity and an invested capital of £734m (2017: 41 assets, 454MW and £522m invested capital).

The portfolio of assets produced strong on-going performance, despite outages to some of our plants during the year, principally due to Distribution Network Operators' ("DNO") planned and unplanned maintenance activities. Nonetheless, electricity generated by the portfolio was above budget.

It has been challenging to continue our growth trajectory and expansion strategy in the UK this year, mainly as a result of a significant increase in competition for solar assets and our determination to remain disciplined in acquisition pricing. This resulted in a slower pace of deployment of the cash available during the year, but is now in the process of being invested in the acquisitions announced post year end or currently in the final stages of execution.

Elsewhere, we are very pleased with the acquisition of the Solis Italian portfolio in December 2017. The eight solar assets purchased have higher IRRs when compared to current UK opportunities, even after applying a significant country risk premium. They have also already generated a high cash yield which has had a direct and positive impact on the Company's dividend cover. Furthermore, they reduce the average exposure of the broader NESF portfolio revenues to movements in wholesale energy prices. It is important to also note that the majority of the expected cash distribution stream from the Italian assets has been hedged back into sterling to manage FX risk. This hedge programme has been put in place for the next 15 years, so the higher IRR comes with limited currency risks.

This past year and the year ahead are an important period in the Company's development. As we explore a new era of subsidy-free solar in the UK, the Company is positioning itself to take advantage of the opportunities that are expected to arise in this area. To prepare for this opportunity, during the year we acquired the right to build a further two subsidy-free assets. This takes the total number of asset development rights held by the Company to six which collectively represent up to 172MW of capacity.

Finally, it is worth mentioning that the Investment Manager has initiated an exercise to optimise the debt-financing of the Group. During the year we repaid two existing debt facilities and are entering into two new lower cost £60m RCFs for our pipeline assets. A new long-term debt refinancing with similar characteristics to the Apollo financing that we closed in January 2017 is expected to be put in place during the next year. Furthermore, the Company is already working to further optimise the project debt acquired within the Italian portfolio.

On a more general note, I am pleased to report that all the main targets and goals set at the time of the IPO continue to be met by the Company. Additional operating solar projects have continued to be purchased to provide positive contribution to meeting the Company's return and dividend targets. This past year was again characterised by further reductions in the market's long-term power price estimates, which are now some 36% below the estimates available at the time of the IPO. But with current gearing of just 31%, the Company still has significant financing potential available for value-adding investments.

Over the four years since IPO, NESF has achieved an annualised Total Shareholder Return of 8.5% and an annualised NAV Total Return of 6.3% (based on NAV and dividends per share paid), in line with the target range of 7% - 9% equity return for investors. This is a significant achievement considering the challenging market conditions faced by the UK solar sector during these years.

Financial Results and Performance

Financial results

Profit before tax was £32.2m (2017: £49.8m) with earnings per share of 5.88p (2017: 13.81p). Cash dividend cover was 1.2x (2017: 1.2x).

Portfolio Performance

Energy generated by NESF's plants amounted to 451GWh (2017: 394GWh), 0.9% above budget; which represented the fourth year of continuous outperformance.

During the year, solar irradiation across the portfolio was

0.9% below our expectations (2017: 0.3% below expectations). Generation outperformance was a result of the Company's Asset Management Alpha of 1.8%, which highlights how the principal driver for our continued outperformance continues to rest with the structure and quality of the Company's asset management organisation.

This outperformance was achieved despite several plant outages resulting from grid operators' activities unrelated to our plants. Excluding these outages, the Asset Management Alpha would have been 2.7%.

The electricity generated by our portfolio is equivalent to a saving of 158,600 tonnes of CO_2 emissions per annum and sufficient to power some 124,000 UK homes for a year. This is roughly equivalent to powering a city with 295,000 inhabitants (e.g. Swansea) for an entire year. Solar PV is now contributing materially to total electricity generation in the UK, and the Company is proud to be playing a leading role in this important contribution.

Net Asset Value

At the year end, the Company's NAV was £605.0m, equivalent to 105.1p per share (2017: NAV of £478.6m, 104.9p per share).

During the course of the year, the unlevered discount rate was reduced by 0.50% to 6.75% which reflects the observed increased value of operating solar PV assets. We do not believe that this trend will reverse in the foreseeable future. The discount rate employed for levered asset portfolios was 7.75%. The weighted average discount rate moved from 7.9% to 7.3%.

Portfolio Growth

During the year, the operating portfolio grew from 41 to 63 assets, which amounted to an increase of 115MW in the portfolio's installed capacity. This is significant growth, especially considering the high quality of the assets, but does not reflect the full extent of the pipeline and funding available to the Company.

The Company's implementation of its acquisition strategy was impacted by several factors during the year, including longer than expected timetables to close transactions secured under exclusivity, the higher price paid by our competitors for portfolios sold by previous owners and the reduced number of ROC assets available in the market. After the year end we have announced a further two acquisitions and expect to deploy fully our available capital in the 128MW of pipeline assets.

Beyond ROC assets, we believe the development of subsidy-free solar plants provides attractive opportunities for the Company. We have several options available in this space, including developing the solar plant from ground-up. This would allow us to control the entire value-chain and increase our return on investment whilst mitigating risks.

Capital Raising and Debt Financing

On 23 June 2017, the Company issued 115 million new shares in an offering that was heavily oversubscribed. With numerous shareholders taking the scrip dividend option during the year, our total shares in issue were 575.7 million at the year end. The strong demand from existing and new shareholders underlines the backing we enjoy among institutions that have supported our growth since the IPO in April 2014, in which we issued 85.6 million shares, and our track record in achieving stated objectives. The new capital raised was primarily used to acquire additional portfolio assets and repay two existing debt facilities totalling £65.0m in preparation for a further portfolio refinancing. The cash balance remaining at the year end will be used to purchase portfolio assets from the Company's pipeline of opportunities under exclusivity.

During the year, in addition to the repayment of the two debt facilities, the Group entered into a RCF for £20m to facilitate the acquisition of new portfolio assets. The acquisition of the Italian portfolio also brought with it long-term fully amortising project debt of £67.8m. At the year end, the Company had total financial debt outstanding of £270.4m (2017: £269.8m) on a pro-forma look through basis including project level debt. This represents a gearing level of 31% (2017:36%), which is significantly below the stated maximum debt-to-GAV level of 50% and presents an opportunity to optimise the capital structure for the benefit of our shareholders.

Dividend and Dividend Growth

The Company continues to achieve all its dividend and dividend growth objectives. For the year 2017/18, the Company will have paid out a total dividend of 6.42p per share (2016/17: 6.31p).

For the year 2018/19, the UK RPI applicable to the value of ROCs is 3.6% (as published by the Office for National Statistics) we are therefore targeting to grow the dividend to 6.65p per share.

Our target since IPO has been to grow dividends in line with UK RPI. Our disciplined investment track record has so far allowed us to meet this target with a cash dividend cover of at least 1.2x over the last four years. We are pleased with the result, especially as NESF has been materially growing its shareholder base during this period. Based on our current portfolio, further financing capacity and pipeline of opportunities, we expect to be able to maintain our dividend policy linked with RPI inflation but we will continue to monitor the situation as energy prices and projections evolve in the future.

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 UK Corporate Governance Code and viability statement reporting) on the Company's Corporate Governance can be found in the Corporate Governance section on pages 48 to 55.

Outlook

In the UK, following the end of the ROC regime era on 1 April 2017, the activity in the solar industry declined very significantly. Few new solar plants have been built relative to the preceding three years and the industry is now positioning itself for a new phase in which subsidy-free solar assets will be built in the country.

The current portfolio of assets has been diligently acquired at attractive prices and is performing above expectations. The continued downward revisions in long-term power price estimates are impacting the Company's dividend cover. Nevertheless, the Investment Manager continues to analyse future growth opportunities in the UK provided by subsidy-free developments and integration of energy storage. The unit cost to install solar plants continues to decrease each year and this has made subsidy-free developments a real and viable option. Electricity generated from new solar projects is becoming competitive with electricity generated from certain carbon-emitting technologies such as coal and natural gas. We expect this trend to continue to shift in favour of solar.

At the last AGM we received approval from investors to broaden the investment policy to permit 15% of Gross Asset Value ("GAV") to be invested in solar assets in OECD countries (other than the UK). While the Company will always remain predominately UK centric, we used this authority to deploy c.12% of GAV for the acquisition of our first portfolio abroad. The successful addition of the Solis portfolio demonstrates how NESF's objectives, in particular market risk diversification, dividend cover enhancement and the acquisition of financially attractive assets, can be supported by selectively adding high-quality overseas solar assets. We continue to be offered attractive investment targets outside the UK and monitor such opportunities carefully.

Optimisation of the portfolio continues to be a key objective of the Company in the short and medium term. This entails using technology to increase the technical and operating performance of the solar plants, implementing initiatives to save costs as well as developing and implementing innovative financing structures and thus enhancing overall returns by adding value to the NAV.

Globally, solar power was the fastest growing source of new energy generation installed last year. During 2017 new solar capacity overtook the net growth of coal capacity, previously the largest new source of power generation. International commitments to reduce carbon emissions generated by the electricity sector were reaffirmed and are expected to accelerate. There are more than 100 global cities now mostly powered by renewable energy, a doubling since 2015. There is increasing commitment and ambition to displace the use of fossil fuels with the sole use of renewable energy; cities such as Burlington, Vermont; Reykjavik, Iceland; and Basel, Switzerland are now powered 100% by renewable energy. In the UK we have seen the launch of UK100, a network of local government leaders, targeting 100% clean energy by 2050. Driven by its investment, declining operating costs, speed of deployment and consistency in performance, the solar sector continues to be the primary beneficiary of the global movement to renewable energy.

Within this backdrop, the outlook for the Company remains strong, driven by selective acquisition-led growth, a continued focus on achieving Asset Management Alpha outperformance and further improvements in our cost base and financing structure.

Kevin Lyon
Chairman
12 June 2018

Forest Farm Solar Plant
Through the Seasons

SPRING

Strategic Report

Key Performance Indicators ("KPIs")

The Company sets out below its KPIs which it utilises to track its performance over time against its objectives.

Financial KPI	Year ended 31 March 2018	Year ended 31 March 2017	Year ended 31 March 2016	Year ended 31 March 2015
Shares in issue	575.7m	456.4m	278.0m	240.3m
Share price	111.0p	110.5p	97.75p	103.75p
Market capitalisation	£639m	£504m	£272m	£249m
NAV per share	105.1p	104.9p	98.5p	103.3p
Total NAV	£605.0m	£478.6m	£273.8m	£248.4m
Premium/(discount) to NAV	5.6%	5.3%	(0.8%)	0.4%
Earnings per share	5.88p	13.81p	0.78p	9.13p
Dividend per share	6.42p	6.31p	6.25p	5.25p
Cash dividend cover	1.2x	1.2x	1.2x	1.8x
Debt outstanding	£270m	£270m	£217m	£0m
Gearing level (Debt/GAV)	31%	36%	44%	0%
Weighted Average Cost of Capital	5.8%	5.9%	5.8%	7.5%
Weighted Average Lease Life	23.3 years	24.6 years	25.7 years	26.2 years
Shareholder total return – cumulative since IPO	33.6%	26.7%	6.1%	5.9%
Shareholder total return – annualised since IPO	8.5%	9.1%	3.2%	6.3%
Shareholder total return for year	6.2%	21.1%	0.2%	5.9%
FTSE All Share total return for year	1.4%	20.9%	(3.6%)	5.5%
NAV total return	6.3%	14.4%	3.7%	3.3%
NAV total return – annualised since IPO	7.0%	4.9%	1.9%	4.0%
Invested Capital	£734m	£522m	£481m	£252m
Ongoing Charges Ratio	1.1%	1.2%	1.2%	1.5%
Weighted Average Discount Rate	7.3%	7.9%	7.7%	7.5%

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

Solar Energy within Renewable Energy Context

More solar energy hits the surface of the Earth in a single hour than the total energy used by mankind in an entire year. We have a source of unlimited clean energy in the form of solar power – we just need to capture it. Last year solar energy only provided 3.5% of the energy used in the UK. Increasing this share will take time, investments and innovation.

2017 saw the global renewables sector enjoy significant growth as a result of increased uptake and support from national governments and global climate change initiatives, such as the United Nations Climate Change Conference. In addition, renewable energy is benefiting from increasing cost efficiencies and is in most cases supported by some form of Government and/or regulatory support. In the UK, renewable energy capacity has increased to 40.5GW, demonstrating a 13.3% increase from the previous year, notwithstanding the retraction of the ROC regime.

The Company believes that, within renewable energy, solar represents the most attractive risk-adjusted investment opportunity. Of the 40.5GW of renewable energy capacity installed in the UK, solar represented 12.8GW.

Solar has become the technology of choice compared to other technologies due to its reduced cost, the speed of construction and grid connection, its contribution to mitigating climate change and the low volatility nature of its operations. Solar is now a proven and stable technology. Continuing technological developments in solar PV and energy storage provide significant optionality and upside potential within individual solar PV investments.

In its fourth 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 158,600 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

Today, out of the total global share of the market, solar PV constitutes 306GW of installed capacity and is estimated to grow to between 489 - 716GW by 2020. Global cumulative installed capacity (all energy) by 2040 is estimated to reach some 14,000GW of which solar would constitute 32%. A total of $2.8 trillion of investment in solar is expected between 2017 and 2040. The focus for this increased capacity will be initially on wind and solar PV. However, as the cost balance shifts in favour of solar PV, the Company expects solar energy to become the dominant driver of new capacity.

Other than investment value, the growing transition to cleaner energy is driven by the primary considerations to tackle and address climate change. The Paris COP21 Agreement was ratified by 146 countries and continues to be adhered to. 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. Both developed and developing countries have set high renewable energy capacity targets for 2020. For example, Italy is preparing targets to increase solar installed capacity for 2030 to 55GW in place of coal, from an existing capacity of 20GW in 2017. Of these dedicated countries, the 2020 targets are now within reach and hence governments are looking towards 2030. The relative rapidity of the construction of renewable energy plants, in particular solar, and the decreasing investment cost of solar shows that these targets are becoming more and more realistically achievable.

The UK itself has seen its efforts reach fruition: 21 April 2017 was a "watershed" moment when Britain went a full day without turning on its coal-fired power stations for the first time in more than 130 years. On 26 May 2017, the UK achieved a solar power record as 8.7GW of solar power was generated at 1pm, representing 24.3% of the entire power demand in the UK. The Company's contribution to this was 5% (or 0.47GW), which represented 1.5% of the entire power demand in the UK at 1pm. Continuing this trend, on 18 April 2018, the UK reached 55 continuous hours without coal. Only a few days later on 24 April 2018, it was 72 hours, another record.

Structure

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

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

Investment Objective

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

Investment Policy

The Company seeks to achieve its investment objective by investing exclusively in solar PV assets.

The Company invests in solar PV assets primarily in the UK. Up to 15% of the Company's GAV (calculated at the time of investment) may be invested in solar PV assets that are located outside the UK. Investments outside the UK will be made only in OECD countries that the Investment Manager and Investment Adviser believe have a stable solar energy regulatory environment and provide investment opportunities with similar, or better, investment characteristics and returns relative to investments in the UK.

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

The Company typically seeks to acquire sole ownership of individual solar PV assets through SPVs, but may enter into joint ventures or acquire majority interests, subject, in each case, to the Company maintaining a controlling interest. Where an interest of less than 100% in a particular solar PV 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 assets may be either by way of equity or a mix of equity and shareholder loans.

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

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

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

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

A significant proportion of the Group's income is expected to result from the sale of the entirety of the electricity generated by the solar PV assets within the terms of power purchase agreements ("PPA") to be executed from time to time. These are expected to include the monetisation of ROCs and other regulated benefits and the sale of electricity generated by the plants to energy consumers and energy suppliers (Brown Power). Within this context, the Company expects to execute PPAs with creditworthy counterparties at the appropriate time.

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

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

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

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

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

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

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

As required by the Listing Rules, any material change to the investment policy of the Company will be made only with the approval of the FCA and of 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 the Regulatory Information Service or a notice sent to Shareholders at their registered addresses in accordance with the Articles.

The Company's Board and Committees

The Company's Board of Directors comprises four 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 Administrator. The Board also maintains the risk register, which it monitors and updates on a regular basis. The structure of the Board processes allows the members to test business controls and choice of acquisitions to ensure they meet the strategy driving the long-term dividend target.

The Investment Manager, Investment Adviser, 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 ("NEC Group"). He has over 21 years' specialist experience in the power and energy sector and was previously Managing Director in Goldman Sachs' energy and power investment banking team in London and non-executive Chairman and CEO of a number of listed energy companies.

- Aldo Beolchini is Managing Partner and CFO of the NEC Group. He has over 16 years' experience in investment banking and renewables. Mr Beolchini joined in 2008 and was previously Vice President at Morgan Stanley Investment Banking and an Officer at the Financial Guard Corps in Italy.

- Abid Kazim is CEO of WiseEnergy and was previously the UK Managing Director of the NEC Group. He has over 26 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 member of the NEC 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, an affiliate of the NEC Group. Under the framework agreement, WiseEnergy enters into individual asset management contracts with each solar power plant entity acquired by the Company and performs a broad and defined set of asset management activities for each entity. The collective experience of the NEC Group in managing and monitoring solar PV assets best positions the Company to implement efficiencies at both the investment and operating asset level. The technical and operating outperformance of the portfolio to date underlines the benefits of this comprehensive strategic relationship.

The NEC Group is a privately-owned specialist investment and asset manager focused on the solar sector. It was formed in 2007 and has developed a unique track record in the European solar sector. Prior to the IPO of the Company, it had developed, financed, managed the construction of and owned 14 solar projects in the UK and Italy. Its asset management activities have included the management and monitoring of more than 1,300 utility-scale solar power plants for a total capacity of over 1.9GW on behalf of third-party equity investors and financing banks. Its clients include listed solar funds (in addition to the Company), private equity, family offices, renewable energy specialists and other equity investors as well as some of Europe's leading lenders to and financiers of the solar sector. The estimated value of the assets managed and monitored by NEC Group amounts to c.£6.0 billion. It has developed proprietary hardware and software products and solutions to facilitate delivery of its services to its client base. The NEC Group also manages NextPower II LP, a €184m private equity fund dedicated to solar PV investments in Italy.

NEC Group's currently consists of 107 dedicated staff focused on the European solar sector. The team has significant experience in European energy and infrastructure transactions. Furthermore, the team has an extensive track record in solar across international jurisdictions.

The Company, through its contractual arrangements with the NEC Group, has access to a highly experienced investment team and to a leading asset manager in the 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 NEC Group strategically positions the Company to best resolve any potential technical and commercial issues that may impact individual assets and drive best-in-class performance. This ensures that the Company's solar PV assets are operated as efficiently as possible to optimise their technical and financial performances with a view to achieve and exceed the target cash flow yield over their useful life span.

Activities of the NEC Group for NESF

Investment Manager

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

Investment Adviser

- 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 counterparties.
- Prepares investment proposals and provides general advice and recommendations to the Investment Manager concerning the Company's portfolio, financing, strategy, market developments, etc.
- Reviews performance of the Company's portfolio together with the Operating Asset Manager.

Developer

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

Operating Asset Manager

- Assumes asset management of solar power plants upon acquisition.
- Provides periodic technical, financial and administrative reports to the Company.
- Undertakes periodic site visits on each plant.
- Prepares technical and financial analysis of each site to assess performance and identify potential improvements.
- Manages SPV's 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

Viability Statement

In accordance with provision C.2.2 of the UK Corporate Governance 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. This review considers the Company'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.

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

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 2023.

Kevin Lyon
Chairman
12 June 2018

Environmental, Social and Governance

The Group maintains and adopts ESG principles as a potent source of innovation and competitive advantage to its core business. It commits 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. The Investment Adviser accounts for ESG metrics that relate to the value chain of its activities. By proactively taking an additional step to traditional investment in the solar PV industry, it aims to create higher standards of long-term value in the entire industry. Examples of ESG targets include: focusing exclusively on generating electricity from 100% clean energy, targeting a reduction of CO_2 emission of over 2 million tons per year, taking full account of health and safety impacts beyond the relevant local regulations and throughout all phases of the solar PV asset life and conducting dealings with local authorities in a transparent manner, adhering to the rule of law and procedures of each jurisdiction in which it operates.

The Investment Adviser has appointed a dedicated senior ESG manager and is committed to developing its ESG policy to achieve and maintain best-practice status. The Investment Adviser's Advisory Board includes high profile professionals with energy, financial and environmental backgrounds and advises the management team in implementing and upholding best governance practices.

NEXTENERGY FOUNDATION

NextEnergy Foundation

Community engagement forms a key part of the Investment Adviser's ongoing asset management strategy. The NextEnergy Foundation was founded in 2016 with the mission to provide power and light from clean energy sources to underserved regions as well as to benefit local communities in which it is present and beyond. The Foundation is the Investment Adviser's personal participation effort to support small or other commendable projects that would otherwise not be in the remits of its operations. The Investment Adviser has pledged 5% of its net annual profits to the Foundation. The Investment Adviser recognises the importance of benefiting society as a whole and this is reflected through its vision and mission to deliver through research and learning activities. For example, most recently it has taken part in funding thousands of solar lights in refugee camps in Syria, provided solar plants to schools in Malawi, and scholarships to students from Zimbabwe. In the UK, the Investment Adviser participated in the funding of a fuel poverty support scheme during winter 2017.

The website address is nextenergyfoundation.org

ESG Considerations

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 consequences 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.

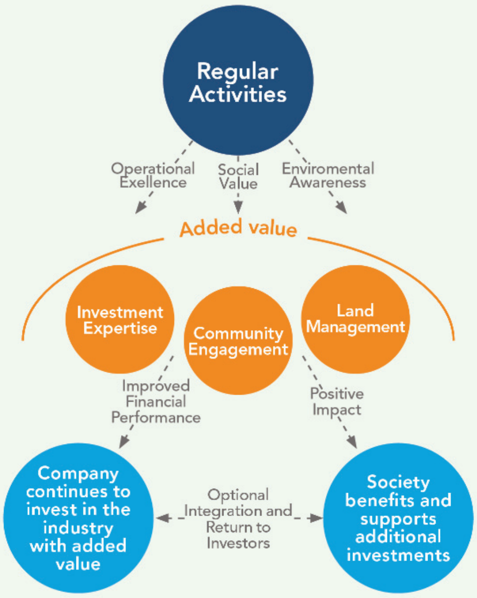
Increasing adverse social and economic pressures have pushed landowners and local communities to look for alternative sources of income and land use to support their financial sustainability. Whilst solar farms present this alternative source of income to the farmers and already benefit the local communities 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 solar PV 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 communities surrounding 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 solar PV assets it invests in.

As stated 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 shareholders and also as part of society. The ultimate result is that society perceives the shared value and benefits generated from the Company's activities, supporting future business and shareholders to stimulate the Company to continue implementing its strategy and invest 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.

Biodiversity

The Company, through its Investment Adviser and Operating Asset Manager, has made a commitment to ensure it leads best practice in biodiversity in the solar industry. As a member of the Solar Trade Association, the Company already ensures that it complies with the 10 commitments for Land Management which can be viewed at www.solar-trade.org.uk/sta-solar-farms-10-commitments.

Case Study 1: NESF Exemplar Sites

The Company has commissioned an independent biodiversity review of its operational assets. The review has highlighted action plans to take sites beyond planning and ecological minimum standards. The Company has chosen four exemplar sites with unique habitats to set a best practice standard which will be implemented more widely across the majority of the portfolio in the future. These sites are Berwick, Boxted, Emberton and Langenhoe solar farms.

Photo 1: Flower meadow at Emberton

The aim of the exemplar sites is to make a positive contribution to ecosystems surrounding solar farms in comparison to prior uses, such as farmland. Opportunities include:

- **Regulating** by improving air quality, water quality, pollination, reducing soil erosion, invasive weeds and increasing carbon consumption; and

- **Culturally** by making the solar farms an aesthetically pleasing place to visit.

Biodiversity management plans have been developed for the four sites, with implementation activities being carried out in Autumn 2017, Spring 2018 and Autumn 2018, including wild flower meadows, hibernacula, bug hotels and fruit trees. At Emberton, there has been a large focus on implementing a flower meadow beneath the solar panels and crop growing, as outlined in the plan below.

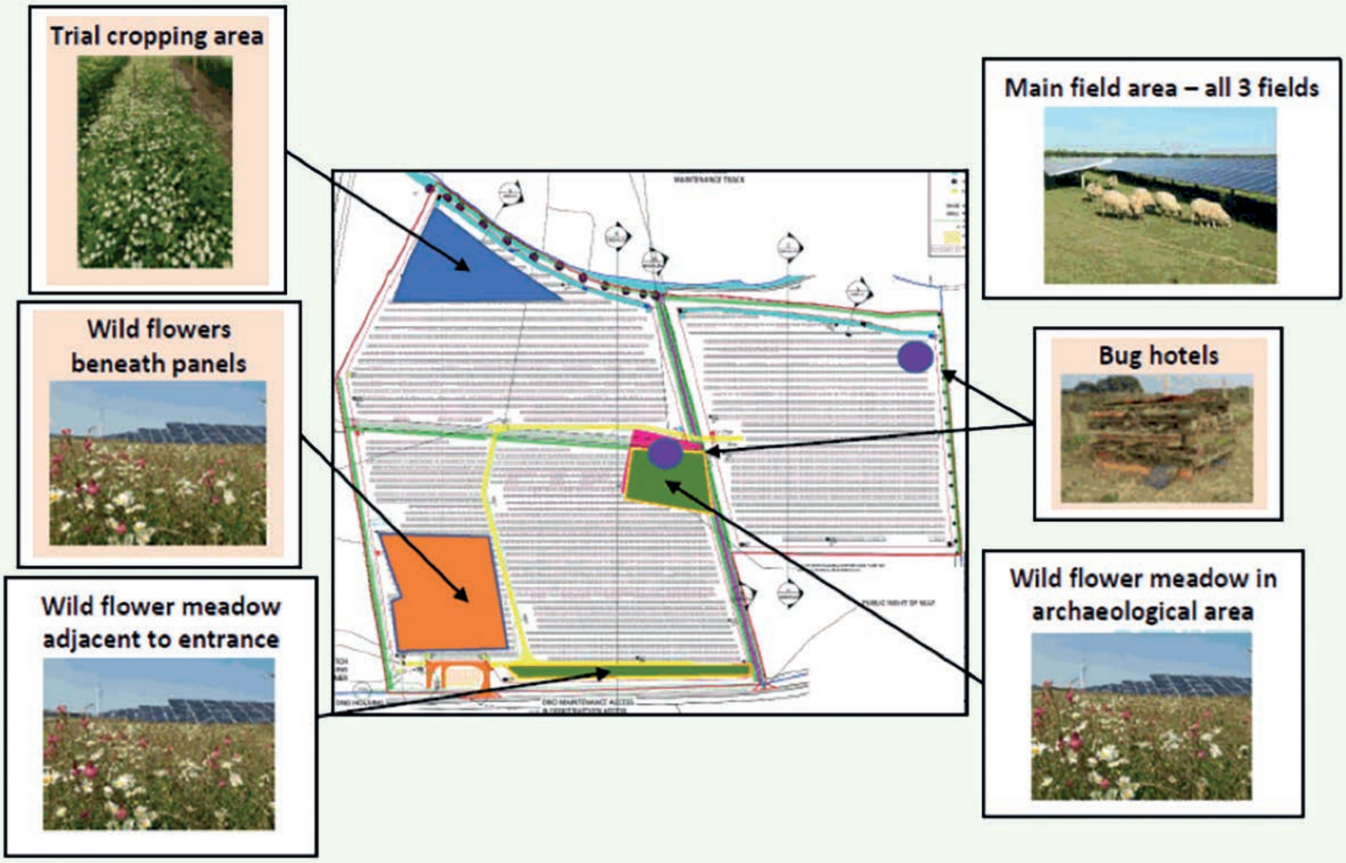


Figure 1: Map of Biodiversity management plan at Emberton

NEXTENERGY SOLAR FUND

Case Study 2: Team Engagement

On the 27 September 2017, the NextEnergy Capital and WiseEnergy teams held an engagement day at NESF's Langenhoe plant. The objective of the day was to deepen the entire team's understanding of key technical components in a solar plant and best-practice ESF asset management activities. While on site, the team also created habitats for native animals and plant species.

Photo 2: NextEnergy employees at away day at Langenhoe

The team was divided into two groups, and both constructed hibernacula and bug hotels at two different locations on the solar farm as part of the biodiversity management plan. They were both made from local materials such as, stone, brick, hay, acorns, twigs and crates, that team members were able to gather from the farm and woodland nearby.

Photo 3: Bug hotel at Langenhoe solar farm

The biodiversity management plan at Langenhoe included two breeding bird surveys and one invertebrate survey and one botany survey. Results were promising, showing a range of 36 breeding bird species, four butterfly species, three bumblebee species and numerous invertebrates. This will be monitored over the coming years so that improvements in biodiversity can be quantified.

Community

Case Study 3: Theale Village Hall - Building a zero-carbon Village

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. This financial year NextEnergy Capital has donated a total of £64,973 in community payments to help 10 parish councils and foundations support community projects.

At our Hawkers solar farm, we donated funds to the village hall in Theale. The donation will go towards the installation of solar panels and a battery on the village hall; the chosen battery is the Tesla Powerwall 2 AC. The hall is extremely well used and a pivotal meeting point within the community. The solar panels and battery will make a big difference to meeting the village's zero carbon targets. Lower maintenance costs will also mean more clubs and activities can be put on for the local community.

> *"The donation to Green Wedmore will not only allow us to install solar PV and a battery on our village hall thereby saving the hall £100s on its energy bill each year but also will contribute to the village target of being zero carbon by 2045. The savings for the village hall will mean that money spent on energy will now be able to be diverted to the Community"*
>
> - **Sonya Bedford, member of parish council**

> *"The visionary initiative of Green Wedmore to create Theale as a zero-carbon village is terrific. We are pleased that our contribution can add to that vision."*
>
> - **Sulwen Vaughan, NESF SPV Director**

Photo 4: Theale village hall and community

One of the Company's goals is to continue deploying its efforts engaging with the community and will demonstrate this through 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 to meet its biodiversity and environmental policy targets.

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

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

Environmental

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

- **124,000** UK homes powered for one year, the equivalent needed to power the city of Swansea.
- **158,600** tonnes of CO_2 emissions avoided per annum.

United Nations Principles for Responsible Investment ("UNPRI")

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). The NEC Group is committed to the UNPRI, an independent, leading proponent of responsible investment.

By being a signatory to the UNPRI, the NEC 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.

UNEP FINANCE INITIATIVE

PRI Principles for Responsible Investment

Forest Farm Solar Plant
Through the Seasons

SUMMER

Investment Manager's Report

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

About NextEnergy Capital

The Investment Manager and Investment Adviser are both members of the NEC Group. The NEC Group is a specialist investment and operating asset manager focused on the solar energy sector, with a 100-plus team across its offices in UK and Italy. Through its operating asset management division, WiseEnergy, the NEC Group has managed and monitored over 1,300 utility-scale solar plants and approximately 720 solar rooftop installations (comprising an installed capacity of approximately 1.9GW and an estimated €6.0 billion asset value) for a client base which includes leading European banks and equity investors (including private equity funds, listed funds and institutional investors). The NEC Group also manages NextPower II LP, a €184m private equity fund dedicated to PV investments in Italy.

Portfolio Highlights

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

During the year, the portfolio grew from 41 to 63 assets, which saw an increase of 115MW to the portfolio capacity.

We remain diligent with regard to the quality of assets considered, acquisition values and resulting financial returns, and therefore have not approved as many targets for which we had exclusivity than we would have expected to. This diligence also means that, after exchange of contracts and announcement to the market, if we are not completely satisfied with an asset we will not complete the acquisition.

During the year, the Company focused on completing and integrating the solar PV assets that had been acquired. The NEC 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 ("PAC", "IAC", "FAC" respectively) 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 assets demonstrate the desired level of quality and ability to obtain and exceed the expected technical performances in the long run.

During the year, one of the most significant highlights for the Company was the acquisition of a portfolio of assets located overseas. This portfolio is described in detail on the following pages.

Portfolio Performance

Even though we experienced some significant DNO outages at some of our plants during the year, we managed to generate energy 1.8% above budget. NESF's asset manager actively sought to postpone or mitigate unexpected or planned outages due to works conducted on the network grid by the various DNOs. To provide investors full transparency on the portfolio's performance, all issues affecting the availability and performance of the plants in the portfolio, whether beyond or within our control, are taken into account when calculating Asset Management Alpha. Had the DNO outages been excluded (to compare with other listed funds' information), the Asset Management Alpha would have been 2.7%.

In particular, the energy generation from Hall Farm, a 5MW plant, was -19.2% compared to budget. This was due to 43 days of DNO outage required for extraordinary maintenance activity on the grid. Had this been excluded, generation delta would have been 1.2% (for the year) and 2.3% (since acquisition). Hall Farm experienced a further issue at the beginning of March following a theft which caused the availability to drop to 47% for 25 days. If this period was also excluded, generation delta would have been 6.1% despite a negative 1.0% irradiation (Asset Management Alpha would have been 7.1%). An insurance claim is ongoing, which we believe will be successful. The 7.1% Asset Management Alpha calculated with the two exclusions explained above gives us confidence that Hall Farm will recover the losses caused by the DNO outage in the years to come.

The unusual weather pattern across much of Europe during the month of March 2018 had a negative impact on the performance of the portfolio. During this month irradiation was lower by 21.1% and generation lower by 18.1% on the UK portfolio.

The table below provides details of the actual performance compared to expectation for 55 of the portfolio solar PV assets, that have been managed and monitored by the Operating Asset Manager. The on-boarding of the Italian portfolio was completed in January and there has not been a sufficient and relevant period of time to report on their operating performances. As a result of the Company's operating asset management strategy, the portfolio of 55 solar PV assets generated an outperformance of 0.9% above the budgeted generation values.

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. Similarly, unplanned outages or technical issues can negatively impact it. NESF defines as "Asset Management Alpha" as 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.

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. The "nominal" outperformance of the Company's portfolio during the year ended 31 March 2018 was 0.9%, whereas the Asset Management Alpha of 1.8% during the year represents the "real" outperformance due to active asset management.

Period	Assets monitored	Irradiation (delta vs. budget)	Generation (delta vs. budget)	Asset Management Alpha
Full year 2014/15	6	(0.4%)	+4.8%	+5.2%
Full year 2015/16	23	+0.4%	+4.1%	+3.7%
Full year 2016/17	31	(0.3%)	+3.3%	+3.6%
Full year 2017/18	55	(0.9%)	+0.9%	+1.8%
Cumulative from IPO to 31 March 2018	55	+0.4%	+2.7%	+2.3%

The Italian Portfolio "Solis"

This section describes in detail the Company's overseas portfolio and the rationale for its acquisition. In summary, Solis generates a high cash yield and materially contributes to the Company's dividend cover. Furthermore, it reduces the average exposure of the broader NESF portfolio revenues to movements in wholesale energy prices. The return on investment is also higher than what is achievable on UK assets, even after applying a significant country risk premium. Due to an efficient 15-year hedge, this higher IRR comes as free from foreign currency risks as possible.

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

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

The portfolio was acquired with long-term non-recourse project finance debt financing already in place, of which €76.9m (£68.1m) remains outstanding. The debt is fully amortising and the interest rate risk is fully hedged via interest rate swaps. Debt was originally provided by UniCredit and ING Bank, and although financing terms are broadly at market level, the Investment Adviser team in Italy is already looking at options to refinance the portfolio at even more attractive rates. The Company, through a HoldCo, has also put in place a EUR/GBP foreign currency hedging structure covering nearly all expected cash flows generated by the portfolio over the next 15 years to reduce currency fluctuation exposure on returns. The FX hedging structure, closed with Intesa, is particularly effective as the Company is not obliged to provide any cash collateral as credit support to the bank.

The Solis acquisition is attractive from various perspectives:

- High risk-adjusted return – due to the experience of the Investment Adviser in Italy, the acquisition price resulted in a favourable net IRR of 9.4%, on top of which upsides are being implemented for a total IRR of 9.8%. This excludes a potentially significant uplift from re-financing.
- Low risk-profile – The Company benefits from the portfolio's operating history and the high quality of its components. In addition, it reduces NESF's exposure to wholesale energy markets, as around 85% of its revenues are fixed for the next 15 years. The Italian FiT was subject to a retroactive reduction in 2014, but a number of mitigants reduce significantly the risk of this occurring again during the life of the investment.
- Positive contribution to dividend cover – The higher return on investment is coupled by an attractive cashflow generation profile, which is higher than ROC assets, and evenly spread over the life of the investment, as the Italian FiT is fully fixed. For the purposes of comparison, Solis has a dividend cover equivalent metric of 1.4x, which supports the Company's overall dividend target.
- NAV accretion – Solis is valued on a DCF basis with a country risk premium of 1.25%, which is substantial in light of the fact that FX risk is effectively hedged and the lower volatility of cashflows compared to UK assets. On this risk-adjusted basis, Solis generated a NAV increase of £4.4m.
- Diversify Market Risk - Italy is the fifth largest solar market globally, and is supported by a FiT incentive mechanism. The FiT is granted by a state-owned company which promotes and supports renewable energy in Italy, where the sole shareholder is the Ministry of Economy and Finance. Tariffs differ depending on the capacity, type of plant and the time of commissioning. The FiTs for Solis range between €195/MWh to €318/MWh. Once a PV plant is accredited, the FiT is granted over a period of 20 years and is not inflated.
- Low revenue risk – Of the Solis revenues, 85% result from FiT where a 20-year regulated fixed price per MWh has been generated. The FiT specific to this portfolio expire in 2031. The remaining 15% is from the sale of the brown electricity fed into the grid at market price or via PPAs to other market participants. With this revenue mix there is low revenue risk. In addition, low operating costs result in stable EBITDA margins in excess of 80%.

Investment Portfolio

There is a high level of diversification in the Company's portfolio: the 63 solar PV assets are located across 29 different UK counties and Italian regions; the largest plant represents 7% of the total installed capacity; and the four largest plants represent together 21% of the total installed capacity. Excluding rooftop assets, the average size is 9.0MW and the Investment Manager will seek to maintain this level of diversification which is considered beneficial to shareholders as it mitigates concentration risks. In addition, the portfolio is diversified across 18 non-connected contractors, 15 different Tier 1 solar panel manufacturers and 11 Tier 1 inverter manufacturers. This spread of counterparties mitigates counterparty risks.

The following pages represent details of the investment portfolio:

	Power plant	Location	Announcement Date	Regulatory Regime[1]	Status[8]	Plant Capacity (MWp)	Investment (£M)	Remaining life of the plant (years)	% of Equity Proceeds
1	Higher Hatherleigh	Somerset	01/05/2014	1.6	Completed	6.1	7.3[5]	20.0	1.2%
2	Shacks Barn	Northamptonshire	09/05/2014	2.0	Completed	6.3	8.2[5]	19.3	1.4%
3	Gover Farm	Cornwall	23/06/2014	1.4	Completed	9.4	11.1[5]	21.7	1.9%
4	Bilsham	West Sussex	03/07/2014	1.4	Completed	15.2	18.9[5]	21.6	3.2%
5	Brickyard	Warwickshire	14/07/2014	1.4	Completed	3.8	4.1[5]	21.6	0.7%
6	Ellough	Suffolk	28/07/2014	1.6	Completed	14.9	20.0[5]	21.0	3.4%
7	Poulshot	Wiltshire	09/09/2014	1.4	Completed	14.5	15.7[5]	20.9	2.7%
8	Condover	Shropshire	29/10/2014	1.4	Completed	10.2	11.7[5]	21.6	2.0%
9	Llywndu	Ceredigion	22/12/2014	1.4	Completed	8.0	9.4	21.7	1.6%
10	Cock Hill Farm	Wiltshire	22/12/2014	1.4	Completed	20.0	23.6	21.4	4.0%
11	Boxted Airfield	Essex	31/12/2014	1.4	Completed	18.8	20.6[5]	22.0	3.5%
12	Langenhoe	Essex	12/03/2015	1.4	Completed	21.2	22.9[5]	22.0	3.9%
13	Park View	Devon	19/03/2015	1.4	Completed	6.5	7.7[5]	22.0	1.3%
14	Croydon	Cambridgeshire	27/03/2015	1.4	Completed	16.5	17.8[5]	21.7	3.0%
15	Hawkers Farm	Somerset	13/04/2015	1.4	Completed	11.9	14.5[5]	22.0	2.4%
16	Glebe Farm	Bedfordshire	13/04/2015	1.4	Completed	33.7	40.5[5]	31.7	6.8%
17	Bowerhouse	Somerset	18/06/2015	1.4	Completed	9.3	11.1[5]	22.0	1.9%
18	Wellingborough	Northamptonshire	18/06/2015	1.6	Completed	8.5	10.8[5]	21.2	1.8%
19	Birch Farm	Essex	21/10/2015	FiT	Completed	5.0	5.3[5]	22.2	0.9%
20	Thurlestone Leicester	Leicestershire	21/10/2015	FiT	Completed	1.8	2.3	15.1	0.4%
21	North Farm	Dorset	21/10/2015	1.4	Completed	11.5	14.5[5]	21.7	2.4%
22	Ellough Phase 2	Suffolk	03/11/2015	1.3	Completed	8.0	8.0[5]	22.8	1.4%
23	Hall Farm	Leicestershire	03/11/2015	FiT	Completed	5.0	5.0[5]	22.7	0.8%
24	Decoy Farm	Lincolnshire	03/11/2015	FiT	Completed	5.0	5.2[5]	22.6	0.9%
25	Green Farm	Essex	26/11/2015	FiT	Completed	5.0	5.8	23.0	1.0%
26	Fenland	Cambridgeshire	11/01/2016	1.4	Completed	20.4	23.9[2][3]	22.3	4.0%
27	Green End	Cambridgeshire	11/01/2016	1.4	Completed	24.8	29.0[2][3]	22.4	4.9%
28	Tower Hill	Gloucestershire	11/01/2016	1.4	Completed	8.1	8.8[2][3]	22.0	1.5%
29	Branston	Lincolnshire	05/04/2016	1.4	Completed	18.9		26.9	
30	Great Wilbraham	Cambridgeshire	05/04/2016	1.4	Completed	38.1		27.0	
31	Berwick	East Sussex	05/04/2016	1.4	Completed	8.2	97.9[2][4]	23.5	16.5%
32	Bottom Plain	Dorset	05/04/2016	1.4	Completed	10.1		27.5	
33	Emberton	Buckinghamshire	05/04/2016	1.4	Completed	9.0		27.1	
34	Kentishes	Essex	22/11/2016	1.2	Completed	5.0	4.5	23.7	0.8%
35	Mill Farm	Hertfordshire	04/01/2017	1.2	Completed	5.0	4.2	23.7	0.7%
36	Bowden	Somerset	04/01/2017	1.2	Completed	5.0	5.6	23.9	0.9%
37	Stalbridge	Dorset	04/01/2017	1.2	Completed	5.0	5.4	24.0	0.9%
38	Aller Court	Somerset	21/04/2017	1.2	Completed	5.0	5.5	24.0	0.9%
39	Rampisham	Dorset	21/04/2017	1.2	Completed	5.0	5.8	24.5	1.0%

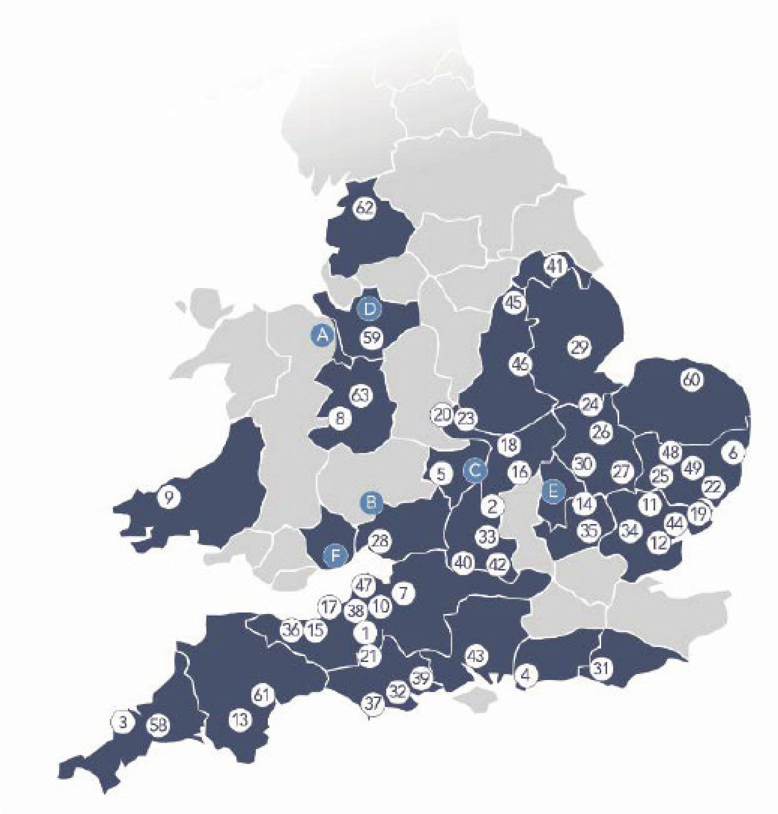
Power plant		Location	Announcement Date	Regulatory Regime	Status[8]	Plant Capacity (MWp)	Investment (£M)	Remaining life of the plant (years)	% of Equity Proceeds
40	Wasing	Berkshire	21/04/2017	1.2	Completed	5.0	5.3	23.7	0.9%
41	Flixborough	South Humberside	21/04/2017	1.2	Completed	5.0	5.1	24.5	0.9%
42	Hill Farm	Oxfordshire	21/04/2017	1.2	Completed	5.0	5.5	24.0	0.9%
43	Forest Farm	Hampshire	21/04/2017	1.2	Completed	3.0	3.3	34.0	0.6%
44	Birch CIC	Essex	12/06/2017	FiT	Completed	1.7	1.7	22.2	0.3%
45	Barnby	Nottinghamshire	12/06/2017	1.2	Completed	5.0	5.4	24.3	0.9%
46	Bilsthorpe	Nottinghamshire	12/06/2017	1.2	Completed	5.0	5.4	24.7	0.9%
47	Wickfield	Wiltshire	12/06/2017	1.2	Completed	4.8	5.7	25.1	1.0%
48	Bay Farm	Suffolk	18/08/2017	1.6	Completed	8.1	10.5	21.9	1.8%
49	Honington	Suffolk	18/08/2017	1.6	Completed	13.5	16.1	21.8	2.7%
50	Macchia Rotonda	Apulia	01/11/2017	FiT	Completed	6.6		17.8	
51	Iacovangelo	Apulia	01/11/2017	FiT	Completed	3.5		18.1	
52	Armiento	Apulia	01/11/2017	FiT	Completed	1.9		18.1	
53	Inicorbaf	Apulia	01/11/2017	FiT	Completed	3.0	116.2[2][6]	17.9	19.6%
54	Gioia del Colle	Campania	01/11/2017	FiT	Completed	6.5		18.6	
55	Carinola	Apulia	01/11/2017	FiT	Completed	3.0		18.6	
56	Marcianise	Campania	01/11/2017	FiT	Completed	5.0		18.5	
57	Riardo	Campania	01/11/2017	FiT	Completed	5.0		18.5	
58	Gilley's Dam	Cornwall	18/12/2017	1.3	Completed	5.0	6.4	28.5	1.1%
59	Pickhill Bridge	Clwyd	18/12/2017	1.2	Completed	3.6	3.7	23.9	0.6%
60	North Norfolk	Norfolk	01/02/2018	1.6	Completed	11.0	14.6	26.6	2.5%
61	Axe View	Devon	01/02/2018	1.2	Completed	5.0	5.6	29.0	1.0%
62	Low Bentham	Lancashire	01/02/2018	1.2	Completed	5.0	5.4	27.9	0.9%
63	Henley	Shropshire	01/02/2018	1.2	Completed	5.0	5.2	23.7	0.9%
Total						568.9	733.7		124.0%[7]

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

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

Portfolio Assets Locations

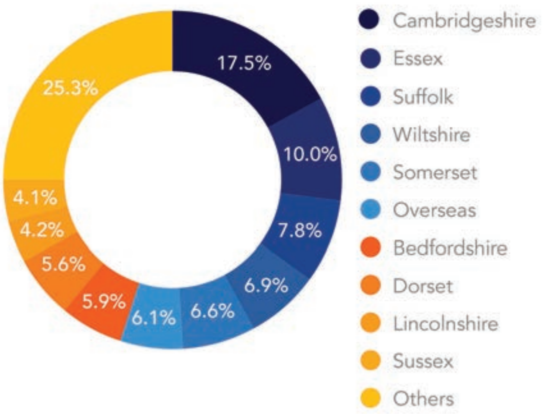
United Kingdom:



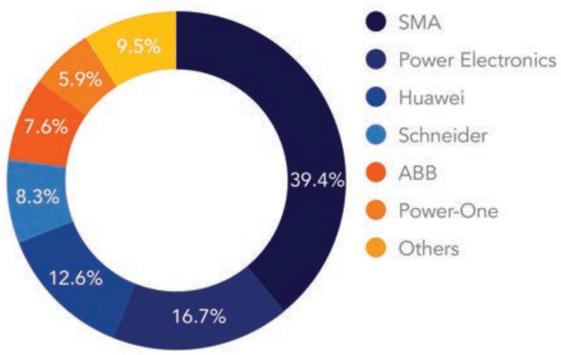
Italy:

Investment Portfolio Diversification

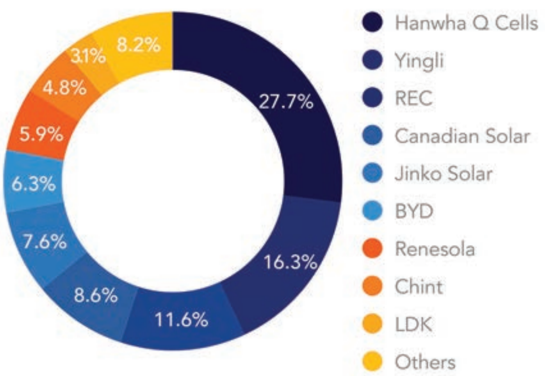
By Location



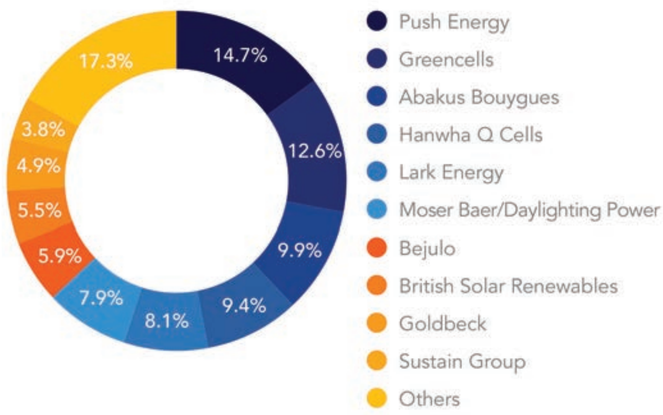
By Inverter Manufacturer



By Solar Module Manufacturer



By EPC Contractor



Portfolio Assets

Power plant	Operational date	Acquisition date	Year ended 31 March 2018 Generation (MWh)	Irradiation delta (%)	Generation delta (%)	Since acquisition Generation (MWh)	Irradiation delta (%)	Generation delta (%)
1 Higher Hatherleigh	Apr-14	May-14	5,887	(2.9)	1.5	23,492	(1.4)	3.7
2 Shacks Barn	May-14	May-14	5,648	(4.1)	(1.4)	23,755	(0.0)	7.0
3 Gover Farm	Jan-15	Jun-14	9,157	0.1	(0.1)	29,707	0.3	2.2
4 Bilsham	Jan-15	Jul-14	16,334	3.2	5.1	51,004	1.6	4.8
5 Brickyard	Jan-15	Jul-14	3,446	(3.0)	0.2	11,195	(0.4)	3.7
6 Ellough	Jul-14	Jul-14	14,760	(3.7)	1.7	52,765	(2.3)	4.4
7 Poulshot	Apr-15	Sep-14	13,833	(2.5)	2.6	36,088	(2.9)	2.2
8 Condover	May-15	Oct-14	9,214	(3.8)	(2.7)	25,889	(3.3)	(1.0)
9 Llywndu	Jul-15	Dec-14	7,324	(8.1)	(3.0)	18,879	(7.2)	(1.9)
10 Cock Hill Farm	Jul-15	Dec-14	19,557	2.1	1.6	49,881	(1.4)	1.4
11 Boxted Airfield	Apr-15	Dec-14	18,143	0.5	1.4	55,637	0.3	3.1
12 Langenhoe	Apr-15	Mar-15	21,277	2.3	4.8	65,356	2.9	6.8
13 Park View	Jul-15	Mar-15	6,512	(3.6)	(0.6)	16,543	(5.5)	(1.4)
14 Croydon	Apr-15	Mar-15	15,470	0.4	3.2	47,089	1.8	4.2
15 Hawkers Farm	Jun-15	Apr-15	11,974	(2.3)	1.3	31,133	(3.4)	0.6
16 Glebe Farm	May-15	Apr-15	32,210	(1.0)	4.2	91,839	1.1	7.2
17 Bowerhouse	Jul-15	Jun-15	9,321	1.5	2.8	23,320	(1.5)	0.5
18 Wellingborough	Jun-15	Jun-15	7,922	(4.4)	0.5	21,777	(2.9)	2.7
19 Birch Farm	Sep-15	Oct-15	4,841	(0.5)	2.2	11,465	0.2	3.4
20 Thurlestone Leicester	Oct-15	Oct-15	N/A	N/A	N/A	N/A	N/A	N/A
21 North Farm	Oct-15	Oct-15	11,863	(5.2)	(3.7)	26,691	(7.6)	(5.1)
22 Ellough Phase 2	Aug-16	Nov-15	8,178	2.6	8.1	12,218	4.7	10.1
23 Hall Farm	Apr-16	Nov-15	3,553	(1.0)	(19.2)(1)	5,086	(2.1)	(13.3)
24 Decoy Farm	Mar-16	Nov-15	4,770	(1.3)	4.1	6,390	(1.7)	4.1
25 Green Farm	Dec-16	Nov-15	4,807	(1.8)	(2.1)	5,694	(1.1)	(1.2)
26 Fenland	Jan-16	Jan-16	20,079	(0.9)	3.6	43,954	0.4	5.5
27 Green End	Jan-16	Jan-16	23,652	(1.1)	0.6	51,743	(0.2)	2.3
28 Tower Hill	Jan-16	Jan-16	7,963	1.4	4.5	17,042	(0.0)	4.0
29 Branston	Mar-16	Apr-16	17,077	0.6	(2.6)	35,697	1.4	1.6
30 Great Wilbraham	Mar-16	Apr-16	35,667	(1.1)	(0.9)	72,421	(0.3)	0.4
31 Berwick	Mar-16	Apr-16	9,103	2.3	6.3	18,268	2.7	6.5
32 Bottom Plain	Mar-16	Apr-16	10,208	(0.2)	(0.1)	20,457	(1.3)	(0.0)
33 Emberton	Mar-16	Apr-16	8,367	(2.5)	(2.0)	16,934	(1.1)	(1.1)
34 Kentishes	Jul-17	Nov-16	4,396	(0.9)	0.3	4,396	(0.9)	0.3
35 Mill Farm	Jul-17	Jan-17	4,353	0.5	3.9	4,353	0.5	3.9

(1) Underperformance is due to DNO outages. Had this been excluded, generation delta would have been +6.1% (YTD) and +5.6% (since acquisition). We believe that the generation lost will be recovered over the life of the asset.

Portfolio Assets

	Power plant	Operational date	Acquisition date	Year ended 31 March 2018			Since acquisition		
				Generation (MWh)	Irradiation delta (%)	Generation delta (%)	Generation (MWh)	Irradiation delta (%)	Generation delta (%)
36	Bowden	Sep-17	Jan-17	1,741	(8.9)	(2.8)	1,741	(8.9)	(2.8)
37	Stalbridge	Sep-17	Jan-17	1,794	(8.0)	3.2	1,794	(8.0)	3.2
38	Aller Court	Sep-17	Apr-17	1,739	(1.8)	2.1	1,739	(1.8)	2.1
39	Rampisham	Sep-17	Apr-17	1,603	(9.6)	(9.4)	1,603	(9.6)	(9.4)
40	Wasing	Aug-17	Apr-17	2,337	(4.2)	2.3	2,337	(4.2)	2.3
41	Flixborough	Aug-17	Apr-17	2,114	(4.7)	(0.4)	2,114	(4.7)	(0.4)
42	Hill Farm	Mar-17	Apr-17	1,329	(5.6)	(6.9)	1,329	(5.6)	(6.9)
43	Forest Farm	Mar-17	Apr-17	831	(8.0)	(1.5)	831	(8.0)	(1.5)
44	Birch CIC	May-17	Jun-17	1,466	(1.3)	(0.2)	1,466	(1.3)	(0.2)
45	Barnby	Aug-17	Jun-17	1,920	(6.7)	(2.9)	(1,920)	(6.7)	(2.9)
46	Bilsthorpe	Aug-17	Jun-17	1,975	(8.0)	(2.2)	1,975	(8.0	(2.2)
47	Wickfield	Mar-17	Jun-17	1,375	(5.3)	(0.3)	1,375	(5.3)	(0.3)
48	Bay Farm	Sep-17	Aug-17	3,100	(2.5)	(3.2)	3,100	(2.5)	(3.2)
49	Honington	Sep-17	Aug-17	4,707	(5.6)	(12.4)	4,707	(5.6)	(12.4)
50	Macchia Rotonda	Nov-17	Nov-17	2,113	N/A	N/A	2,113	N/A	N/A
51	Iacovangelo	Nov-17	Nov-17	1,173	N/A	N/A	1,173	N/A	N/A
52	Armiento	Nov-17	Nov-17	647	N/A	N/A	647	N/A	N/A
53	Inicorbaf (Italy)	Nov-17	Nov-17	1,049	N/A	N/A	1,049	N/A	N/A
54	Gioia del Colle	Nov-17	Nov-17	2,072	N/A	N/A	2,072	N/A	N/A
55	Carinola	Nov-17	Nov-17	861	N/A	N/A	861	N/A	N/A
56	Marcianise	Nov-17	Nov-17	1,485	N/A	N/A	1,485	N/A	N/A
57	Riardo	Nov-17	Nov-17	1,394	N/A	N/A	1,394	N/A	N/A
58	Gilley's Dam	Nov-17	Dec-17	952	(10.3)	(4.0)	952	(10.3)	(4.0)
59	Pickhill Bridge	Dec-17	Dec-17	593	(5.3)	(0.3)	593	(5.3)	(0.3)
60	North Norfolk	Dec-17	Feb-18	1,670	(6.3)	(0.7)	1,670	(6.3)	(0.7)
61	Axe View	Dec-17	Feb-18	803	(3.2)	0.4	803	(3.2)	0.4
62	Low Bentham	Dec-17	Feb-18	765	0.0	6.6	765	0.0	6.6
63	Henley	Jan-18	Feb-18	657	(10.8)	(7.4)	657	(10.8)	(7.4)
Total				451,132	(0.9)	0.9	1,072,422	0.4	2.7

Current and Long-Term Power Prices

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

During the year, the Company experienced a mitigated trend in the UK wholesale power projections with a recent upward trend in the short-term and a downward movement in long-term estimates. The changes were observed as a result of the depreciation of sterling against the dollar, short-term movements in gas prices following recent forecasts on supply and long-term estimates on renewable penetration and commodity prices (including gas).

Despite the decrease in long-term estimates, the Company managed to capture the short-term increase proposed by the market. Electricity day ahead prices rose from c.£42/MWh in March 2017 to c.£57/MWh in March 2018[1]. The market consensus on long-term power prices is still produced by the Consultants.

During the year, the Italian purchasing price of electricity experienced an increase from €44/MWh in March 2017 to €57/MWh in March 2018[2]. The Investment Manager continued to observe an upward trend both in the day ahead and forward electricity markets after year end.

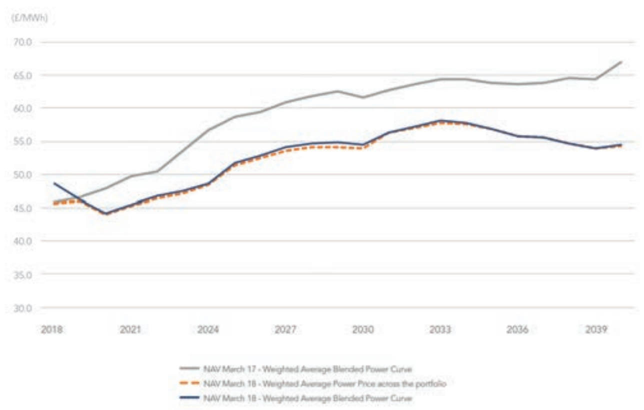
The power price forecasts employed by the Company also reflect an assumed "solar capture" discount which reflects the difference between the prices available on the market in the daylight hours of operation of a solar plant vs. the baseload prices included in the power price estimates. This solar capture discount is estimated by the Consultants on the basis of a typical load profile of a solar plant located in the UK and is reviewed as frequently as the baseload power price forecasts.

The Company's current long-term power price forecast implies an average growth rate of approximately 0.6% in real terms over the 20-year period starting April 2018. This represents a decrease of 9.9% compared to those used at the end of the previous reporting year (and 35.9% below the assumptions employed at IPO).

The Investment Manager uses an independent market consultant to provide long-term estimates for the Italian power prices. The current long-term forecast implies an average growth rate of 2.7% in real terms over the 20-year period starting April 2018 with a €67/MWh average price across the same period.

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 assets acquired by the Company which, as at March 2019 are expected to comprise c.66% of regulated revenues (ROCs and FiTs, mainly linked to RPI) and c.34% of sale of electricity on the wholesale market through PPAs.

Forecast UK Power Prices (Real 2018)



Historic UK Power Price[1]

(1) Source: N2EX – UK Baseload – day ahead

(2) Source: Gestore del Mercato Elettrico S.p.A.

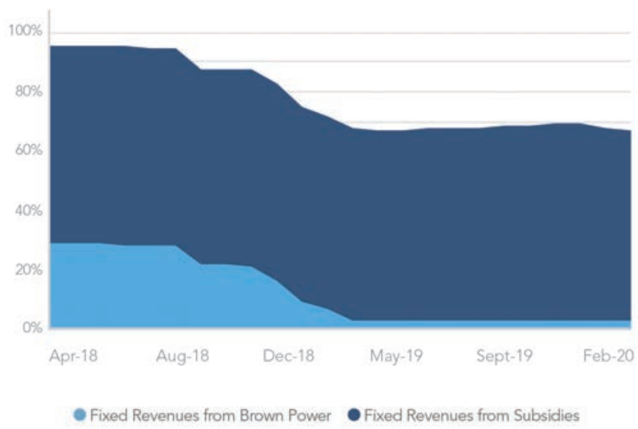
Power Purchase Agreements

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 agreements that are usually associated with a significant discount on the selling price vs. market. The Company then managed to extend this flexible structure to the existing portfolio.

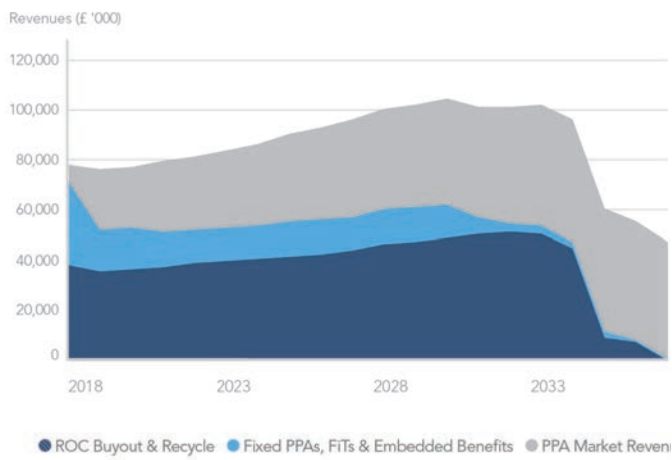
As at 31 March 2018, the Company had a mix of PPAs with fixed prices for periods ranging from 3 months to 5 years. As a result of these PPAs as well as the UK regulatory framework, the Company had a total of c.76% of its revenues linked to fixed power prices, FiT and ROCs until March 2021, thereby mitigating the risk of dividend reductions from volatility in the power price market.

The Investment Adviser is assisted by a specialist trading adviser 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 Revenue fixed as at 31 March 2018



Portfolio Revenue breakdown



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Financial Review

The Company performed very positively during the year. Operating outperformance of budget and a more favourable wholesale energy and ROC recycle market contributed to deliver better than expected earnings at the portfolio level. Costs have continued to decrease in percentage terms and financing activity contributed to create significant value for the shareholders. The slower than expected pace of acquisitions caused lower cashflow generation from new assets during the year than estimated at the time of the most recent equity issuance. The Company has announced two acquisitions since the year end which have had an immediate impact on cashflow generation.

The Company has met its targets for dividend distribution and is aiming to increase its dividends in line with RPI for the 2018/19 financial year.

Financial Results

Profit before tax was £32.2m (2017: £49.8m), with earnings per share of 5.88p (2017: 13.81p).

Dividends

For the year ended 31 March 2018, the fourth quarterly dividend of 1.605p per ordinary share is to be paid to shareholders on 29 June 2018. As a result, the Company will achieve its target for total dividends for financial year 2017/18 of 6.42p per ordinary share.

As stated in the Chairman's Statement, the Company is targeting to pay a dividend of 6.65p per ordinary share for financial year 2018/19, which represents a growth in line with RPI applicable to the underlying portfolio revenues.

During the year, the Company generated cash income of £42.5m and had net operating costs of £6.3m. The net cash dividend cover for the year was 1.2x (2017: 1.2x).

Dividends paid	Month of payment	Amount per ordinary share (p)	Total £'000
For the year 2014/15		5.250	10,946
For the year 2015/16		6.250	17,372
For the year 2016/17		6.310	20,681
First quarterly dividend for year 2017/18	Sep-17	1.605	7,336(1)
Second quarterly dividend for year 2017/18	Dec-17	1.605	6,922(1)
Third quarterly dividend for year 2017/18	Mar-18	1.605	8,719(1)
Total cash dividends paid to date		**22.625**	**71,976**
Fourth quarterly dividend for year 2017/18	Jun-18	1.605	9,240(2)

Cash income	Total for year 17/18 £'000		
Cash income for year to 31 March 2018	42,533(3)		
Net operating costs for year to 31 March 2018	(6,044)		
Net cash income	**36,489**		

		Gross dividend cover	Net dividend cover
Cash dividend paid during year	30,125(4)	1.4x	1.2x

(1) During the year, a scrip dividend alternative was elected by some shareholders. A total of 4,255,641 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 £7,200k, £9,171k, £9,197k and £9,232k for the first, second, third and fourth quarterly dividends respectively.

(2) Before election of scrip dividend is considered.

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

(4) This amount represents the post scrip dividend paid during the year (the last quarter of 2016/17 and the first 3 quarters of 2017/18). If the shares from the scrip dividend were included the total amount paid during the year would have been £34,800k. The Gross dividend cover would have been 1.2x and the net dividend cover would have been 1.1x.

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

Dividend for year 2018/19	Date of expected payment	Forecast amount per ordinary share (p)
First interim	September 2018	1.6625
Second interim	December 2018	1.6625
Third interim	March 2019	1.6625
Fourth interim	June 2019	1.6625
Total		6.6500

Operating Costs

The operating costs of the Company amounted to £6.3m. The Company's OCR was 1.1% (2017: 1.2%), in line with budget. The budgeted OCR for the year ending 31 March 2019 is 1.1%.

Ongoing charges	2018 (£'000)	2017 (£'000)
Management fees	5,070	3,406
Legal and professional fees	482	947
Administration fees	268	259
Directors' fees	146	160
Audit fees	177	151
Regulatory fees	144	94
Insurance	29	27
Sundry expenses	12	8
	6,328	5,052
OCR	1.1%	1.2%

Cashflow Generation Model

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

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

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

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

Year ended 31 March 2018			Actual per MW(1)		Budget per MW(1)		Delta vs. Budget	Comments
Solar irradiation	[A]	(kWh/m^2)	1,154		1,164		(0.9)%	Actual irradiation for the year
Conversion factor(2)	[B]	(%)	80.6%		79.2%		+1.8%	Positive delta represents Asset Management Alpha for the year
Metered generation	[C] = [A x B]	(kWh)	931		923		+0.9%	Actual generation measured at the meter for the year
			Power Price	Subsidies	Power Price	Subsidies		
Realised prices	[D]	(£/MWh)	50.3	69.3	47.7	66.1	+5.4%	Implied average power price and subsidies across entire portfolio (including ROC recycle and embedded benefits)
Revenues (brown power & subsidies)	[E] = [C x D]	(£'000)	46.8	64.5	44.0	61.0		
Total revenues	[E]	(£'000)	111.3		105.0		+6.4%	Actual revenues at portfolio level for the year (unaudited figures per MW)
Operating expenses	[F]	(£'000)	(30.7)		(29.0)		+6.2%	Actual costs at portfolio level for the year (unaudited figures per MW)
EBITDA(3)	[G] = [E - F]	(£'000)	80.9		76.1		+6.4%	Actual EBITDA for the year (unaudited figures per MW)
EBITDA margin(3)	[G] / [E]	(%)	72.5%		72.4%			

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

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

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

During the year, the investment portfolio performance exceeded budget both in terms of generation and revenues despite 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 1.8%) and the competitive terms and flexibility obtained on the PPA in place. A higher ROC buyout and embedded benefits have positively impacted the actual revenues from subsidies compared to budget. In addition, our flexible PPA structure allowed us to capture power prices that were higher than budgeted, mainly during the winter months. The overall performance of the portfolio generated a gross margin in line with budget despite slightly greater operating costs (£910k across the entire portfolio), mainly due to one-off 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 of the Financial Statements. The resulting fair market value of the Company's investment portfolio is presented to the Company's Board for their review and approval. The valuation is carried out quarterly or more often if capital increases or other relevant events arise. The valuation principles used are based on a discounted cash flow methodology and take into account IPEV guidelines.

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

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

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

- discount rates implied in the price at which comparable transactions have been announced in the solar PV sector (including those where the Investment Manager submitted a bid for the same projects that was not deemed competitive by the vendors);

- discount rates publicly disclosed by the Company's peers in the solar PV sector;

- discount rates applicable for other comparable infrastructure assets classes or regulated energy sectors; and

- capital asset pricing model analysis and risk premia over relevant risk-free rates.

During the year, especially in the last six months, the solar PV market has experienced a strong increase in pricing competition for operating assets driven by factors that include:

- entrance of new UK-based and international investors with low cost of capital; and

- closure of the previous subsidies regime for solar PV assets 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 PV assets in the UK.

As a result, during the year the Company lowered its discount rate for unlevered operating solar PV assets by 0.50% (from 7.25% to 6.75%) and will continue to monitor this rate.

For those operating solar assets with fully-amortising long-term project level debt (the Apollo portfolio, the Radius portfolio, the Three Kings portfolio and the Solis 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%).

For solar assets outside of the UK, an additional country risk premium has been applied. For the Solis portfolio this premium is 1.25%, which is substantial considering the difference in risk free rates on long-term securities ranging from 0.5% - 1.0% depending on maturity. It is also worth noting that the underlying revenues from the Solis portfolio have lower volatility due to market power prices than average UK assets and that the currency hedge effectively mitigates FX exposure. As a result, the levered discount rate applied to the Solis portfolio is 9.0%, compared to a levered IRR of 9.8%.

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

The Company does not adopt WACC as a discount rate for its investments, as it believes that the reduction in WACC deriving from the introduction of long-term debt financing does not reflect the greater level of risk to equity investors associated with levered assets or levered portfolios. However, for the purposes of transparency, the Company's pre-tax WACC as of 31 March 2018 was 5.8%. Compared to the previous year's WACC of 5.9% 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 decrease in the overall gearing from 36% to 31%, as further described below.

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

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

As at 31 March 2018, the remaining weighted average lease life of the Company's portfolio was 23.3 years. In the portfolio, the 33MW Glebe Farm is valued on the basis of an extended remaining lease term of 33 years and the five assets in the 84MW Radius portfolio on an average remaining lease term of 26.4 years. The rest of the portfolio is valued on an average remaining lease term of 22.6 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.5.6%. The table on pages 22 to 23 provides the remaining lease duration for each of the Company's assets as at 31 March 2018. The DCF valuation assumes a zero terminal value at the end of the lease term for each asset, and therefore excludes any residual value and associated decommissioning costs. In reality, the Investment Manager believes this net amount is likely to be positive.

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

As at 31 March 2018, nine out of the 55 UK solar PV assets in the investment portfolio had FAC certification and their actual Performance Ratio was used in the DCF valuation, generating an uplift. This represents 124 MW of the portfolio. The remaining plants are expected to reach their two-year operating life milestone and begin relevant FAC tests according to the timeline below.

Financial quarter ending June 2018:	188 MW
Financial quarter ending September 2018:	77 MW
Financial quarter ending December 2018:	30 MW
Financial quarter ending June 2019:	25 MW
Financial quarter ending September 2019:	47 MW
Financial quarter ending December 2019:	43 MW

All the Italian assets had passed FAC before acquisition and therefore their actual Performance Ratios have been used in the valuation model.

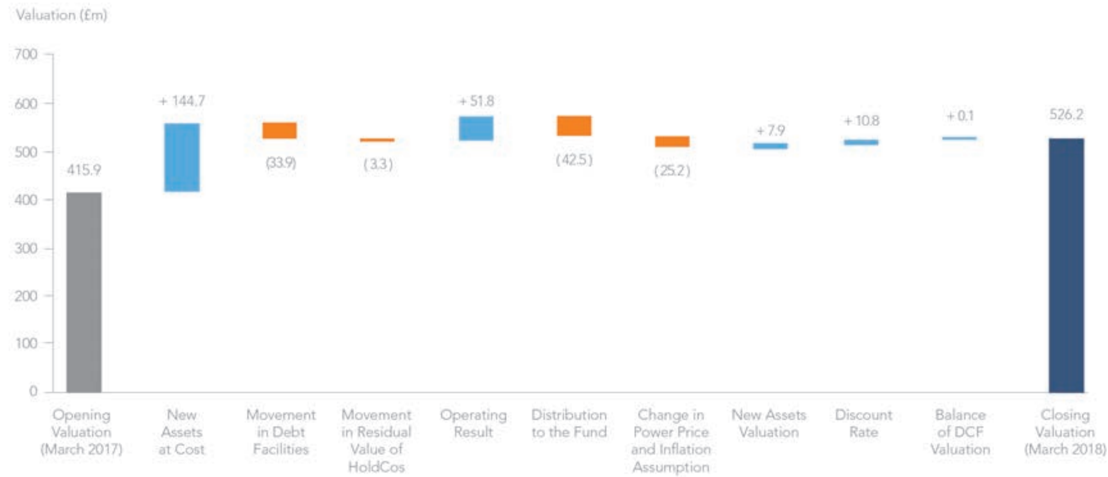
The Company's NAV is calculated on a quarterly basis based on the valuation of the investment portfolio determined by the Investment Manager and the other assets and liabilities of the Company provided by the Administrator. It is then reviewed, questioned and approved by the Board of Directors. All variables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

The Company experienced NAV growth during the year ended 31 March 2018 driven by the issuance of new capital in July 2017 for £126.5m and the revaluation of its investment portfolio during the year. As a result, the Company's NAV grew over the year from £478.6m to £605.0m as at 31 March 2018.

The evolution of the NAV per share during the year was affected by positive and negative factors. During the year NAV increased from 104.9p to 105.1p. As the Company reports its financial results on a non-consolidated basis under IFRS 10 (see note 2(c)) the change during the year in fair value of its assets is taken through the profit and loss of the Company. The change in NAV per share during the year was mainly driven by the following factors:

- the downward revisions in the forecasts for long-term power prices adopted by the Company, 9.9% lower compared to the assumptions employed at 31 March 2017 (taking into account the most recent forecasts released by the Consultants in the period between end of the year and the date of preparation of this annual report);
- the value uplift generated by the Company completing acquisitions of assets whose IRR was higher than the discount rate applied when valuing them on a discounted cash flow basis, particularly the Italian portfolio;
- the value uplift generated by the change in discount rates reflecting an increase in market value of UK solar assets;
- the operating results achieved by the Company's solar PV assets; and
- the cash dividends paid during the year and the Company's operating costs.

Portfolio Valuation Bridge – 31 March 2017 to 31 March 2018



NAV Bridge – 31 March 2017 to 31 March 2018

An important driver for the movement in NAV was the revaluation of the investment portfolio which accounted for £7.9m. For new acquisitions during the year, this represented the movement in the difference between the acquisition cost and fair value of the portfolio at the end year. The revaluation is summarised in the net changes in financial assets at fair value in the Statement of Comprehensive Income.

The investment portfolio represents an investment value of £734m, comprising 63 solar PV assets valued using the DCF methodology. Among the investments, the Apollo portfolio is considered as one investment consisting of 21 solar PV assets, the Radius portfolio is considered as one investment consisting of five solar PV plants, and the Solis portfolio is considered as one investment consisting of eight solar PV assets.

The valuation of the investment portfolio or asset is net of the project level debt:

- £54m project financing arranged by MIDIS in conjunction with the acquisition of the 84MW Radius portfolio;
- £149m project financing arranged by MIDIS, NAB and CBA in the context of refinancing short-term facilities used in the process of building the 241MW Apollo portfolio; and
- £66m project level debt arranged by UniCredit and ING for the 35MW Solis portfolio.

Investment	Directors' Valuation 31 March 2017 (£'000)	Investment Movements during the year (£'000)	Directors' Valuation 31 March 2018 (£'000)
Llwyndu	9,109	–	9,260
Cock Hill Farm	22,383	–	22,518
Thurlestone Leicester	2,629	–	2,677
Fenland(3)	8,934	–	8,876
Green End(3)	11,150	–	11,051
Tower Hill(3)	3,899	–	3,872
Green Farm	6,106	–	6,088
Radius portfolio(2)	54,888	–	54,910
Apollo portfolio(2)	173,273	655(5)	168,093
Kentishes	4,476	–	5,819
Mill Farm	4,240	–	5,417
Bowden	5,589	–	6,240
Stalbridge	5,425	–	6,081
Aller Court	5,536	–	6,121
Wasing	5,276	–	5,892
Flixborough	5,090	–	5,626
Rampisham	–	5,841	6,410
Birch CIC	–	1,670	2,214
Forest Farm	–	3,314	3,822
Hill Farm	–	5,452	5,867
Barnby Moor	–	5,377	5,835
Bilsthorpe Moor	–	5,436	5,993
Wickfield	–	5,625	6,089
Honnington	–	15,957	15,147
Bay Farm	–	10,490	8,756
Gilley's Dam	–	6,350	7,129
Pickhill	–	3,728	4,049
North Norfolk	–	14,581	14,291
Axe view	–	5,644	6,006
Low Bentham	–	5,443	5,885
Henley	–	5,241	5,465
Solis Portfolio	–	49,013	48,497(4)
Little Staughton	–	957	957
TGC	–	439	439
Long Ash Lane	5,865	(5,865)	–
Total Investment Portfolio	333,868	145,348	481,395
Residual net assets of HoldCos	4,482		1,167
Short–term debt facilities	(21,680)		–
Receivable from Apollo refinancing	99,193		–
Current asset – Pro-forma receivable(3)	–		43,659
Total Investment in HoldCos (1)	415,863		526,221

(1) A summary of the investment in the HoldCos is provided in note 6 of the Financial Statements.
(2) These investments have financial leverage at project level.
(3) These investments had financial leverage as at 31 March 2017 and are presented on a pro forma levered basis to reflect the conclusion of a pending refinancing transaction.
(4) Valuation excludes distribution of £4.9m made during the quarter ended 31 March 2018.
(5) Bonus payment to vendor/EPC for its share of the out performance of the asset.

Sensitivity Analysis

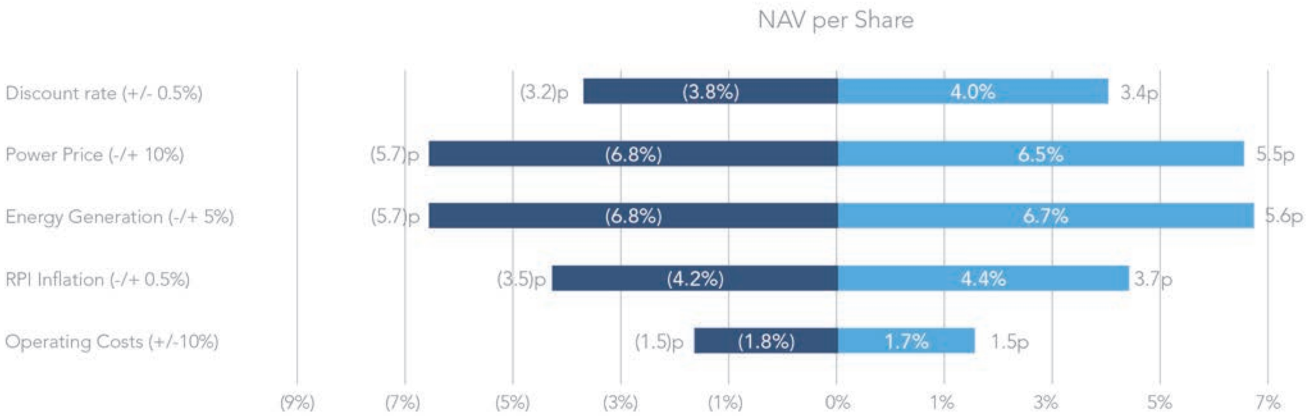
Sensitivities on the Company's NAV and detailed disclosure on the asset valuation methodologies are provided below and in note 14 of the Financial Statements.

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. +/-10.4% 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 12 months to March 2019. In this analysis, should energy prices fall by 10% from current forecasts, NESF would experience a reduction of only 0.7% 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 outperformance of 5% throughout the twelve months to 31 March 2018 (whether due to higher solar irradiation or asset management), total operating cashflows would increase by 6.5%. Conversely, these sensitivities on cash generation would have similar but opposite results in their respective inverted scenario.

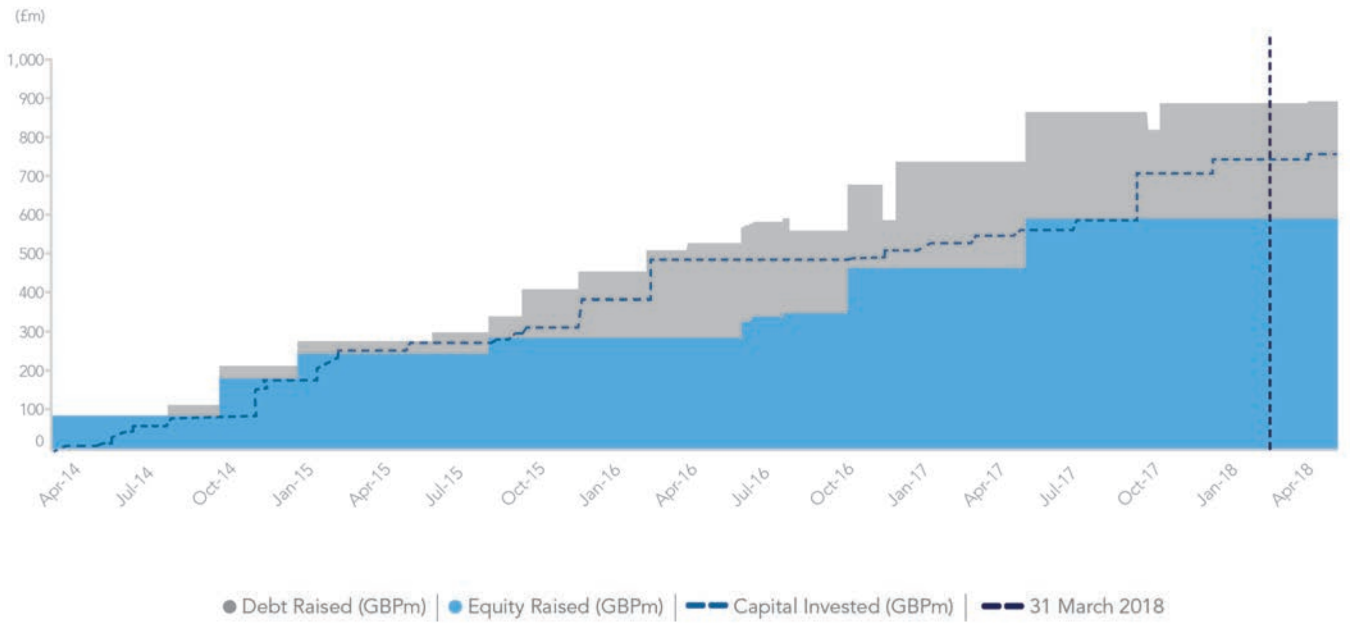
Since the Company's IPO in April 2014, the long-term power price forecast used by the Company has been revised several times with a cumulative reduction of c.36%. For the purpose of illustration, had the power price forecasts remained in line with those at the time of the IPO, the Company's NAV would be 135.1p per share.

The sensitivity analysis 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.



NEXTENERGY SOLAR FUND

Capital Deployment Timeline



The Company's issued share capital comprised 575,643,840 ordinary shares as at 31 March 2018, which includes scrip dividends. The Company's capital raises are detailed below:

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

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

Share Price Movement

During the year the share price increased from 110.5p to 111.0p. The table below shows the returns:

	Full Year 2017/18	Total Since IPO	Annualised since IPO
Shareholder total return	6.2%	33.6%	8.5%
NAV per share total return	6.3%	27.7%	7.0%

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

NESF's shares are included in the FTSE All-Share Index as well as the FTSE Small Cap Index. NESF's shares outperformed the FTSE All-Share Index by 10.4% over the period from the IPO to 31 March 2018.

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

Financing and Cash Management

As at 31 March 2018, the total pro-forma debt position of the Company on a look-through basis was £270.4m (31 March 2017: £269.8m). This represents gearing of 31% in terms of total debt vs. GAV (which is equal to NAV plus total debt outstanding). The average cost of debt is 3.8% (31 March 2017: 3.6%).

During the year the £45m Bayern facility was repaid and the £22m NIBC short-term facility was converted into a new £20m RCF in light of the pipeline of acquisitions ahead. The acquisition of the Italian portfolio brought with it project level debt of £68m. The Apollo facility was fully drawn in July 2017 and the Company is readying itself for the next long-term refinancing once the current acquisition phase is completed and new investment opportunities become available. A letter of credit for £2.5m from Santander enabled a debt service reserve account to be released.

The table below is a summary of the debt outstanding:

Provider/ Arranger	Type	Borrower	Tranches	Facility amount £'000	Amount outstanding £'000	Termination (including options to extend)	Applicable rate
MIDIS/CBA/NAB	Fully-amortising long-term debt	NESH (Apollo portfolio level debt)	Tranche A – Medium-term	48,387	48,387	31-Dec-26	2.91%[1]
			Tranche B – Floating long-term	24,194	24,194	30-Jun-35	3.68%[1]
			Tranche C – Index linked long-term	38,710	37,766	30-Jun-35	RPI index + 0.36%
			Tranche D – Fixed long-term	38,710	38,710	30-Jun-35	3.82%
			Debt Service Reserve Facility	7,500	–	30-Jun-26	1.50%
MIDIS	Fully-amortising long-term debt	NESH IV (Radius portfolio level debt)	Inflation linked Tranche	27,500	26,151	30-Sep-34	RPI index + 1.44%
			Fixed Tranche	27,500	27,475	30-Sep-34	4.11%
Santander	Letter of credit	(Radius portfolio level debt)	Fixed short-term	2,500	2,043	27-Mar-19	1.50%
UniCredit	Fully-amortising long-term debt	NESH V (Solis portfolio level debt)	Floating long-term	32,764	31,735	30-Jun-29	3.04%[1]
ING	Fully-amortising long-term debt	NESH V (Solis portfolio level debt)	Floating long-term	34,991	33,921	30-Jun-30	4.13%[1]
NIBC	RCF	NESH II	n/a	20,000	–	13-Feb-20	LIBOR+2.20%
Total					270,381		

(1) Applicable rate represents the swap rate.

The debt financing strategy of the Company is backed by the strong indication of support from equity investors for both further capital raises to increase the Company's size and the employment of financial leverage up to the 50% maximum level to optimise equity returns.

As at 31 March 2018 the Company held cash of £75.9m at high credit rating financial institutions in the UK.

Outlook

Despite increased competition for UK assets and reduction in power price estimates, the outlook of the Company is supported by the quality of the portfolio acquired and the significant financing potential given its current capital structure. The Investment Manager is actively exploring and evaluating the multiple avenues of growth available, including:

- Selectively acquiring solar plants previously built under the various FiT and ROC regimes by parties looking to sell such assets. There is a growing competition for secondary market opportunities in the UK and the pace of NESF's acquisitions is therefore reducing, but the recent acquisitions demonstrate the viability of deploying capital in carefully selected UK opportunities that add value to NESF.
- Developing solar plants to be built in the future without subsidies. During the year the Company has acquired the project rights to develop six sites for a total capacity of 172MW. The financial viability of these projects is improving as the cost of new installation declines. Significant work is being undertaken, especially on the revenue monetisation side, to allow these projects to add value to NESF on a risk adjusted basis, and we expect to be able to break ground on the most promising ones in the next 12 months.
- Adding new technologies to our existing solar plant portfolio (e.g. electricity storage, other technologies enhancing productivity). We are active in this space and implementation could occur over the next six to 12 months. Following the year end, NESF made its first acquisition in an asset that combines a traditional solar PV plant with a battery storage system able to provide revenue generating grid services. This transaction represents an attractive business model that could be extended on the Company's current portfolio in the short- to mid-term.
- Investing in new capacity at existing sites where grid connection capacity and permits allow. This new capacity would benefit from the existing investment made in grid connection infrastructure but would not qualify for the ROC regime.
- Adding to the portfolio selected solar plants in selected markets outside the UK where attractive risk-adjusted returns can be achieved. NESF was always intended to remain UK centred, but the recent acquisition of the Solis portfolio demonstrates how foreign investments can add value to and support NESF's return and dividend targets whilst mitigating risks and reducing exposure on declining UK power prices.

Furthermore, we continue to optimise the operating performance of the portfolio and explore value-enhancing opportunities.

Post Year End Update

Since 31 March 2018, the following relevant events occurred:

- On 17 May 2018, the Company announced an interim dividend of 1.605 pence per ordinary share for the quarter ending 31 March 2018, to be paid on 29 June 2018 to shareholders on the register as at close of business on 24 May 2018.
- On 30 May 2018, the Company announced the acquisition of two plants totalling 7.2MW with an investment value of £9.3m. Both sites have integrated energy storage capabilities with a combined capacity of c.1MW.

NextEnergy Capital IM Limited
12 June 2018

Principal Risks

The Company has in place risk management procedures and internal controls to monitor and mitigate the main risks faced as well as a process to review the effectiveness of those controls over the Company and its subsidiaries as a whole. The Investment Manager assists the Company in regularly identifying, assessing and mitigating those risk factors likely to impact the financial or strategic position of the Company. The Company's risk matrix is regularly reviewed and includes:

- external and market risks;
- investment strategy;
- investment process and management of assets;
- monitoring process;
- valuation process;
- financial and accounting process; and
- governance, tax and regulatory compliance.

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

Portfolio Management and Performance Risk

Risk	Summary	Mitigation
1. Acquisition and pipeline	The Company is committed to increasing the portfolio through further acquisition of solar assets. However, a risk is that the pipeline of acquisitions will decrease, and the Company will not be able to meet its acquisition targets. The recent decrease in the primary market for solar assets has led to an overpricing of assets thus reducing the availability of potential investments and pace of acquisition.	The Investment Adviser and Investment Manager regularly review the investment pipeline.
2. Portfolio electricity generation	Solar is an intermittent energy source compared to traditional energy resources such as coal and gas. The volume of solar irradiation available on a given day is out of the Company's control and this is a risk on the performance of the assets. Historically, the Company's energy generation has outperformed its budget regardless of DNO outages and other performance prohibitors. The Operating Asset Manager has value-enhancing tools that optimise the Company's portfolio generation and resolve interruptions efficiently.	There is a level of predictability for solar energy compared to other renewable energies such as wind, in that irradiation levels tend to follow a set trend throughout the year, peaking over the summer months. The geographical location of the asset has an impact on irradiation levels, due to climate variations and small differences in day lengths across regions. Forecasting energy generation from solar assets can produce accurate results. There will often be the occasional event such as a DNO outage or a snow storm that cannot be predicted.

Risk	Summary	Mitigation
3. Performance valuation	Valuation of an SPV investment is dependent on financial models based on several drivers: discount rate, rate of inflation, power price curve and amount of electricity the solar assets are expected to produce. Certain assumptions may prove to be inaccurate, particularly during periods of volatility.	Drivers of the SPV valuation model are frequently reviewed by the Manager to ensure it is at the appropriate level. All documentation to prove these calculations are presented to the Board quarterly for approval and adoption. To mitigate the impact of the power price volatility on the portfolio, the Investment Adviser takes an average of the power price curves from the Consultants.
4. Depreciation of NAV	Assets are depreciated over the life of the land lease. This could affect the value of the NAV.	The Investment Adviser considers the depreciation of the NAV in the financial fund model. The Investment Manager has long-term scenario planning including extension of land leases. This plan is reviewed by the Company's Board.

Operational and Strategic Risks

Risk	Summary	Mitigation
1. Plant operational risk	The Company relies on third-party contractors to provide corrective and preventative maintenance through operation and maintenance ("O&M") contracts. The O&M contractor could fail to fulfil its obligation and the solar plant's performance could deteriorate.	The Company can seek legal recourse against failure by an O&M contractor. The insurance policy in the O&M contract states the economic penalties in the case of damages. The Operating Asset Manager ensures that the O&M contract maintains a detailed preventative schedule, with contract warranties and penalty payments in the event of failure.
2. Counterparty risk	This is the risk of counterparty failure. The Company has entered into O&M contracts and PPAs, which affect the costs and revenues of the Company. If the counterparty becomes insolvent there is a risk of disruption and financial loss until the counterparty is replaced.	The Operating Asset Manager continuously monitors its contracts in line with the market. There are contractual arrangements in place that warranty the care of the assets in case of defaults. The Operating Asset Manager ensures that counterparties are of a high credit rating to minimise risk.
3. Reduction in energy prices	Revenues of solar assets are dependent on the electricity market. Exposure to the wholesale energy market impacts the prices received for energy generated and revenues forecasted by the operating assets of the Company. The Company is exposed to a reduction in the price of electricity.	Short-term: The Company enters into PPAs and forward contracts to fix electricity prices for a future period ranging from six to 12 months. Long-term: The power prices are often beyond the control of the Company. The Investment Adviser reviews wholesale electricity price forecasts and enters into both long-term and short-term PPA contracts where appropriate.

External and Market Risks

Risk	Summary	Mitigation
1. Increased competition	Risk that increased competition for solar assets make it difficult for the Company to continue to acquire assets in the secondary market at attractive value. This competition may be fuelled by investors with aggressive financial structures seeking lower returns than the Company from the same solar PV assets.	The Company is involved in competitive tenders for solar assets and therefore becomes aware of competitor returns.
2. Political uncertainty	In March 2017, Article 50 of the Treaty on the European Union was triggered for the UK to leave the European Union. The UK government remains in negotiations with the European Union. An unfavourable outcome could affect an investor's appetite to invest in the Company. In Italy, a coalition government was announced by the President on 31 May 2018. Changes by the coalition government could affect the value of the Italian assets.	The Investment Manager believes Brexit is likely to have a very limited effect on the Company's financial and operating prospects. The UK's 2008 Climate Change Act enshrines the Government's commitment to reduce the country's greenhouse gas emissions by 80% compared to 1990 levels. The Investment Manager does not think the UK government will introduce primary legislation to reverse this commitment as a result of Brexit. The implications of Brexit and the change in the Italian government on the Company are not identifiable at present. These risks are beyond the control of the Company, but the Company closely monitors developments and their impact on the solar industry.
3. Adverse changes to regulatory framework	Uncertainty for the future regulatory framework for solar PV creates a risk that further planned acquisitions do not take place. This would affect the Company's growth potential, valuation and profitability.	The Company actively monitors regulatory changes within the industry and participates in contributing towards government discussions on the industry.
4. Changes to tax legislation and rates	Changes to the existing rates and rules could have an adverse effect on the valuation of the portfolio and levels of dividends paid to shareholders.	The Investment Manager works with tax advisers to ensure constant awareness of any upcoming changes to tax legislation and rates, to implement the necessary changes as quickly and smoothly as possible.

Forest Farm Solar Plant
Through the Seasons

AUTUMN

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 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 2018.

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 2018, the Company has complied with the recommendations of the AIC Code and the relevant provisions of the UK Code, except for the provisions relating to:

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

For the reasons set out in the AIC Guide, and as explained in the UK Code, the Board considers that, 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.

There have not been any subsequent changes to the Chairman's business commitments, as stated in the most recent prospectus, that are required to be declared. A summary of Mr Lyon's commitments can be identified in his biography on page 56.

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

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 Chairman, Vic Holmes and Patrick Firth were selected prior to the Company's launch. Sharon Parr was selected in late 2017, and appointed with effect from 1 January 2018. All Directors are 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. The Board reviews the Company's financial performance and oversees the performance of the Investment Manager and other service providers to scrutinise the achievement of agreed goals and objectives, and monitor performance. Through the Audit Committee they are able to ascertain the integrity of financial information and confirm that all financial controls and risk management systems are robust.

There is 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 their 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 their objection noted and minuted.

No changes to the Directors' significant business commitments have required to be declared during the year. Each Director's commitments can be identified in their biographies detailed on pages 56 to 59.

The terms and conditions of appointment for non-executive Directors are outlined in their letters of appointment, and are available for inspection by any person at the Company's registered office during normal business hours and at the AGM for 15 minutes prior to and during the meeting.

During the prior year, Mr Vic Holmes was appointed as 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 telephone.

Balance of the Board and Diversity Policy

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

At this time, the Board has chosen not to adopt a formal policy for diversity but it has diversity at the forefront of its decision making. The Board recognises the importance of diversity, including gender, for the effective functioning of the Board and is committed to supporting diversity in the boardroom illustrated by the recent appointment of Sharon Parr. It is the Board's on-going aspiration to maintain 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 any perceived issues, or a resignation sought.

Following discussions and review of the Chairman's evaluation by the other Directors, the Senior Independent Director reviewed the Chairman's performance. Training and development needs are identified as part of this process, thereby ensuring that all Directors are able to discharge their duties effectively.

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

Re-election and Board Tenure

During the prior 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.

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

Each Director is required to be elected by shareholders at the first Annual General Meeting of the Company following their appointment and thereafter will be submitted for re-election not less than once in every three-year period. Vic Holmes and Sharon Parr are therefore submitting themselves for re-election and election respectively at the AGM in August 2018.

The Audit Committee Chairman and other Members of the Board confirm that Vic Holmes and Sharon Parr have proven their ability to fulfil all legal responsibilities and to provide effective independent judgement on issues of strategy, performance, resources and conduct. The Board therefore has no hesitation in recommending to the shareholders that Vic Holmes and Sharon Parr be re-elected.

The Board is aware of the current consultation on the UK Code of Corporate Governance and will adopt any final change.

Appointment Process

Prior to the appointment of Sharon Parr no new Director had been appointed since the Company's launch. The Remuneration and Nominations Committee reviewed the Board's composition and concluded that a further appointment would be beneficial due to the significant increase in the size of the Company since launch and to further enhance the Board's knowledge and experience. The Remuneration and Nominations Committee reviewed the existing balance of skills, experience, independence and knowledge on the Board and, following the evaluation, prepared a description of the role and capabilities required for the required appointment. The Company appointed OSA Recruitment (which has no other connection with the Company) to assist with the search for suitable candidates, with a number of potential candidates being put forward by OSA. Of the candidates put forward, four were selected for interview, following which, two candidates were shortlisted and invited to meet with the NextEnergy Capital team.

Following the process outlined above, the Board, following the recommendation of the Remuneration and Nominations Committee, appointed Sharon Parr as a non-executive Director with effect from 1 January 2018.

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

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

Board and Board Committees

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

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

The Board met four times during the year ended 31 March 2018; the meeting attendance record is displayed on the next page. The Company Secretary acts as the Secretary to the Board.

As noted above, the Board fulfils the responsibilities typically undertaken by a Management Engagement Committee and reviews the actions and 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 the Investment Manager's performance are also conducted regularly throughout the year by the Board. Reviews of engagements with other service providers to ensure all parties are operating satisfactorily are also undertaken by the Board so as to ensure the safe and accurate management and administration of the Company's affairs and business and that they are competitive and reasonable for shareholders.

Audit Committee

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

The Audit Committee met 3 times during the year ended 31 March 2018; 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 66 to 68.

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

The Remuneration and Nominations Committee met twice during the year ended 31 March 2018; 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 64 to 65.

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

(1) Attended all meetings following appointment on 1 January 2018

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

Company Secretary

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

Under the direction of the Chairman, the Company Secretary facilitates the flow of information between the Board, Committees, Investment Manager and other service providers through the development of comprehensive, detailed meeting packs, agendas and other media. These are circulated to the Board and other attendees in sufficient time to review the 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 2018 is provided in the Statement of Directors' responsibilities on page 60.

Further information enabling shareholders to assess the Company's performance, business model and strategy can be sourced in the Chairman's Statement on pages 2 to 4, the Strategic Report on pages 6 to 12 and the Report of the Directors on pages 61 to 63.

Principal Risk Management and Risk Control

Details of the Company's principal risks can be found in the Principal Risks section on pages 44 to 46.

Risk Management and Risk Control

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

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

(i) Control environment

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

The Audit Committee undertakes a review of the Company's internal financial and operating controls on a regular basis. The auditor of the Company, PricewaterhouseCoopers CI LLP, consider internal controls 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 Adviser and Investment Manager during periodic Board updates enabling oversight of the key business processes. The Investment Adviser also provides an update of the control environment for the UK HoldCos and SPVs to ensure the Board has oversight of business controls for the entire Group.

In its role as a third-party fund administration services provider, 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, Guidance and Transparency Rules;
- treatment and handling of confidential information;
- conflicts of interest;
- compliance policies; and
- anti-money laundering regulations.

Corporate Governance Statement

There were no protected disclosures made pursuant to the Company's whistleblowing policy, or that of service providers in relation to the Company, during the year ended 31 March 2018.

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

Alternative Investment Fund Management Directive ("AIFMD")

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

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

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

Currently, the NPPR provides a mechanism to market non-EU AIFs that are not allowed to be marketed under the AIFMD domestic marketing regimes. The Board is utilising the NPPR in order to market the Company, specifically in the UK, the Republic of Ireland, the Netherlands and Sweden. The Board is working with the Company's advisers to ensure the necessary conditions are met, and all required notices and disclosures are made under the NPPR. Eligible AIFMs will be able to continue to use the NPPR until at least July 2018, with the NPPR being the sole regime available to market in the EU. 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 the AIFMD and its impact.

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

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

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

Dialogue with Shareholders

The Directors place a great deal of importance on communication with shareholders. The Investment Manager and Brokers aim to meet with large 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 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. During the year, the Chairman met with four shareholders.

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

12 June 2018

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 also chairman of Inoapps Ltd, a vendor of Oracle software, of Rovop Ltd, an independent provider of subsea remotely operated vehicle services, of ACS Clothing Limited, the leading men's hirewear supplier in the UK and of Spark Energy, a leading multi-utility serving the needs of home movers. He was former chairman of Smart Metering Systems plc, Valiant Petroleum plc, RBG, Wyndeham Press Group, Craneware plc, Incline GTS, Ambrian plc and Drilling Systems Group Ltd, 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 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.

Sharon Parr

(Independent Non-Executive Director)

Sharon is a Fellow of the Institute of Chartered Accountants in England and Wales, having qualified with Deloitte and Touche in the UK. After spending time with Deloitte in Chicago and the British Virgin Islands Sharon moved to Guernsey with them in 1999. In addition she is also a member of the Society of Trust and Estate Practitioners.

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

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

Previously, she was a committee member of the Guernsey Association of Trustees. She 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, Strategic Report, 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 fulfil these requirements. The process by which the Committee has reached these conclusions is set out in the Audit Committee Report on pages 66 to 68. Furthermore, the Board believes that the disclosures set out on pages 6 to 46 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 2018, 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 2018, taken as a whole, are fair, balanced and understandable and provide the information necessary for shareholders to assess the Company's performance, business model and strategy.

For NextEnergy Solar Fund Limited

Kevin Lyon
Chairman of the Board of Directors
12 June 2018

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 primarily in the UK. Not more than 15% of the Company's Gross Asset Value (calculated at the time of investment) may be invested in solar PV assets that are located outside the UK. The Company's principal activities and investment objectives are detailed more fully in the Strategic Report on pages 6 to 12.

The structure of the Group, as detailed fully on pages 8 to 12 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 3.

During the year, the Company has declared four dividends totalling £34,800,353 (2017: £26,525,459) relating to the year ended 31 March 2018. For each quarterly dividend, a scrip alternative was offered to cash. Details of the dividends declared during the year can be seen in note 12 and the scrip dividends can be seen in note 10 to the Financial Statements.

Capital

As part of the Company's IPO, completed on 25 April 2014, 85,600,000 ordinary shares of the Company, with an issue price of 100 pence per share, were admitted to the premium segment of the UK Listing Authority's Official List and to trading on the Main Market of the London Stock Exchange. Since the IPO, the ordinary shares in issue have increased to 575,643,840 as a result of further share issues made pursuant to the first Placing Programme, tap issues, the second Placing Programme and scrip dividends. The Placings and Offers for Subscription made under the placing programme and shares issued pursuant to scrip dividends during the year ended 31 March 2018, can be seen in note 10 to the Financial Statements.

Debt Facilities

Details of the Company's debt facilities can be seen in the Investment Manager's Report on page 42.

Business Review

As at 31 March 2018, the Company's portfolio comprised 63 assets amounting to 569MW installed solar capacity and an invested capital of £734m (2017: 41 assets, 454MW and £522m invested capital).

Full details of the Company's performance during the year ended 31 March 2018, its financial position and future developments are detailed in the Chairman's Statement, the Strategic Report and the Investment Manager's Report on pages 2 to 43.

Substantial Interests

As at 31 May 2018, the Company is aware of the following material shareholdings:

Name	Ordinary shares held	% shareholding as at 31 May 2018
Prudential plc group of companies	83,362,294	14.48
Artemis Investment Management LLP on behalf of discretionary funds under management	82,594,562	14.34
Old Mutual plc	76,881,155	13.35
Investec Wealth & Investment Limited	51,807,382	9.00
Legal & General Group plc	35,777,599	6.22
Tredje AP-Fonden (AP 3)	30,290,860	5.26

Directors and Directors' Interests in Shares

The Directors who have served during the year ended 31 March 2018 were Kevin Lyon, Patrick Firth, Vic Holmes and Sharon Parr.

Biographical details of each of the Directors are shown on pages 56 to 59.

The Directors' interests in shares are shown below:

Name	Ordinary shares at 31 March 2018	Ordinary shares at 31 March 2017
Kevin Lyon	160,000	160,000
Patrick Firth	75,807	71,315
Vic Holmes	110,000	110,000
Sharon Parr	–	–

Corporate Governance

The Corporate Governance Statement on pages 48 to 55 sets out in detail the code of corporate governance against which the Company reports. It also sets out the Company's compliance with the relevant principals and any reasons for deviations from the code. Finally, it includes details regarding the Audit Committee, its composition and terms of reference.

Going Concern

The Company's business activities and factors likely to affect its performance, position and prospects are set out in the Strategic Report on pages 6 to 12. 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.

Share Repurchase/Treasury Shares

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

Authority to purchase ordinary shares to be held in treasury / cancellation was sought and obtained at the third annual general meeting of the Company held on 24 August 2017 and will expire at the conclusion of the fourth annual general meeting of the Company, at which point it is envisaged that the Directors will propose to extend the authority.

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

Annual General Meeting

The Company's Annual General Meeting will be convened in August 2018 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 60.

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

A resolution will be proposed as a special resolution at the AGM to provide the Directors with an annual authority to disapply pre-emption rights in respect of up to 115,128,768 shares, equivalent to 20% of the current issued share capital, when issuing shares and/or selling shares from treasury for cash. This authority will expire at the conclusion of the AGM in 2019. 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 a resolution in the Notice of the Annual General Meeting of the Company and all other applicable laws and regulations). A resolution will be proposed as a special resolution at the AGM to provide the Company with an authority to purchase, through the market, up to 14.99% of the 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 2019.

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 345,807 shares.

By order of the Board

Kevin Lyon
Chairman
12 June 2018

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 which comprises all Directors, including Sharon Parr following her appointment on 1 January 2018. Vic Holmes is Chairman of the Remuneration and Nominations Committee. The Chairman of the Board is a member of the Remuneration and Nominations Committee.

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

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

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

The aggregate remuneration and benefits in kind of the Directors in respect of the Company's year ended 31 March 2018 which will be payable out of the assets of the Company equalled £146,250 (2017: £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 £
Kevin Lyon – Chairman	60,000
Patrick Firth – Audit Committee Chairman	40,000
Vic Holmes – Senior Independent Director	37,500
Sharon Parr	35,000
Total Directors' Fees	172,500

In accordance with the articles of incorporation the Board may determine that additional remuneration may be paid, from time to time, to any one or more Directors in the event such Director or Directors are requested by the Board to perform extra or special services on behalf of the Company. No additional fees were paid to the Directors during the year.

As outlined in the Articles 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 2018 was £2,644 (31 March 2017: £3,370).

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

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

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

- resignation by the Director by giving written notice (6 months for the Chairman and three months for the remaining Directors) to the Board;
- a resolution of the shareholders;
- disqualification from acting as Director under the Companies Law or the Company's Articles, without notice; or
- 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 £146,250 (2016: £160,250):

Director	Total fee for the year ended 31 March 2018 £	Total fee for the year ended 31 March 2017 £
Kevin Lyon	60,000	70,000[(1)]
Patrick Firth	40,000	46,500[(1)]
Vic Holmes	37,500	43,750[(1)]
Sharon Parr	8,750[(2)]	–
Aggregate fees	146,250	160,250

Vic Holmes
Remuneration and Nominations Committee Chairman
12 June 2018

(1) Includes an addition fee of £10,000 in connection with the Placing Programme commenced during the prior year, with base fees pro-rated based on an increase which applied from 1 October 2016.

(2) £35,000 per annum pro-rata for the 3 months from appointment on 1 January 2018 to 31 March 2018.

NEXTENERGY SOLAR FUND

Audit Committee Report

The Board is supported by the Audit Committee, and comprises of all of the Directors, including Sharon Parr following her appointment on 1 January 2018. Patrick Firth is Chairman of the Audit Committee. The Chairman of the Board is a member of the Audit Committee, to enable his greater understanding of the issues facing the Company. The Board has considered the composition of the Audit Committee and is satisfied it has sufficient recent and relevant skills and experience and that the Committee as a whole has competence relevant to the sector in which the Company operates. All four 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.

The Committee met three times during the year under review; individual attendance of Directors is outlined on page 52. 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 2018 audit process. The Committee has also reviewed and considered the whistleblowing policy in place for the Investment Adviser and other service providers, and is satisfied the relevant staff can raise concerns in confidence about possible improprieties in matters of financial reporting or other matters insofar as they may affect the Company.

Significant Areas in Relation to the Financial Statements

Following discussions with the Investment Manager, Investment Adviser and the external Auditor, the Committee determined that the significant areas connected with the preparation of the financial statements of the Company related to Investment Valuation. Valuation of the assets provides a higher inherent risk as the valuations are based upon models which require complex and subjective judgements or estimates for inputs into the model. This is further complicated following the acquisition of the portfolio of Italian assets, Project Solis, together with the hedging arrangements in place as Project Solis benefits from different feed-in-tariffs when compared to the UK portfolio as well utilising a different discount rate and having a significantly different performance profile.

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

- inflation rates and other macroeconomic factors;
- discount rates and other valuation methodologies;
- operating performance and costs assumptions; and
- power price assumptions

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

Internal Controls and Risk Management

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

The Internal Controls and Risk Management process are detailed more fully in the Corporate Governance Statement on pages 48 to 55.

Internal Audit

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

Review of External Audit Process Effectiveness

The Audit Committee communicated regularly with the Investment Manager, Investment Adviser and Administrator to obtain a good understanding of the progress and efficiency of the audit process. Similarly, feedback in relation to the efficiency of the Investment Manager, Investment Adviser and other service providers in performing their relevant roles was sought from relevant involved parties, including the audit partner and team. The external Auditor is invited to attend the Audit Committee meetings at which the semi-annual and annual accounts are considered, and meetings are also held with the 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 Auditor's specialist expertise, the level of audit fee, identification and resolution of any areas of accounting judgement, and quality and timeliness of papers analysing these judgements;
- review of the audit plan presented by the Auditor and, when tabled, the final audit findings report;
- meeting with the 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 Auditor's performance.

The Audit Committee is satisfied with PwC CI's effectiveness and independence as Auditor having considered the degree of diligence and professional scepticism demonstrated by them. 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 2019.

Auditor's 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.

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 Auditor's 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 one 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 2018, PwC CI has not provided any material non-audit services to the Company.

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 are a comprehensive process requiring input from a number of different contributors. In order to reach a conclusion on whether the Company's Annual Report and Audited Financial Statements are fair, balanced and understandable, as required under the UK Corporate Governance Code dated April 2016, the Board has requested that the Audit Committee advise on whether it considers that the Annual Report and Audited Financial Statements fulfil these requirements as detailed in the Committee's terms of reference. In outlining its advice, the Audit Committee has considered the following:

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

- the detailed reviews undertaken at various stages of the production process by the Investment Manager, Investment Adviser, Administrator, Auditor and the Audit Committee that are intended to ensure consistency and overall balance;

- controls enforced by the Investment Manager, Investment Adviser, Administrator and other third party service providers to ensure complete and accurate financial records and security of the Company's assets; and

- the existence and content of a satisfactory control report produced by 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 2018, taken as a whole, are fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's performance, business model and strategy. The Board's conclusions in this respect are set out in the Statement of Directors Responsibilities on page 60.

Patrick Firth
Audit Committee Chairman
12 June 2018

Forest Farm Solar Plant
Through the Seasons

WINTER

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

Report on the audit of the financial statements

Our opinion

In our opinion, the financial statements give a true and fair view of the financial position of NextEnergy Solar Fund Limited (the "Company") as at 31 March 2018, 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 2018;
- 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

Context

Our audit was planned and executed having regard to the fact that the operations of the Company were largely unchanged from the prior year.

In light of this, our overall audit approach in terms of scoping and key audit matters was largely unchanged with continued scrutiny over the valuation of investments.

Overview

Materiality

- Overall materiality was £15.1 million (2017: £11.9 million) which represents 2.5% of Net Assets (2017: 2.5% of Net Assets).

Audit scope

- The principal activity of the Company comprises investing in a diversified portfolio of solar photovoltaic assets located in the UK and Italy through a structure of intermediate holding companies.
- The financial statements consist of the standalone parent company financial information and includes the investments into subsidiaries, which are held at fair value. The financial statements are not consolidated.
- 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.

Key audit matters

- Valuation of investments

Audit scope

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

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

Materiality

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

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

Overall materiality	£15.1 million (2017: £11.9 million)
How we determined it	2.5% of Net Assets (2017: 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 any misstatements identified during our audit above £0.8 million (2017: £0.6 million), as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons. We also agreed with the Audit Committee that we would report on any disclosure matters that we identified when assessing the overall presentation of the financial statements.

Key audit matters

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

Key audit matter	How our audit addressed the Key audit matter
Valuation of Investments The Company's investments amount to £526.2 million at 31 March 2018 (31 March 2017: £415.8 million) and comprise the Company's holdings in direct subsidiaries, which in turn hold equity interests in solar photovoltaic assets (the "underlying investment portfolio") for which there is no liquid market. The fair value of investments has been determined based on the fair value of (1) the underlying investment portfolio and (2) the other residual net assets within the subsidiaries as at 31 March 2018. The fair value of the underlying investment portfolio has been valued on a discounted cash flow basis, which necessitates significant judgement in respect of the forecasted cash flows and discount rates applied. The judgements in respect of forecasted cash flows include assumptions around future energy yields, discount rates, power prices, inflation, tax rates, exchange rates and operating costs. The Audit Committee has set out their consideration of this risk on page 66 as well as the forecasted cash flows being recognised as a critical accounting judgement in note 4 of the financial statements. Note 4 includes a breakdown of the investments and assumptions applied to the valuation. Determining the valuation methodology and determining the inputs to the valuation are subjective and complex. This, combined with the significance of the unlisted investments balance in the statement of financial position, meant that this was a key audit matter for our current year audit.	We planned our audit to critically assess management's assumptions and the investment valuation model in which they are applied. Our audit procedures included: • We updated and reconfirmed our understanding and evaluation of the Company's processes and internal controls in so far as they apply to investment valuations, the valuation model used and the areas where significant judgements and estimates are made; • We performed tests to assess the operational effectiveness of the controls operated by management during the valuation process to determine the fair value of the underlying investment portfolio; • We agreed the cash transfers made between the Company and its directly held subsidiaries to relevant supporting agreements and legal documentation where applicable; • We used our own PricewaterhouseCoopers internal valuation specialists to provide audit support in reviewing and concluding on the fair valuation of the underlying investment portfolio. The PricewaterhouseCoopers valuation experts (a) reviewed the appropriateness of the valuation methodology and approach and (b) reviewed and commented on the computation of the discounted cash flow valuation model, including benchmarking the discount rates and other key assumptions against comparable market participants and other macroeconomic data;

Key audit matter (continued)	How our audit addressed the Key audit matter (continued)
	• We obtained satisfactory explanations when challenging assumptions made by management in the applicable valuation model; • We tested the mathematical accuracy of the valuation model to ensure incorporation of the assumptions into the valuation model was performed correctly and the selected discount rates were correctly applied; • On a sample basis, we verified the inputs into the model by agreement to third party sources where applicable; and • We corroborated the cash flow projections where possible, focusing on changes since the previous reporting date or the date of acquisition for current period assets acquired, substantiating any contracted revenues and costs and comparison against actual historical results for the underlying assets. We have concluded that the valuation of investments is within a reasonable range. Additionally, the valuation is supported by the available evidence and the significant assumptions and valuation methodologies used have been assessed by us as being appropriate and reasonable. The results of our procedures identified no material errors in the fair valuation of investments.

Other information

The directors are responsible for the other information. The other information comprises the items listed on the Contents page (but does not include the financial statements, notes to 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 62 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
12 June 2018

Financial Statements

Statement of Comprehensive Income

For the year ended 31 March 2018

	Notes	1 April 2017 to 31 March 2018 £'000	1 April 2016 to 31 March 2017 £'000
Income			
Income	5	41,083	35,307
Net changes in fair value of financial assets at fair value through profit or loss	6	(2,880)	19,561
Total net income		38,203	54,868
Expenditure			
Management fees	17	5,070	3,406
Legal and professional fees		482	947
Administration fees		268	259
Directors' fees	20	146	160
Audit fees	16	177	151
Regulatory fees		144	94
Insurance		29	27
Sundry expenses		12	8
Total expenses		6,328	5,052
Operating profit		31,875	49,816
Finance income		285	13
Profit and comprehensive income for the year		32,160	49,829
Earnings per share	11	5.88p	13.81p

There were no potentially dilutive instruments in issue at 31 March 2018.

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 2018

	Notes	2018 £'000	2017 £'000
Non-current assets			
Investments	6, 14	526,221	415,863
Total non-current assets		526,221	415,863
Current assets			
Cash and cash equivalents		75,893	59,831
Trade and other receivables	7	28,397	11,166
Total current assets		104,290	70,997
Total assets		630,511	486,860
Current liabilities			
Trade and other payables	8	25,521	8,277
Total current liabilities		25,521	8,277
Net assets		604,990	478,583
Equity			
Share Capital and reserves	10	593,388	464,341
Reserves		11,602	14,242
Total equity attributable to shareholders		604,990	478,583
Net assets per share	13	105.1p	104.9p

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 12 June 2018 and signed on its behalf by:

Patrick Firth
Director

Sharon Parr
Director

Statement of Changes in Equity

For the year ended 31 March 2018

	Share Capital and Premium £'000	Treasury shares £'000	Retained earnings £'000	Total Equity £'000
For the year 1 April 2017 to 31 March 2018				
Shareholders' equity at 1 April 2017	464,341	–	14,242	478,583
Profit and comprehensive income for the year	–	–	32,160	32,160
Shares issued	129,047	–	–	129,047
Dividends paid	–	–	(34,800)	(34,800)
Shareholders' equity at 31 March 2018	593,388	–	11,602	604,990
For the year 1 April 2016 to 31 March 2017				
Shareholders' equity at 1 April 2016	314,957	(32,084)	(9,062)	273,811
Profit and comprehensive income for the year	–	–	49,829	49,829
Shares issued	149,384	32,084	–	181,468
Dividends paid	–	–	(26,525)	(26,525)
Shareholders' equity at 31 March 2017	464,341	–	14,242	478,583

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

Statement of Cash Flows

For the year ended 31 March 2018

Cash flows from operating activities	Notes	1 April 2017 to 31 March 2018 £'000	1 April 2016 to 31 March 2017 £'000
Profit and comprehensive income for the year		32,160	49,829
Adjustments for:			
Proceeds from HoldCos		104,248	94,314
Payments to HoldCos		(217,486)	(175,150)
Movement in investment payable		–	(47,469)
Change in fair value on investments	6	2,880	(19,561)
Finance income		(285)	(13)
Operating cash flows before movements in working capital		**(78,483)**	**(98,050)**
Changes in working capital			
Movement in trade receivables		(17,231)	(11,153)
Movement in trade payables		17,244	8,140
Net cash used in operating activities		**(78,470)**	**(101,063)**
Cash flows from investing activities			
Finance income		285	13
Net cash generated from investing activities		**285**	**13**
Cash flows from financing activities	23		
Proceeds from issue of shares	10	124,372	145,078
Proceeds from treasury shares	10	–	32,084
Dividends paid	12	(30,125)	(22,219)
Net cash generated from financing activities		**94,247**	**154,943**
Net movement in cash and cash equivalents during year		16,062	53,894
Cash and cash equivalents at the beginning of the year		59,831	5,937
Cash and cash equivalents at the end of the year		**75,893**	**59,831**

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

Notes to the Financial Statements

For the year ended 31 March 2018

1. General Information

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

On 16 April 2014, the Company announced the results of its initial public offering, which raised net proceeds of £85.6m. The Company's ordinary shares were admitted to the premium segment of the UK Listing Authority's Official List and to trading on the Main Market of the London Stock Exchange under the ticker NESF as part of its initial public offering, which completed on 25 April 2014. Subsequent fund raisings also took place, increasing total equity to £593.4m as at 31 March 2018 (31 March 2017: £464.3m). Details can be found in note 10.

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

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

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

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

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

2. Significant accounting policies

a) Basis of preparation

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

The financial statements have been prepared on the historical cost basis, except for the revaluation of certain investments and financial instruments. The principal accounting policies adopted are set out below. These policies have been consistently applied.

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

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

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

The Company has cash and short-term deposits as well as projected positive income streams and an available credit facility through its subsidiaries (see note 21) and as a consequence the Directors have, at the time of approving the financial statements, a reasonable expectation that the Company has adequate resources to continue in operational existence for the next 12 months. Accordingly they have adopted the going concern basis of preparation in preparing the financial statements.

c) Basis of non-consolidation

The Company has acquired SPVs through its investment in the 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 five holding companies, NextEnergy Solar Holdings Limited, NextEnergy Solar Holdings II Limited, NextEnergy Solar Holdings III Limited, NextEnergy Solar Holdings IV Limited and NextEnergy Solar Holdings V Limited, collectively the "HoldCos". The HoldCos are also investment entities and as described under IFRS 10 value their investments at fair value.

2. Significant accounting policies (continued)

c) Basis of non-consolidation (continued)

Characteristics of an investment entity

Under the definition of an investment entity, the entity should satisfy all three of the following tests:

I. obtains funds from one or more investors for the purpose of providing those investors with investment management services; 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 HoldCos and SPVs 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 meets all the typical characteristics of an investment entity and therefore meets the definition set out in IFRS 10.

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

d) Taxation

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

e) Segmental reporting

The Chief Operating Decision Maker, which is the Board, is of the opinion that the Company is engaged in a single segment of business, being investment in solar power to generate investment returns whilst preserving capital. The financial information used by the Chief Operating Decision Maker to manage the Company presents the business as a single segment.

2. Significant accounting policies (continued)

f) Dividends

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

g) Income

Income includes investment income from financial assets at fair value through profit or loss 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 re-measured at amortised cost using the effective interest method where necessary.

k) Financial instruments

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

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

2. Significant accounting policies (continued)

k) Financial instruments (continued)

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

a) Standards and amendments to existing standards effective 1 April 2017

Due to amendments to IAS 7 - Statement of Cash Flows which became effective for financial periods beginning after 1 January 2017, entities are required to provide disclosures that enable users of the financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash flows. A reconciliation providing this information has been included in note 23. There are no other amendments to IFRS that became effective for financial periods beginning after 1 January 2017 that have a material impact on the financial statements.

b) New standards, amendments and interpretations effective after 1 April 2017 and not early adopted

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 15	Revenue from Contracts with Customers
IFRS 16	Leases

IFRS 9 with regards to recognition and measurement is the only standard effective for the Company as of 1 January 2018 which may have a significant impact on the financial instruments held by the Company. However, it is the opinion of the Directors that the treatment as at fair value through profit or loss will remain the applicable method of recognition and hence there is no expected impact on the NAV.

There is however expected to be additional disclosure included in future financial statements of the Company to comply with requirements of IFRS 9, which is likely to include the judgements applied by management in the classification and subsequent recognition of the financial instruments held by the Company.

The Directors have assessed the requirements of IFRS 15 and have determined that there will be no material impact expected on the recognition and measurement of income in the financial statements as a result of the implementation of IFRS 15. This is because the majority of the Company's revenue, which is primarily derived from dividend income is not within the scope of IFRS 15.

The Directors do not expect that the adoption of other standards will have a material impact on the financial statements of the Company in future periods.

4. Critical accounting estimates and judgements

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

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

The Company's investments are measured at fair value for financial reporting purposes. The Board of Directors has appointed the Investment Manager to produce investment valuations based upon projected future cashflows. These valuations are reviewed and approved by the Board. The investments are held through SPVs.

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

The Company classified its investments at fair value through profit or loss as Level 3 within the fair value hierarchy. Level 3 investments amount to £526.2m (31 March 2017: £415.9m) and consist of 63 investments in solar PV assets held indirectly through the HoldCos (31 March 2017: 41 held indirectly through the HoldCos), all of which have been valued on a look through basis based on the discounted cash flows of the solar PV assets (except for those solar plants not yet operational) and the residual value of net assets at the HoldCo level. The unlevered discount rate applied in the 31 March 2018 valuation was 6.75% (31 March 2017: 7.25%). The discount rate is a significant Level 3 input and a change in the discount applied could have a material effect on the value of the investments. Investments in solar PV assets that are not yet operational are held at fair value, where the cost of the investment is used as an appropriate approximation of fair value. Level 3 valuations are reviewed regularly by the Investment Manager who reports to the Board of Directors on a periodic basis. The Board considers the appropriateness of the valuation model and inputs, as well as the valuation result.

4. Critical accounting estimates and judgements (continued)

The table below sets out information about significant unobservable inputs used at 31 March 2018 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 2018 £'000	Valuation technique	Unobservable input	Input value	Sensitivity to change in significant unobservable inputs
Unlisted investments	479,999	Discounted cash flows based on underlying valuation of residual assets at the five HoldCos.	Discount rate	6.75% (unlevered assets) up to 9.00% (levered assets)	The estimated fair value would increase if the discount rate was lower and vice versa.
Investments held at cost	1,396	Cost	n/a	n/a	n/a
Residual value of net assets at HoldCo's and other adjustments	44,826	Adjusted net asset value attributable to the Company at fair value	n/a	n/a	n/a
Total	526,221				

b) Significant judgement: consolidation of entities

The Directors have concluded that the Group controls the SPVs that hold the two assets held at cost even though it does not hold 100% ownership of these entities as at 31 March 2018. 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 Company meets the definition of an investment entity per IFRS 10 as the following conditions exist:

1. the Company has obtained funds for the purpose of providing investors with professional investment management services;
2. the Company's business purpose, which was communicated directly to investors, is investing for capital appreciation and investment income; and
3. the investments are measured and evaluated on a fair value basis.

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

5. Income

	Year ended 31 March 2018 £'000	Year ended 31 March 2017 £'000
Investment income	35,242	27,267
Management fee income	5,841	8,040
Total Income	41,083	35,307

6. Investments

The Company owns the Investment Portfolio through its investments in the HoldCos. This is comprised of the Investment Portfolio and the Residual Net Assets of the HoldCos. The Total Investments at fair value are recorded under Non-Current Assets in the Statement of Financial Position.

	As at 31 March 2018 £'000	As at 31 March 2017 £'000
Brought forward cost of investments	404,236	323,400
Proceeds from HoldCos	(104,248)	(94,314)
Payments to HoldCos	217,486	175,150
Carried forward cost of investments	**517,474**	**404,236**
Brought forward unrealised gains/(losses) on valuation	11,627	(7,934)
Movement in unrealised gains on valuation	(2,880)	19,561
Carried forward unrealised gains on valuation	**8,747**	**11,627**
Total investments at fair value	526,221	415,863

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

7. Trade and other receivables

	As at 31 March 2018 £'000	As at 31 March 2017 £'000
Management fee income receivable	608	3,158
Prepayments	458	13
Due from subsidiaries (note 22)	27,331	7,995
Total trade and other receivables	28,397	11,166

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

8. Trade and other payables

	As at 31 March 2018 £'000	As at 31 March 2017 £'000
Other payables	290	282
Due to subsidiaries (note 22)	25,231	7,995
Total trade and other payables	25,521	8,277

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

9. 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. The HoldCos, as per note 2c, are incorporated in the UK and 100% directly owned (31 March 2017: all 100% directly owned except NextEnergy Holding V Limited which was not incorporated).

10. Share capital and reserves

Share Issuance	Number of shares	Gross amount raised £'000	Issue costs £'000	Share premium £'000
Total issued at 31 March 2017	456,388,199	469,678	(5,337)	464,341
Issued on 21 June 2017	115,000,000	126,500	(2,128)	124,372
Scrip Dividend - 27 June 2017	44,646	51	–	51
Scrip Dividend - 29 September 2017	1,627,044	1,836	–	1,836
Scrip Dividend - 22 December 2017	2,125,766	2,275	–	2,275
Scrip Dividend - 29 March 2018	458,185	513	–	513
Total issued at 31 March 2018	575,643,840	600,853	(7,465)	593,388

The Company currently has one class of ordinary share in issue. All the holders of the ordinary shares, which total 575,643,840, are entitled to receive dividends as declared from time to time and are entitled to one vote per share at general meetings of the Company.

Retained reserves

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

11. Earnings per share

	Year ended 31 March 2018	Year ended 31 March 2017
Profit and comprehensive income for the year (£'000)	32,159	49,829
Weighted average number of ordinary shares	547,300,544	360,841,240
Earnings per ordinary share	5.88p	13.81p

12. Dividends

	Year ended 31 March 2018 £'000	Year ended 31 March 2017 £'000
Amounts recognised as distributions to equity holders:		
Interim dividend for the period ended 31 March 2016 of 3.125p per share, paid on 22 July 2016	–	8,686
Interim dividend for the period ended 30 June 2016 of 1.5775p per share, paid on 30 September 2016	–	5,250
Interim dividend for the period ended 30 September 2016 of 1.5775p per share, paid on 30 December 2016	–	5,414
Interim dividend for the period ended 31 December 2016 of 1.5775p per share, paid on 31 March 2017	–	7,175
Interim dividend for the period ended 31 March 2017 of 1.5775p per share, paid on 30 June 2017	7,199	–
Interim dividend for the period ended 30 June 2017 of 1.605p per share, paid on 29 September 2017	9,171	–
Interim dividend for the period ended 30 September 2017 of 1.605p per share, paid on 28 December 2017	9,198	–
Interim dividend for the period ended 31 December 2017 of 1.605p per share, paid on 28 March 2018	9,232	–
Total	34,800	26,525

13. Net assets per ordinary share

	As at 31 March 2018	As at 31 March 2017
Shareholders' equity (£'000)	604,989	478,583
Number of ordinary shares	575,643,840	456,388,199
Net assets per ordinary share	105.1p	104.9p

14. Financial risk management

Capital management

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

14. Financial risk management (continued)

Financial risk management objectives

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

Price risk

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

Currency risk

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

Interest rate risk

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

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 2018 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.

14. 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 2018	Credit rating Standard & Poor's	Cash £'000	Total as at 31 March 2018 £'000
Barclays Bank PLC	Long – A Short – A-1	25,886	25,886
Lloyds Bank PLC	Long – BBB+ Short – A-2	25,006	25,006
Deutsche Bank AG	Long – A- Short – A-2	25,000	25,000
Total		75,892	75,892

31 March 2017	Credit rating Standard & Poor's	Cash £'000	Total as at 31 March 2017 £'000
Barclays Bank PLC	Long – A- Short – A-2	59,831	59,831
Total		59,831	59,831

Liquidity risk

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

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

31 March 2018	Up to 3 months £'000	Between 3 and 12 months £'000	Between 1 and 5 years £'000	Total £'000
Assets				
Cash and cash equivalents	75,892	–	–	75,892
Trade and other receivables	28,397	–	–	28,397
Liabilities				
Trade and other payables	(25,521)	–	–	(25,521)
Total	78,768	–	–	78,768

14. Financial risk management (continued)

31 March 2017	Up to 3 months £'000	Between 3 and 12 months £'000	Between 1 and 5 years £'000	Total £'000
Assets				
Cash and cash equivalents	59,831	–	–	59,831
Trade and other receivables	11,166	–	–	11,166
Liabilities				
Trade and other payables	(8,277)	–	–	(8,277)
Total	62,720	–	–	62,720

Valuation methodology

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

Discount rates

The discount 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 2018	31 March 2017
Weighted Average discount rate	7.30%	7.90%
Discount rates	6.75% to 9.00%	7.25% to 8.25%

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

Discount rate	+0.5% change	Total Portfolio value	–0.5% change
31 March 2018	(£18.2m)	£481.4m	£19.4m
Fair value – percentage movement	(3.8%)		4.0%
31 March 2017	(£11.7m)	£333.9m	£12.7m
Fair value – percentage movement	(3.5%)		3.8%

14. Financial risk management (continued)

Power price

The NEC Group continuously reviews multiple inputs from market contributors and leading consultants and adjust the inputs to the power price forecast when a different approach is deemed more appropriate. Current estimates imply an average rate of growth of electricity prices of approximately 0.6% 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, with all other variables held constant.

Power price	–10% change	Total Portfolio value	+10% change
31 March 2018	(£32.5m)	£481.1m	£31.5m
Fair value – percentage movement	(6.8%)		6.5%
31 March 2017	(£24.0m)	£333.9m	£24.4m
Fair value – percentage movement	(7.2%)		7.3%

Energy generation

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

Energy generation	5% under performance	Total Portfolio value	5% over performance
31 March 2018	(£32.6m)	£481.4m	£32.5m
Fair value – percentage movement	(6.8%)		6.7%
31 March 2017	(£22.7m)	£333.9m	£24.4m
Fair value – percentage movement	(6.8%)		7.3%

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, with all other variables held constant.

Inflation rate	–0.5% change	Total Portfolio value	+0.5% change
31 March 2018	(£20.1m)	£481.4m	£21.2m
Fair value – percentage movement	(4.2%)		4.4%
31 March 2017	(£19.4m)	£333.9m	£20.7m
Fair value – percentage movement	(5.8%)		6.2%

14. Financial risk management (continued)

Operating costs

The table below shows the sensitivity of the portfolio to changes in operating costs by plus or minus 10% at project company level, with all other variables held constant.

Operating costs	+10% change	Total Portfolio value	–10% change
31 March 2018	(£8.7m)	£481.0m	£8.4m
Fair value – percentage movement	(1.8%)		1.7
31 March 2017	(£6.3m)	£333.9m	£6.3m
Fair value – percentage movement	(1.9%)		1.9%

Tax rates

The UK corporation tax assumption for the portfolio valuation is 19% until 2020, and 17% thereafter in accordance with the UK Government announced reductions. The Italian tax rate used is 24% with an additional 2.7% after 2020.

15. Financial assets and liabilities not measured at fair value

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

16. Audit fees

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

	Year ended 31 March 2018 £'000	Year ended 31 March 2017 £'000
Fees payable to the Auditors for the audit of the Company	165	120
Additional fee and disbursements for prior year	12	31
Total audit fees	177	151

17. Management fee

The Investment Manager is entitled to receive an annual fee which is payable monthly in advance, accruing daily on the basis of the prevailing NAV and calculated on a sliding scale, as follows below:

- for the tranche of NAV up to and including £200,000k, 1% of the Net Asset Value ("NAV") of the Company.
- for the tranche of NAV above £200,000k and up to and including £300,000k, 0.9% of NAV.
- for the tranche of NAV above £300,000k, 0.8% of NAV.

For the year ended 31 March 2018 the Company has incurred £5,070k in management fees of which £nil was outstanding at 31 March 2018. For the year ending 31 March 2017 the Company incurred £3,406k in management fees of which £nil was outstanding at 31 March 2017.

18. Related parties

The Investment Manager, NextEnergy Capital IM Limited, is a related party due to having common key management personnel with the subsidiaries of the Company. All management fee transactions with the Investment Manager are disclosed in note 17.

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

The Operating Asset Manager, WiseEnergy (GB) Limited and WiseEnergy Italia Srl, are related parties due to sharing common key management personnel with the subsidiaries of the Company. Each of the operating subsidiaries of the Company entered into an asset management agreement with the Operating Asset Manager. The total value of recurring and one-off services paid to the Operating Asset Manager by the subsidiaries during the reporting year amounted to £4,074k (31 March 2017: £1,795k).

At the year end, £25,231k (31 March 2017: £7,995k) was owed to and from the subsidiaries. £5,841k of management fees was received from the subsidiaries during the year (31 March 2017: £8,040k), none of which was outstanding at the year end (31 March 2017: Nil). During the year dividends of £35,242k (31 March 2017: £27,267k) were received from subsidiaries.

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

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

19. Controlling party

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

20. Remuneration of the Directors

The remuneration of the Directors was £146k for the year (for the year ended 31 March 2017: £160k) which consisted solely of short-term employment benefits.

21. Revolving credit and debt facilities

In January 2017, NESH closed a syndicated loan with MIDIS, NAB and CBA for £157.5m ("Project Apollo") to refinance its revolving credit facility. As the beginning of the year £51.5m of the facility was drawn. In April 2017, an additional £50.8m of the facility was drawn, and in June 2017, the remaining £47.7m was drawn. As part of the facility agreement, the lenders provide an additional Debt Service Reserve Facility of £7.5m and hold a charge over the assets of NESH Limited. As at 31 March 2018, the outstanding amount was £149m.

In July 2015, NESH II agreed a loan with NIBC for £22.7m. In July 2016, £1m was repaid and in March 2018, the remaining balance was repaid. At the same time as the repayment the short-term facility was converted into a new £20m in revolving credit facility. As at 31 March 2018, the outstanding amount was £nil.

21. Revolving credit and debt facilities (continued)

In January 2016, NESH III acquired a portfolio of three operating plants totalling 53MW for £61.7m which had a long term fully-amortising project financing of £45.4m in place. As at 31 March 2018, the outstanding amount was £nil.

In March 2016, NESH IV agreed the purchase of Project Radius. The acquisition was part funded by a debt facility entered between NESH IV and Macquarie Bank Limited for £55.0m, which was fully drawn down in April 2016. As part of the debt facility agreement Macquarie Bank Limited holds a charge over the assets of NESH. As at 31 March 2018, the outstanding amount was £53.6m.

In December 2017, NESH V, acquired a portfolio of eight operating plants totalling 34.5MW for £116.2m which had a long term fully-amortising project financing of £68.1m in place. As at 31 March 2018, the outstanding amount was £65.6m.

22. Restructuring at subsidiary

During the 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.

23. Reconciliation of Financing Activities

	Opening (£'000)	Cash flows (£'000)	Net income allocation (£'000)	Non-cash flows (£'000)	Closing (£'000)
Share Capital and Premium	464,341	124,372	–	4,675	593,388
Reserves	14,242	(30,125)	32,160	(4,675)	11,602
Total	478,583	94,247	32,160	–	604,990

24. Events after the reporting period

- On 17 May 2018, the Company announced an interim dividend of 1.605 pence per ordinary share for the quarter ending 31 March 2018, to be paid on 29 June 2018 to shareholders on the register as at close of business on 24 May 2018.

- On 30 May 2018, the Company announced the acquisition of 2 plants totalling 7.2MW with an investment value of £9.3m. Both sites have integrated energy storage capabilities with a combined capacity of c.1MW.


VIETATO L'ACCESSO
ALLE PERSONE NON AUTORIZZATE
3M Grafoplast

Company Information

Directors:	Kevin Lyon, Chairman Patrick Firth Vic Holmes Sharon Parr
Registered Office:	1 Royal Plaza Royal Avenue St Peter Port Guernsey GY1 2HL
Investment Manager:	NextEnergy Capital IM Limited 1 Royal Plaza Royal Avenue St Peter Port Guernsey GY1 2HL
Investment Adviser:	NextEnergy Capital Limited 20 Savile Row London UK W1S 3PR
Secretary and Administrator:	Ipes (Guernsey) Limited 1 Royal Plaza Royal Avenue St Peter Port Guernsey GY1 2HL
Independent Auditor:	PricewaterhouseCoopers CI LLP Royal Bank Place 1 Glategny Esplanade St Peter Port Guernsey GY1 4ND
Registered Number:	57739

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

Glossary of Defined Terms

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

Premium/discount to NAV	The amount by which the Companies shares trade above or below the NAV
DNO	Distribution Network Operators
EPC	Engineering, Procurement and Construction
ESG	Environmental, Social and Governance
EU	European Union
FATCA	Foreign Account Tax Compliance Act
FiT	Feed-in Tariff
GAV	Gross Asset Value
GFSC	Guernsey Financial Services Commission
GFSC Code	Guernsey Financial Services Commission Finance Sector Code of Corporate Governance
Gross Dividend Cover	The ratio of the Company's Gross Cash Income over dividends paid during the financial year
Group	The Company, HoldCos and SPVs
GWh	Gigawatt hour – a measure of electricity generated per hour
HoldCos	Intermediate holding companies - NESH, NESH II, NESH III, NESH IV and NESH V
IAS	International Accounting Standards
IFRS	International Financial Reporting Standards
Investment Adviser	NextEnergy Capital Limited
Investment Manager	NextEnergy Capital IM Limited
IPEV	International Private Equity and Venture Capital
IPO	Initial Public Offering
IRR	Internal Rate of Return
ISA	International Standards on Auditing

KPI	Key Performance Indicator
KWh	Kilowatt hour – a measure of electricity generated per hour
LOI	Letter of Intent
MIDIS	Macquarie Infrastructure Debt Investment Solutions
MWh	Megawatt hour – a measure of electricity generated per hour
NAB	National Australia Bank
NAV	Net Asset Value
NAV per share	Net Asset Value per ordinary share
NAV Total Return	The actual rate of return from dividends paid and capital gains on NAV per share over a given period of time
NESH	NextEnergy Solar Holding Limited
NESH II	NextEnergy Solar Holding II Limited
NESH III	NextEnergy Solar Holding III Limited
NESH IV	NextEnergy Solar Holding IV Limited
NESH V	NextEnergy Solar Holding V Limited
Net Dividend Cover	The ratio of the Company's Net Cash Income over dividends 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	Protection of Investors (Bailiwick of Guernsey) Law, 1987
PPA	Power Purchase Agreement

PV	Photovoltaic
PwC CI	PricewaterhouseCoopers CI LLP
Radius portfolio	Five plants held with NESH IV
RCF	Revolving Credit Facilities
RO Scheme	Renewable Obligation Scheme
ROC	Renewable Obligation Certificates
RPI	Retail Price Index
Solis portfolio	Eight plants held with NESH V
SPA	Share Purchase Agreement
SPVs	Special purpose vehicles which hold the Company's investment portfolio of underlying operating assets
Total Shareholder Return	The actual rate of return from dividends paid and capital gains on share price movements over a given period of time
Three Kings portfolio	Three plants held with NESH III
UK	United Kingdom of Great Britain and Northern Ireland
UK Code	UK Corporate Governance Code dated April 2016
UKLA	UK Listing Authority
WACC	Weighted Average Cost of Capital
WiseEnergy	WiseEnergy (Great Britain) Limited and WiseEnergy Italia Srl

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