NEXTENERGY SOLAR FUND

Generating a more sustainable future

Annual Report
for the year ended 31 March 2021

Our Objectives

Investment Objective

To provide ordinary shareholders with attractive risk-adjusted returns, principally in the form of regular dividends, by investing in a diversified portfolio of primarily UK-based solar energy infrastructure assets.

Strategic Objectives

Investment

- Expand the portfolio in line with the Company's Investment Policy.
- Demonstrate our leadership in the UK solar market and achieve superior technical and operational performance.
- Maintain our pricing discipline in relation to acquisitions.

Operational

- Optimise the value of our investments through effective portfolio and asset management.
- Consistently achieve operational outperformance of the portfolio attributable to effective asset management (Asset Management Alpha).

Environmental

- Participate in climate change mitigation, enhance local biodiversity where our assets are located, and contribute towards a zero carbon and sustainable future.

Society

- Positively impact both the communities in which our solar assets are located and wider stakeholders.

Governance

- To act in a manner consistent with our values of integrity, fairness and transparency.
- Maintain strong and constructive relationships with our shareholders and other key stakeholders.

PREMIUM MAIN MARKET
LONDON STOCK EXCHANGE

GREEN ECONOMY
LONDON STOCK EXCHANGE

GUERNSEY GREEN FUND

Performance Highlights

Financial Highlights

NAV per ordinary share as at 31 March 2021
98.9p
(31 March 2020: 99.0p)

Ordinary shareholders' NAV as at 31 March 2021
£581m
(31 March 2020: £579m)

Financial debt gearing as at 31 March 2021[1]
24%
(31 March 2020: 22%)

Dividends per ordinary share for the year ended 31 March 2021
7.05p
(31 March 2020: 6.87p)

Cash dividend cover (pre-scrip dividends) for the year ended 31 March 2021
1.1x
(31 March 2020: 1.2x)

Total gearing as at 31 March 2021[2]
43%
(31 March 2020: 42%)

NAV total return per ordinary share for the year ended 31 March 2021
7.0%
(31 March 2020: -4.5%)

Ordinary shareholder total return for the year ended 31 March 2021
5.1%
(31 March 2020: -7.8%)

Ordinary shareholder annualised total return since IPO
6.1%
(31 March 2020: 6.3%)

Operational Highlights

Total capacity installed as at 31 March 2021
814MW
(31 March 2020: 755MW)

Total electricity generation for the year ended 31 March 2021
738GWh
(31 March 2020: 712GWh)

Operating solar assets as at 31 March 2021
94
(31 March 2020: 90)

Generation above budget for the year ended 31 March 2021
6.2%
(31 March 2020: 4.7%)

ESG Highlights

Tonnes of CO_2e emissions avoided p.a.[3]
317,600
(31 March 2020: 307,700)

UK homes powered for one year[3]
195,000
(31 March 2020: 189,000)

1 Financial debt gearing excludes the £200m preference shares
2 Total gearing is the aggregate of financial debt and £200m of preference shares. The preference shares are equivalent to non-amortising debt with repayment in shares
3 www.greeninvestmentgroup.com/green-impact/green-investment-handbook

Contents

NextEnergy Solar Fund Overview

SPECIALIST SOLAR POWER RENEWABLE ENERGY INVESTMENT COMPANY WITH A MANDATE FOR GROWTH IN LINE WITH THE COMPANY'S STRATEGIC AIMS

MANAGED BY THE NEXTENERGY CAPITAL GROUP, A LEADING SPECIALIST INVESTMENT AND ASSET MANAGER IN THE SOLAR ENERGY INFRASTRUCTURE SECTOR

DIVERSIFIED PORTFOLIO OF 94 OPERATING SOLAR PLANTS

POWERING THE EQUIVALENT OF 195,000 UK HOMES (EQUIVALENT TO PORTSMOUTH AND BRIGHTON COMBINED) ANNUALLY WITH CLEAN RENEWABLE ENERGY

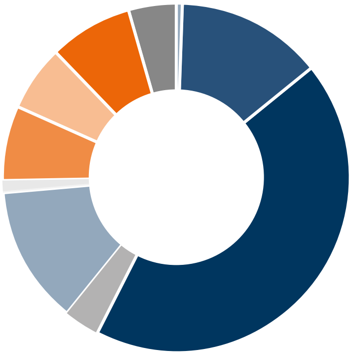
CONSISTENT OPERATING AND ASSET MANAGEMENT OUTPERFORMANCE SINCE IPO

TARGETING A TOTAL DIVIDEND OF 7.16P PER ORDINARY SHARE IN RESPECT OF THE YEAR ENDING 31 MARCH 2022, PAYABLE QUARTERLY

Snapshot of Our Diversified Portfolio

As at 31 March 2021

By Subsidy



% of assets by MW capacity

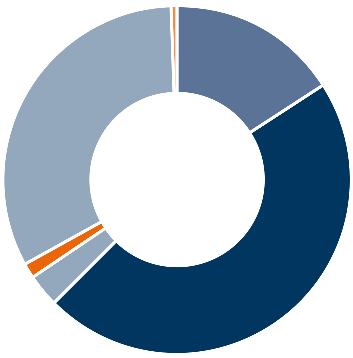
- **0.8%** 2.0 ROCs
- **13.5%** 1.6 ROCs
- **43.4%** 1.4 ROCs
- **3.2%** 1.3 ROCs
- **12.9%** 1.2 ROC
- **1.0%** 1.4 NIROCs
- **6.9%** FiTs (UK)
- **6.3%** Long-term PPA
- **7.8%** Subsidy-free
- **4.2%** FiTs (Italy)

By Installed Capacity

% of assets

- **56.4%** 0-5MWp
- **20.2%** 6-10MWp
- **23.4%** >10MWp

By Revenue Type



% of total revenue for the year ended 31 March 2021

- **16.0%** FiTs
- **46.6%** ROCs/NIROCs
- **3.1%** Embedded benefits
- **1.4%** Merchant – wholesale
- **32.4%** Merchant – fixed PPA
- **0.5%** Other

By Inverter Manufacturer

% of assets by MW capacity

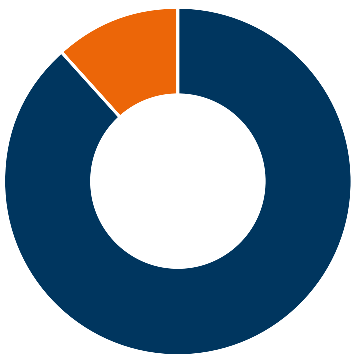
- **28.2%** SMA
- **18.0%** Power Electronics
- **15.9%** Huawei
- **8.6%** Emerson
- **6.8%** Schneider
- **6.0%** Gamesa
- **5.3%** ABB
- **4.1%** Power-One
- **7.1%** Other

By Solar Module Manufacturer

% of assets by MW capacity

- **21.6%** Hanwha Q Cells
- **14.6%** TRINA
- **11.4%** Yingli
- **8.8%** REC
- **8.0%** Jinko Solar
- **8.0%** LDK Solar
- **6.0%** Canadian Solar
- **4.4%** BYD
- **4.1%** Renesola
- **13.1%** Other

By Location

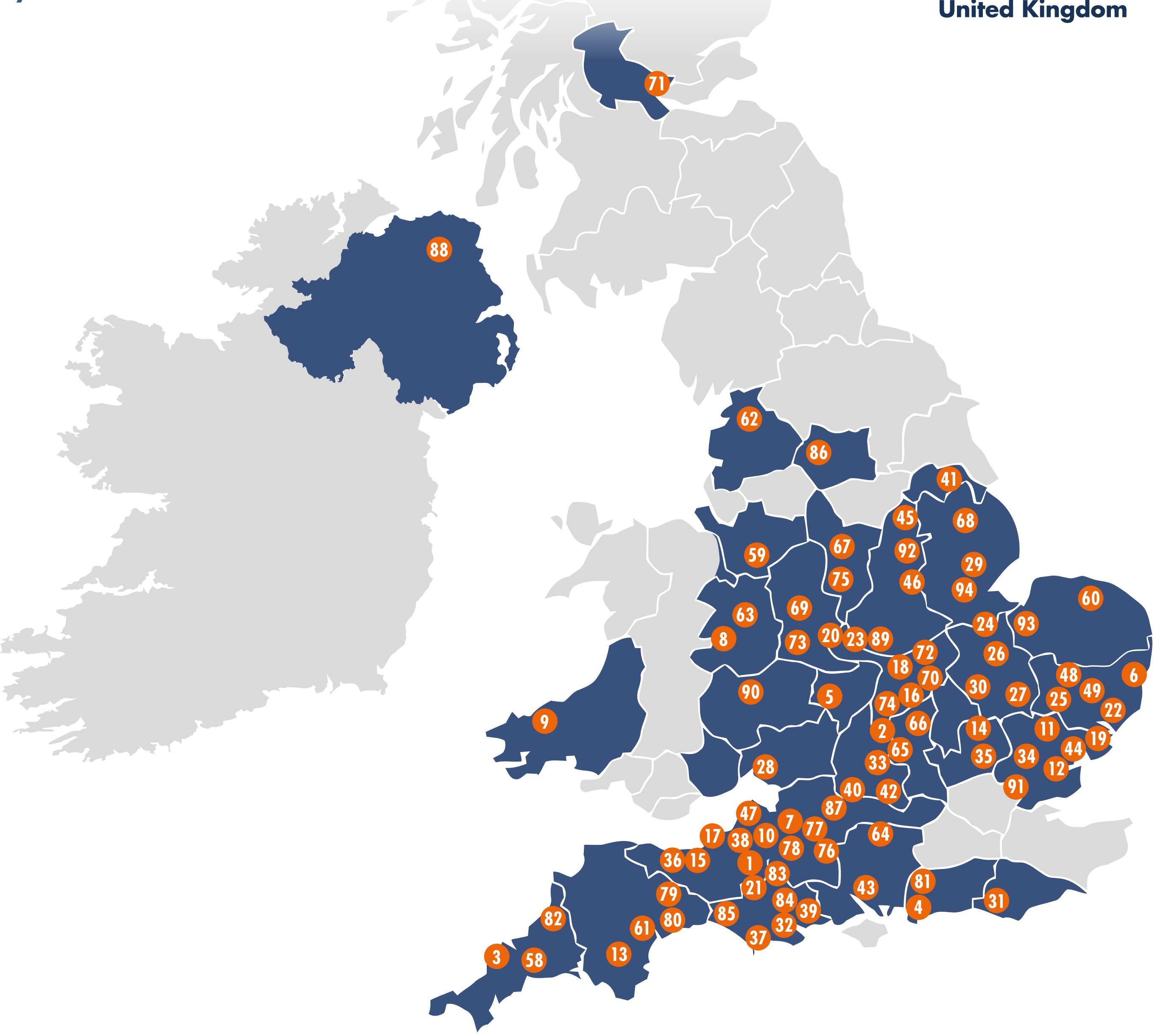


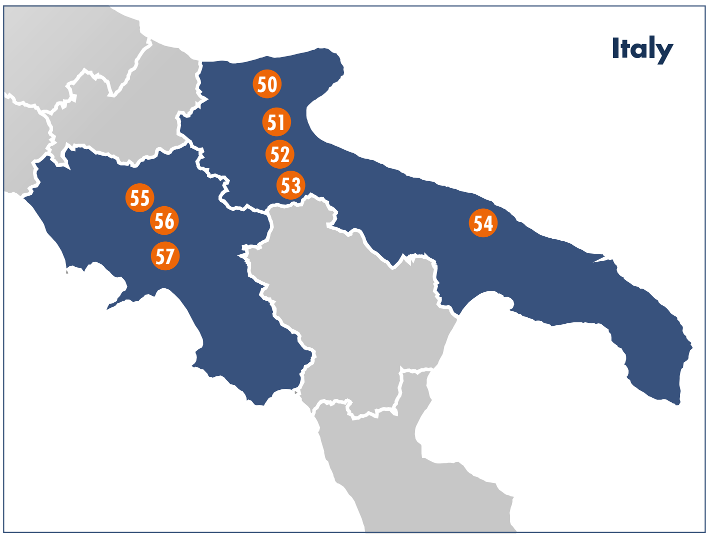
% of invested capital

- **88.4%** UK
- **11.6%** Italy

Snapshot of Our Diversified Portfolio continued

By Location





Operating assets – for further information, see pages 32 and 33.

Why Invest in Solar Assets?

ABUNDANT ENERGY SOURCE

- More solar energy hits the Earth in a single hour than the energy being used by the entire human population in a year.
- Solar energy generation is now economically viable in markets not typically characterised by high levels of solar irradiation.

PROVEN AND STABLE TECHNOLOGY

- Reliable and predictable source of electricity due to high consistency in yearly solar irradiation.
- Long useful life (25-40 years with potential to extend) with high proportion of contracted cash flows from operating solar plants.

COST-EFFECTIVE ELECTRICITY GENERATION

- Low operating and maintenance costs and ongoing capital expenditures.
- Solar PV technology has benefited from a significant reduction in costs and non-subsidised solar assets are now economically competitive with fossil fuel sources and provide attractive financial returns.

CLIMATE CHANGE SOLUTION

- Fundamental to achieving a more sustainable future by accelerating the transition to clean and sustainable energy.
- Meaningful contribution to reducing CO_2e emissions through the generation of clean electricity.

SCAN ME

Strategic Report

Chairman's Statement

Kevin Lyon, Chairman

The Board is proud of everyone involved with NESF and their response and performance in the face of the pandemic's consequences on our sector. Despite these challenges, the Company recorded its seventh consecutive year of operating outperformance, positive dividend coverage and we achieved our dividend target of 7.05p, having met the target every year since IPO.

We have reset our strategy for growth, refocusing the investment policy to allow for more international expansion, and increased risk diversification through investments in private equity structures and in different technologies such as battery storage. As we look to the future, we will keep our focus on our revised investment strategy, aiming to achieve investor value creation, progressive dividend growth and positive dividend coverage.

NESF also achieved key milestones in the face of the difficult operating environment, with the acquisition of the two new UK solar farms (Camden portfolio, totalling 100MW) and achieving our 150MW subsidy-free development target. We continue to create a future for solar in a subsidy-free world and are targeting long-term corporate PPAs, direct wire agreements and leveraging our electricity sales capabilities to maximise revenues generated by these plants.

I am pleased to present the Annual Report for the NextEnergy Solar Fund Limited (the "Company" or "NESF") for the year ended 31 March 2021.

The year was significantly impacted by the Covid-19 pandemic and its effects on the demand for electricity, power prices and our operations. The Company, its Investment Manager, NextEnergy Capital and its operating asset manager, WiseEnergy, all faced challenges on an unprecedented level but successfully transitioned to remote working. A phased return to the office is now occurring in jurisdictions where regulations permit.

The uncertainty caused by Covid-19 exacerbated the power price forecasting models in the renewable sector, impacting share prices. Our share price performance was disappointing in comparison to the sector, despite our assets continuing to consistently outperform generation budgets and successfully implemented our power price hedging strategy, which allowed us to reduce volatility and lock in cash flows throughout the pandemic, reducing risk.

Our current dividend yield and share price offers investors both current and new, an attractive opportunity to invest as we position ourselves for future growth, whilst also playing a key part in contributing to tackling global climate change.

Results and Key Events

The Company has continued to perform well operationally during the challenges of the Covid-19 pandemic, driven by the implementation of our portfolio and asset management strategy, our approach to continually improve operating efficiency and ability to manage our exposure to power price fluctuations effectively through our specialist electricity sales function.

The Company's assets generated significantly more electricity and revenues than budgeted, and more than in prior periods, largely due to effective asset management, higher solar irradiation, and the proactive hedging of UK power prices for our electricity generation. This enabled us to both minimise the impact of power price volatility and actively capture pricing opportunities in the market which contributed to our revenues during the year.

At the AGM held in September 2020, shareholders overwhelmingly approved changes to the Company's Investment Policy, allowing the Company to invest up to 30% (previously 15%) of GAV in solar plants outside the UK in OECD countries, invest up to 15% of GAV in private equity structures and up to 10% in standalone energy storage. These changes will help us seek opportunities in markets which yield significantly higher risk-adjusted financial returns than the UK solar secondary or subsidy-free markets. The Investment Adviser is actively considering opportunities to deploy capital in these areas.

The Company is delighted that it has reached its subsidy-free development target of 150MW, by approval of the final two development projects for construction. Hatherden (50MW) and Whitecross (36MW) are currently being prepared for construction and are expected to be energised in late 2022. These assets will follow the successful energisation of High Garrett (8.5MW) in October 2020, and Staughton (50MW) and Hall Farm II (5MW) during the last financial year. NESF's early entry into the UK subsidy-free market has shown its ability to develop value-accretive opportunities such as long-term corporate power price agreements ("PPAs") and secure more attractive risk-adjusted financial returns compared to acquiring operating solar projects with subsidies. This has allowed NESF to establish its expertise and leadership position in this subsidy-free space.

Chairman's Statement continued

Similarly, NESF took significant steps in establishing a foothold in the long-term, high-credit UK corporate PPA market by acquiring the Camden portfolio, comprising two projects totaling 100MW. The Grange (50MW) is fully operational and South Lowfield (50MW) is expected to be energised this summer. The Camden portfolio has a 15-year PPA in place covering c.75% of the electricity to be generated over the life of the PPA. The PPA counterparty is AB InBev, the world's largest brewer.

The technical performance of our plants during the year has been exceptional. Generation was 6.2% above budget and Asset Management Alpha (which measures the operational outperformance attributable to effective asset management above and beyond changes in underlying solar irradiation) was 0.7%. With the majority of our electricity sold under fixed-price contracts, we achieved earnings per ordinary share of 6.87p (2020: -5.09p).

During the year, the Board concluded its review of its dividend policy. To the extent the Board considers it appropriate, each year we will target increasing the total annual dividend paid to ordinary shareholders. For the financial year ending 31 March 2022, we are therefore targeting an increased total dividend of 7.16p per ordinary share.

In approving this dividend target, the Board took into account the projected future power prices and associated price hedges, inflation in our markets; historic and budgeted technical and operational performance of our portfolio, the appropriate ratio of ordinary earnings and future targeted dividend payments.

NAV and Operating Results

At the year end, the ordinary shareholders' NAV was £581m, equivalent to 98.9p per ordinary share (2020: £579m, 99.0p per ordinary share).

The main detractors during the year were a decrease in long-term power price forecasts (-3.0p per ordinary share), a downward revision in short-term inflation forecasts (-1.1p per ordinary share) and increased corporation tax rate from 2023 onwards (-1.8p per ordinary share). The main contributors during the year were a decrease in the unlevered discount rate (+3.4p per ordinary share) and the Company's operating outperformance (+1.4p per ordinary share).

Profit before tax was £40.2m (2020: -£29.7m) with earnings per ordinary share of 6.87p (2020: -5.09p). Cash dividend cover (pre-scrip dividends) was 1.1x (2020: 1.2x).

For the year, the ordinary shareholder total return was 5.1% (2020: -7.8%) and the ordinary share NAV total return was 7.0% (2020: -4.5%). As at 31 March 2021, NESF had an annualised ordinary shareholder total return of 6.1% (2020: 6.3%) and an annual ordinary share NAV total return of 6.0% since IPO (2020: -5.9%). At year end, the NESF share price was 99.6p, which was a 0.7% premium to the NAV per ordinary share of 98.9p (2020: share price was 101.5p, 2.5% premium to the NAV per ordinary share which was 99.0p).

Power Prices

At the beginning of the financial year, the "oil price war" between the USA, Saudi Arabia and Russia, and the first effects of the Covid-19 pandemic led to sharp power price declines. In May 2020, the short-term demand-side effects stemming from the pandemic drove power prices down to unprecedented levels. A H2 2020 economic recovery, and subsequent increased demand for electricity, has driven a recovery in short and medium-term power prices; something that is currently reflected in day-ahead prices as well as 2021 and 2022 pricing.

Of the Company's revenues for the year, 66% were derived from government subsidies and, at the end of the year, the average remaining weighted life under the relevant subsidies was 14 years. These revenues are fixed for the long-term in accordance with the terms of the relevant subsidies.

The remaining 34% of the Company's revenues were derived from selling the electricity generated to carefully selected counterparties in the open market and, therefore, are exposed to market power price movements. Our Asset Manager's electricity sales desk is focused on securing the best terms for our sales and minimising our exposure to short-term price fluctuations by securing fixed prices for specified time periods. The flexible PPA framework allowed us to lock in higher power prices during the year and produced a £7.0m revenue uplift compared to selling the electricity at the spot rate.

Looking forward to the next two financial years, as at 16 June 2021, the Company has agreed fixed UK pricing (hedged) covering:

- 87% of budgeted generation for the 2021/22 financial year; and
- 63% of budgeted generation for the 2022/23 financial year.

Portfolio Performance

Energy generated during the year was 738GWh (2020: 712GWh), 6.2% above budget (2020: 4.7%), resulting in a seventh consecutive year of outperformance.

During the year, solar irradiation across the portfolio was 5.5% above budget (2020: 4.0%). Asset Management Alpha for the year was 0.7% (2020: 0.7%) and would have been 1.3% (2020: 1.5%) if we excluded distributor network outages, over which we have no control.

Our UK portfolio performed above expectations with generation outperformance of 6.3% (2020: 4.6%) and an Asset Management Alpha of 0.7% (2020: 0.7%).

Our Italian portfolio performed above expectations with generation outperformance of 5.1% (2020: 6.4%) and an Asset Management Alpha of 0.2% (2020: 1.3%).

Overall, we estimate this extra generation to have delivered additional revenues of c.£4.8m (2020: £3.5m) to the Company.

Portfolio Update

Over the year, our Investment Adviser and Asset Manager have continued to optimise the returns from the portfolio by:

- acquiring projects with attractive long-term PPAs
- executing our electricity sales strategy to maximise revenue and reduce shorter-term power price risk;
- implementing technical improvements;
- reducing operating costs through re-negotiating contractual terms and entering into new agreements; and
- securing options or rights to extend the useful life of four of our assets;

Chairman's Statement continued

Our subsidy-free asset High Garrett (8.5MW) was successfully energised in October 2020. The final investment decision covering two further subsidy-free assets, Hatherden (50MW) and Whitecross (36MW), ensured our 150MW subsidy-free portfolio target was achieved, of which 64MW has been energised as at the date of this report. The full subsidy-free portfolio will amount to a total investment of c.£79m (7.7% of GAV as at 31 March 2021).

We are progressing strategies for the sale of electricity from these subsidy-free plants to secure attractive risk-adjusted returns using electricity sales agreements, corporate power purchase agreements or direct-wire agreements with a range of off-takers. The successful consolidation of our subsidy-free portfolio demonstrates our ability to adjust effectively to a changing UK solar market through our expertise in identifying opportunities and maximising risk-adjusted returns.

Separate to the Company's subsidy-free strategy, the Company has agreed to finance, design, build, operate and own over 30MW of solar assets on sites operated by Anglian Water Group. The power generated from these assets will be sold directly to Anglian Water under 25-year agreements at a fixed price. Sutterton (0.4MW) and Marham (1MW) were energised in early 2021, and a further 18MW are expected to be energised during the current financial year.

In addition, we acquired the 100MW long-term PPA backed Camden portfolio for a total consideration of £64.3m. The Grange (50MW) is fully operational and South Lowfield (50MW) will be energised during the summer, increasing our combined installed power to 864MW. More information on this transaction can be found on page 22 of the Investment Adviser's Report.

On 14 May 2020, two subsidy-free pre-construction development projects, Strensham and Llanwern, were disposed of for a combined consideration of £11.5m. Construction had not started on either of these projects and they were disposed of as it became apparent during the development process they would not meet NESF's financial target return, mainly due to the decline in power price forecasts.

Similarly, following the successful completion of our 150 MW subsidy-free development portfolio, on 25 March 2021, 16 further development projects in the pipeline were sold for a combined consideration of £5.6m. For both disposal transactions, NESF recovered all development costs incurred and produced a return on capital invested significantly in excess of our annualised target return for UK assets.

Changes to Investment Policy

At the Company's AGM on 11 September 2020, the following changes were approved by shareholders:

- up to 30% of GAV may be invested in solar assets that are located outside the UK (the limit was previously up to 15%);
- the Company may now acquire an interest in solar assets located in non-OECD countries where those assets form part of a portfolio of solar assets in which the Company acquires an interest and subject to the Company's aggregate investment in any such assets being not greater than 3% of GAV;
- up to 15% of GAV may now be invested in solar assets through private equity structures; and
- the Company may now also invest in standalone energy storage systems (not ancillary to or co-located with solar assets owned by the Company) up to an aggregate limit of 10% of GAV.

At the time of making an investment, the cost of the investment is calculated as a percentage of GAV to ensure it does not breach the relevant limit. The Company's current Investment Policy is set out in full on pages 17 and 18.

In line with its refocused investment policy, the Company is advancing a significant pipeline of both domestic and international solar assets and domestic energy storage asset opportunities, including investments in private equity structures, which complement its existing portfolio, with a view to achieving higher financial returns, additional geographical, technology, and revenue diversification.

Debt Strategy

As at 31 March 2021, the Company's had £200m of preference shares (2020: £200m). The Company's subsidiaries also had financial debt outstanding of £246m (2020: £214m). Of the financial debt, £192m comprises two long-term fully amortising debt facilities, and £54m was drawn under a short-term credit facility.

The short-term credit facility of £70m was extended from July 2020 to July 2022 during the year. At the year end, the Company's subsidiaries had £36m (2020: £71.1m) undrawn from two short-term credit facilities and the Company had a cash balance of £11m (2020: £25m).

The total financial debt represented 24% of GAV as at 31 March 2021 (2020: 22%). As at 31 March 2021, the total gearing comprising the total financial debt and the preference shares represented 43% of GAV (2020: 42%).

Dividends

The Directors have approved a fourth interim dividend of 1.7625p per ordinary share, which will be payable on 30 June 2021 to ordinary shareholders on the register as at the close of business on 21 May 2021. Following the payment of the fourth interim dividend, the Company will have paid total dividends of 7.05p per ordinary share in respect of the year ended 31 March 2021 (2020: 6.87p), achieving its target for the year.

The Company continues to offer a scrip dividend alternative as approved by ordinary shareholders at the 2020 AGM, details of which can be found on the Company's website (nextenergysolar.com).

During the year, the Company paid a total of £38.1m of cash dividends (2020: £36.7m) and, in addition, issued £2.9m of scrip shares to ordinary shareholders who elected for the scrip dividend alternative (2020: £3.0m), making a total of £41.0m of distributions (2020: £39.7m).

The Company has paid dividends since IPO that have increased annually in line with RPI. With effect from the financial year beginning 1 April 2021, to the extent the Board considers it appropriate, we will each year target increasing the total annual ordinary dividend paid to shareholders. In deciding the total annual dividend, the Board will take into account projected future power prices and associated price hedges, inflation in our markets, historic and budgeted technical and operational performance of our portfolio, and the appropriate ratio of ordinary earnings and cash cover to proposed dividend payments.

Chairman's Statement continued

For the financial year ending 31 March 2022, we are targeting an increased total dividend of 7.16p per ordinary share.

Environmental, Social and Governance Matters

Our commitment to ESG is at the forefront of our business strategy and purpose. Our Investment Adviser is a signatory of the United Nations' Principles for Responsible Investments and has integrated ESG principles into all aspects of the NEC Group's investment and asset management processes. NESF integrates ESG factors in investment decisions by implementing the Investment adviser's Sustainable Investment Policy[1] throughout the investment cycle, from preliminary screening and exclusion to risk management during pre-investment and ownership phases. We have strengthened our transparency and reporting in compliance with the EU Sustainable Finance Disclosure Regulation.

The electricity generated by our portfolio during the year ended 31 March 2021 was equivalent to a saving of 317,600 tonnes of CO_2 equivalent emissions (2020: 307,700 tonnes CO_2e) and sufficient to power 195,000 UK homes for an entire year (2020: 189,000 homes). This is roughly equivalent to powering a city with 490,000 inhabitants (e.g. Portsmouth and Brighton combined) or taking 102,000 petrol/diesel cars off the road for an entire year (2020: 99,000 cars off the road for an entire year).

Our Asset Manager also actively engages in activities that enhance the environment and communities surrounding our solar plants, including, where feasible, on-site biodiversity activities such as encouraging wildflower meadows, installing bug hotels, partnering with local beekeepers and other initiatives to improve the local biodiversity, as well as local community programmes. Please refer to the ESG report on pages 43 and 44 for more information.

The Company continues to hold the London Stock Exchange Green Economy Mark, which recognises funds which derive 50% or more of their revenues from environmental solutions, and the Guernsey Green Fund Mark, due to our meaningful contribution to reducing CO_2e emissions through the generation of clean solar power.

In addition to the ESG activities on behalf of NESF and other clients, the NEC Group continues to donate at least 5% of its net profits to the NextEnergy Foundation, which it established in 2017. The NextEnergy Foundation participates proactively in the global effort to reduce carbon emissions, providing clean power sources in regions where they are not available and contributing to poverty alleviation. To find out more information please scan the below QR code.

SCAN ME

Board changes during the year

Sue Inglis stood down from the board on the 31 March 2021. The Board would like to take this opportunity to thank Sue for her contributions during her time as a Director. We wish Sue well for the future.

Appreciation

On behalf of my fellow Directors, I would like to express my sincere thanks and appreciation to the numerous people who have worked in the field and from home under difficult and testing conditions to enable our Company to continue to operate successfully in these challenging times.

Outlook

The Board, our Investment Manager and our Investment Adviser believe that the market environment continues to be favourable for the Company and its Investment Policy.

Undoubtedly, the economic shock of Covid-19 has had a profound impact on energy demand and commodity prices. However, the near-term power price recovery during the second half of the financial year and beyond has underlined the resilience of our sector in the current uncertain environment. The price for electricity is driven by several factors that are proving particularly difficult to predict in the current environment but is ultimately dependent on the supply and demand for electricity. A sustained upturn in demand for electricity will be driven by the pace of economic recovery once the effects of the pandemic fully subside.

We continue to closely monitor macro and micro economic indicators and governmental information to assess the potential future impact on the Company's activities. The Company will continue to focus on generating attractive financial returns for our shareholders, while having positive social and environmental impacts.

With the energisation of our third subsidy-free asset (High Garrett, 8.5MW) and the investment approval of Hatherden and Whitecross, both exciting subsidy-free assets of scale, NESF has reached its target of c.150MW of subsidy-free assets in the portfolio.

NESF will now look to consolidate its leadership position in the growing UK long-term corporate PPA market, building upon the successes of the Anglian Water projects and the landmark 100MW Camden acquisition, with the aim of providing long-term, reliable cashflows for the Company.

NextEnergy Capital's specialist energy trading desk continues to ensure that our electricity sales strategy, including our subsidy-free assets, lock in revenue prices mitigating power price risk.

We are aiming to extend the useful life of a further ten assets during the current financial year, adding to the 35 assets which have already secured extensions. These extensions will be value accretive and optimise our long-term revenues.

We are currently advancing a pipeline of non-UK acquisitions, a direct investment in an existing private equity fund, and investments in energy storage systems and ancillary solar technologies. These will complement our existing portfolio and diversify some of our asset-specific or market risks, whilst also adapting our portfolio to the changing dynamics of the solar markets in which our assets are located.

1 https://cdn.next1.nextenergycapital.com/next/2021/04/NextEnergy-NEC_Sustainable_Investment_policy.pdf

Chairman's Statement continued

ESG continues to be a core part of our purpose, as activities mitigating climate change accelerate globally. The execution of our ESG policy is not just integrated into NESF investment decisions, it ensures we continue to lead by example and our Company and stakeholders are fully aligned to create a better environment for both current and future generations.

The Company has demonstrated that it can be resilient to the volatility that the Covid-19 pandemic has posed, and we are well placed to meet the challenge of achieving our investment objectives and the opportunity to grow the business in the future in line with our strategic aims.

Kevin Lyon,
Chairman
16 June 2021

STAUGHTON

- 50MW installed
- Energised in December 2019
- Subsidy-free
- 15,000 homes powered annually
- Bedfordshire

Our Business Model

Structure

The Company is regulated by the Guernsey Financial Services Commission as a registered closed-ended investment company. It has an indefinite life.

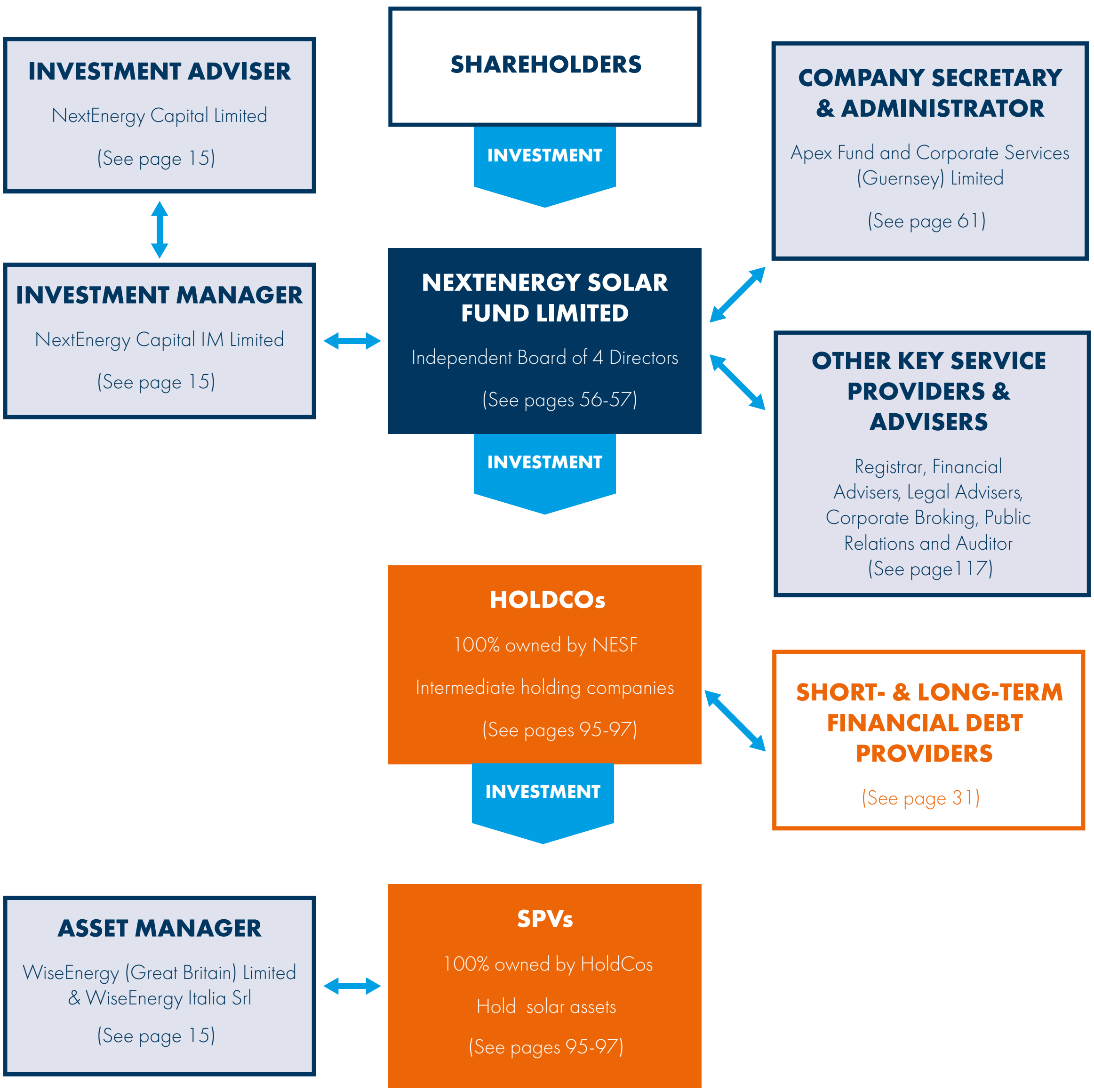
The Company's capital structure comprises ordinary shares and preference shares. The ordinary shares are listed on the premium segment of the Official List and traded on the London Stock Exchange's Main Market. The preference shares are not listed or traded on any public market. The rights attaching to each class of shares are summarised in note 13a to the Financial Statements on page 92.

The Company makes its investments through intermediate holding companies ("HoldCos") and underlying special purpose vehicles ("SPVs") that hold the solar assets. The Group comprises the Company, the HoldCos and the SPVs. As explained in note 2d) to the Financial Statements on page 87, as the Company is an investment entity as described by IFRS 10, the Company does not prepare consolidated accounts and, instead, holds its investments in its HoldCos and SPVs at fair value.

The Company has the ability to use short- and long-term debt at the Company, HoldCo and SPV levels. Debt at the HoldCo and SPV levels is non-recourse.

Operating Model

The Company's business model follows that of an externally managed investment company. Therefore, the Company does not have any employees and outsources its activities to third party service providers, including the Investment Manager, Asset Manager and Administrator who are the principal service providers. The Investment Manager outsources specific services to the Investment Adviser.



Our Business Model continued

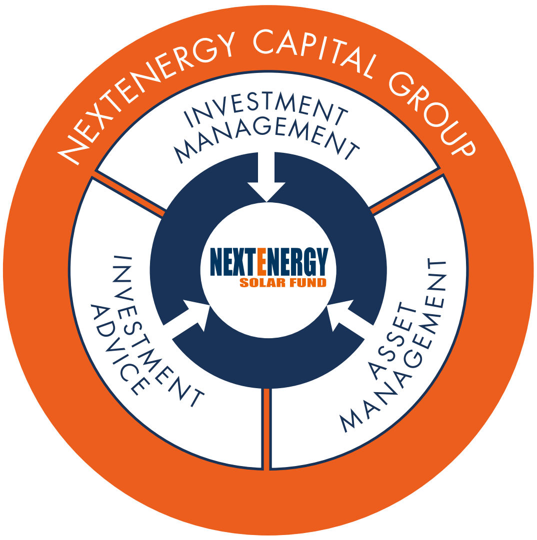
Management of the Company

The independent Board is responsible to shareholders for the overall management of the Company, including strategy and strategic aims, corporate governance, risk management and financial reporting.

The Company has outsourced the management of its day-to-day activities to the Investment Manager and the Administrator, which operate within clearly defined terms of agreements that set out their roles, responsibilities and authorities. The Investment Manager, operating under guidelines determined by the Board, has direct responsibility for the decisions relating to the day-to-day running of the Company and is accountable to the Board for the investment and operating performance of the Company. The Administrator provides the Company with company secretarial, fund accounting and administration services.

Further information on the division of responsibilities for the management of the Company can be found in the Corporate Governance Statement on pages 59 to 60.

Management of the Company's Investment Activities and Assets



The Investment Manager, Investment Adviser and Asset Manager are shown in the diagram on the previous page and their key roles are shown on the following page. They are all members of NextEnergy Capital Group (the "NEC Group").

The NEC Group, which is privately owned, was founded in 2007 and has evolved into a leading specialist investment and asset manager in the solar energy infrastructure sector. Since its inception, it has been active in the development, construction and ownership of solar assets, which is its sole focus. As at 31 March 2021, the NEC Group had assets under management of $2.6 billion with a cumulative generating capacity of more than 1.2GW. In addition to the Company, it manages two private equity funds, NextPower II LP (invests in solar assets in Italy) and NextPower III LP (invests in solar assets globally).

The NEC Group's team of some 190 individuals has significant experience in energy and infrastructure transactions across international jurisdictions. The Investment Adviser's Investment Committee comprises of Michael Bonte-Friedheim, Aldo Beolchini Giulia Guidi and Ross Grier who have over 65 years' industry experience.

Since it was founded, the NEC Group has provided operating asset management, monitoring, technical due diligence and other services to over 1,300 utility-scale solar power plants with an installed capacity in excess of 2.1GW. Its asset management clients include, banks, private equity funds and other specialist investors. It has created a proprietary asset management platform which integrates all technical, financial and commercial data to analyse clients' data in real-time and generates insight that help drive performance. This software and systems having been refined over the past 12 years, together with specialist staff with extensive solar experience allows WiseEnergy to be at the forefront of the 'digitalisation of energy'.

The collective experience of the NEC Group of investing and managing solar assets best positions the Company to implement efficiencies at both the investment and operating asset levels. The technical and operating outperformance of the Company's portfolio to date underlines the benefits of this comprehensive strategic relationship.

Administration of the Company

The Board has delegated administration, fund accounting and company secretarial services to the Administrator.

Apex Fund and Corporate Services (Guernsey) Limited, is part of the Apex Group which was established in Bermuda in 2003 and is a global financial services provider. It has over 45 offices worldwide and 4,000+ employees.

Further details of the Administrator's responsibilities can be found on page 61 of the Corporate Governance Report.

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

Aldo Beolchini is Managing Partner and CIO of the NEC Group. He has over 20 years' experience in investment banking and renewable energy. Prior to joining the NEC Group in 2008, he was Vice President at Morgan Stanley Investment Banking.

Our Business Model continued

Entity	Principal Roles
Investment Manager (Management Agreement with the Company – see note 1 in the Financial Statements on page 86) NEXTENERGY CAPITAL SCAN ME	• Acting as the Company's Alternative Investment Fund Manager ("AIFM"). • Discretion for making investments in accordance with the Company's Investment Policy, subject to them having been recommended by the Investment Adviser. • Portfolio and risk management services as required by the EU's AIFM Directive. • Reporting to the Board on all operational, financial and technical issues and the valuation of the investments.
Investment Adviser (Advisory Agreement with the Investment Manager) NEXTENERGY CAPITAL	• Providing investment and other advice and recommendations to the Investment Manager in respect of the Company's existing and potential investments. • Identify investment opportunities for the Company. • Evaluating investment opportunities and co-ordinate external due diligence activities. • Negotiating all project contracts with counterparties. • Preparing investment proposals and provide general advice and recommendations to the Investment Manager concerning the Company's portfolio, financing, strategy, market developments, etc. • Reviewing performance of the Company's portfolio together with the Asset Manager. • Managing Investor Relations for the Company.
Asset Manager (Asset Management Agreements with the SPVs) WISE ENERGY SCAN ME	• Asset management of solar power plants. • Technical and financial analysis of each site to assess performance and identify potential improvements. Periodic site visits on each plant. • Ensuring each SPV's suppliers perform in accordance with contracts. • Managing unexpected occurrences at plants and ensures prompt response to any asset management requirements of the Company. • Managing each SPV's administrative and financial functions and requirements. • Periodic financial, technical and administrative reporting to the Company.

Dividend Policy, Scrip Dividends and Dividend Target for Financial Year Ending 31 March 2022

The Company's principal purpose is to provide ordinary shareholders with attractive risk-adjusted returns, principally in the form of dividends that increase in line with RPI for financial year 2021 and a progressive dividend thereafter. In respect of each financial year, the Company pays quarterly interim dividends of equal amount, with dividends declared in August, November, February and May and paid in or around September, December, March and June respectively.

The Company offers a scrip dividend alternative to ordinary shareholders and currently anticipates that it will continue to do so.

Scrip dividends provide ordinary shareholders with the flexibility to receive their quarterly dividend in cash or newly issued ordinary shares. Details of the scrip dividend alternative for the year ending 31 March 2022 will be set out in a separate circular that is expected to be sent to ordinary shareholders in or around August 2021. Once published, a copy of the circular will also be available on the Company's website (nextenergysolarfund.com).

The target dividend for the financial year ending 31 March 2022 is 7.16 pence per ordinary share, an increase of 1.5% compared to the financial year ended 31 March 2021. We expect to pay four quarterly of dividends of 1.79 pence each.

Five Year Record

	Year Ended 31 March				
Financial Key Performance Indicators	**2017**	**2018**	**2019**	**2020**	**2021**
Ordinary shares in issue	456.4m	575.7m	581.7m	584.2m	586.9m
Ordinary share price	110.5p	111.0p	117.5p	101.5p	99.6p
Market capitalisation of ordinary shares	£504m	£639m	£683m	£593m	£585m
NAV per ordinary share*	104.9p	105.1p	110.9p	99.0p	98.9p
Total ordinary NAV*	£479m	£605m	£645m	£579m	£581m
Premium/(discount) to NAV*	5.3%	5.6%	6.0%	2.5%	0.7%
Earnings per ordinary share	13.81p	5.88p	12.37p	(5.09p)	6.87p
Dividend per ordinary share	6.31p	6.42p	6.65p	6.87p	7.05p
Dividend yield*	5.7%	5.8%	5.7%	6.8%	7.1%
Cash dividend cover - pre scrip dividends*	1.1x	1.1x	1.3x	1.2x	1.1x
Preference shares in issue	–	–	100m	200m	200m
Financial debt outstanding at subsidiaries level	£270m	£270m	£269m	£214m	£246m
Financial debt (financial debt/GAV)*	36%	31%	27%	22%	24%
Gearing (financial debt + preference shares/GAV)*	36%	31%	36%	42%	43%
GAV	£749m	£875m	£1,014m	£991m	£1,025m
Weighted average cost of capital	5.9%	5.8%	5.4%	5.5%	5.4%
Ordinary shareholder total return - cumulative since IPO	26.7%	33.6%	46.7%	37.5%	42.6%
Ordinary shareholder total return - annualised since IPO	9.1%	8.5%	9.5%	6.3%	6.1%
Ordinary shareholder total return	21.1%	6.2%	11.8%	-7.8%	5.1%
Ordinary NAV total return*	14.4%	6.3%	11.8%	-4.5%	7.0%
Ordinary NAV total return - annualised since IPO*	4.9%	7.0%	8.1%	5.9%	6.0%
Ongoing charges ratio*	1.2%	1.1%	1.1%	1.1%	1.1%
Weighted average discount rate	7.9%	7.3%	7.0%	6.8%	6.3%
Operational Key Performance Indicators					
Invested capital*	£522m	£734m	£896m	£950m	£999m
Number of assets	41	63	87	90	94
Total installed capacity	454MW	569MW	691MW	755MW	814MW
Annual generation	394 GWh	451 GWh	693 GWh	712 GWh	738 GWh
% increase (year-on-year)	75%	14%	54%	3%	3%
Generation since IPO	0.6 TWh	1.1 TWh	1.8 TWh	2.5 TWh	3.2 TWh
Irradiation (delta vs. budget)	-0.3%	-0.9%	9.0%	4.0%	5.5%
Generation (delta vs. budget)	3.3%	0.9%	9.1%	4.7%	6.2%
Asset Management Alpha*	3.6%	1.8%	0.1%	0.7%	0.7%
Weighted average lease life	24.6 years	23.3 years	25.2 years	26.9 years	27.5 years

* Alternative performance measures - see pages 108 -111

Our Investment Strategy and Track Record

Investment Strategy

Our strategy is straightforward:

- **Investment:** We seek to own a broad range of large scale solar energy infrastructure assets, primarily located in the UK but with up to 30% of GAV in other OECD countries, that generate reliable cash flows over their useful lives (typically, at least 25-40 years from energisation).
- **Asset management:** We seek to enhance the returns from our assets through effective asset management, including controlling costs, delivering operational efficiencies, extending their useful lives and executing short and medium-term electricity sales hedges to mitigate power price risk.
- **Financing:** We seek to optimise the risk-adjusted returns to our ordinary shareholders by funding our activities through an appropriate mix of shareholder equity and debt, subject to debt being capped at 50% of GAV.
- **Risk management:** We seek to actively manage potential risks, including maintaining a diversified exposure by location, third-party suppliers, service providers and other commercial counterparties to improve the resilience of the Company's portfolio and contributing to its long-term sustainable success.

Investment Policy

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

The Company invests in solar PV assets primarily in the UK. Not more than 30% 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 in solar PV assets outside the UK will be made 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, although the Company may acquire an interest in solar PV assets located in non-OECD countries where those assets form part of a portfolio of solar PV assets in which the Company acquires an interest and where the Company's aggregate investment in any such assets is, at the time any such investment is made, not greater than 3% of the GAV.

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 invest in solar PV assets through entering into joint ventures, acquiring minority interests or via private equity structures, provided that not more than 15% of the GAV may be invested in private equity structures (calculated at the time of investment). Where a controlling interest of less than 100% in a particular solar PV asset is acquired, the Company intends to secure controlling shareholder rights through shareholders' agreements or other legal arrangements. Where a non-controlling interest is being acquired (either directly in a solar PV asset or through a private equity structure) the Company intends to secure minority protection rights or protections through limited partnership agreements in line with typical private equity structures. Investments by the Company in solar PV assets may be either by way of equity or a mix of equity and shareholder loans.

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

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

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

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

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

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

In pursuit of the Company's investment objective, the Company may employ leverage, which borrowing together with the aggregate subscription monies paid in respect of all Preference Shares in issue and including any unpaid or undeclared dividends thereon will not exceed (at the time the relevant arrangement is entered into) 50% of the GAV in aggregate. Such leverage will be deployed for the acquisition of further solar PV assets in accordance with the Company's Investment Policy. The Company may seek to raise leverage at any of the SPV, UK Holdco or Company level.

The Company invests with a view to holding its solar PV assets until the end of their useful lives. However, assets may be disposed of or otherwise realised where the Investment Manager determines, in its

Our Investment Strategy and Track Record continued

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 may also invest in standalone energy storage systems (not ancillary to or co-located with solar PV assets owned by the Company) up to an aggregate limit of 10% of the GAV (calculated at the time of investment). The Company expects to re-invest any cash surplus (in excess of that required to meet the Company's dividend target and ongoing operating expenses) in further investments, thereby supporting its long-term net asset value.

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

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

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

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

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

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

Future Investments

As per its Investment Policy, the Company has an investment limit of 30% of the Company's GAV in solar assets outside the UK. The Company already has investments in Italy and is advancing attractive risk-adjusted investment opportunities in other OECD jurisdictions which would enhance geographic diversification and provide attractive risk-adjusted financial returns.

The Company is also permitted to invest up to 15% of its GAV into private equity structures. The Investment Adviser is considering opportunities to deploy capital in such structures.

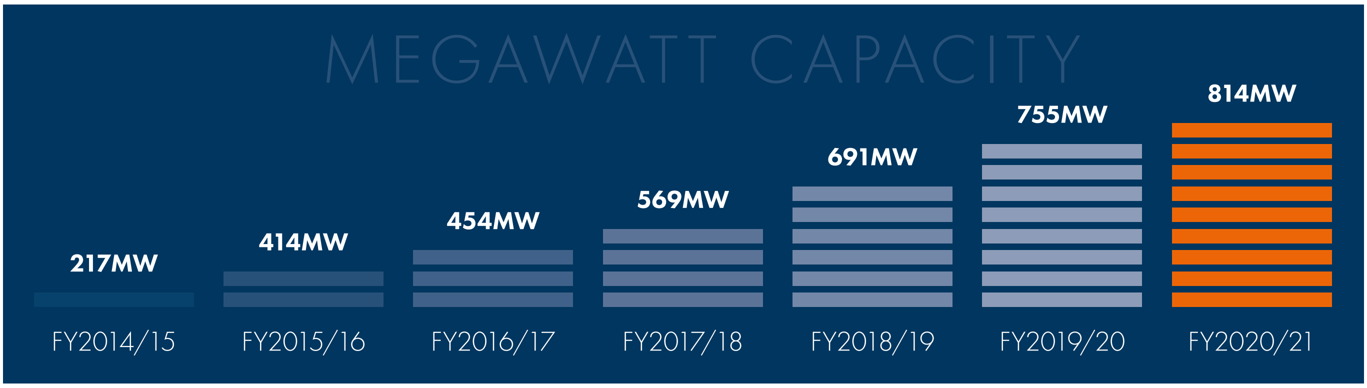
The Company may also acquire an interest in solar assets located in non-OECD countries where those assets are part of a portfolio of solar assets in which the Company acquires an interest and subject to the Company's aggregate investment in any such assets being not greater than 3% of the Company's GAV.

The Company is also permitted to invest up to 10% of its GAV in standalone energy storage, and we have commenced a detailed review of numerous opportunities in this technology that will complement its solar farm portfolio in the UK.

Disposals

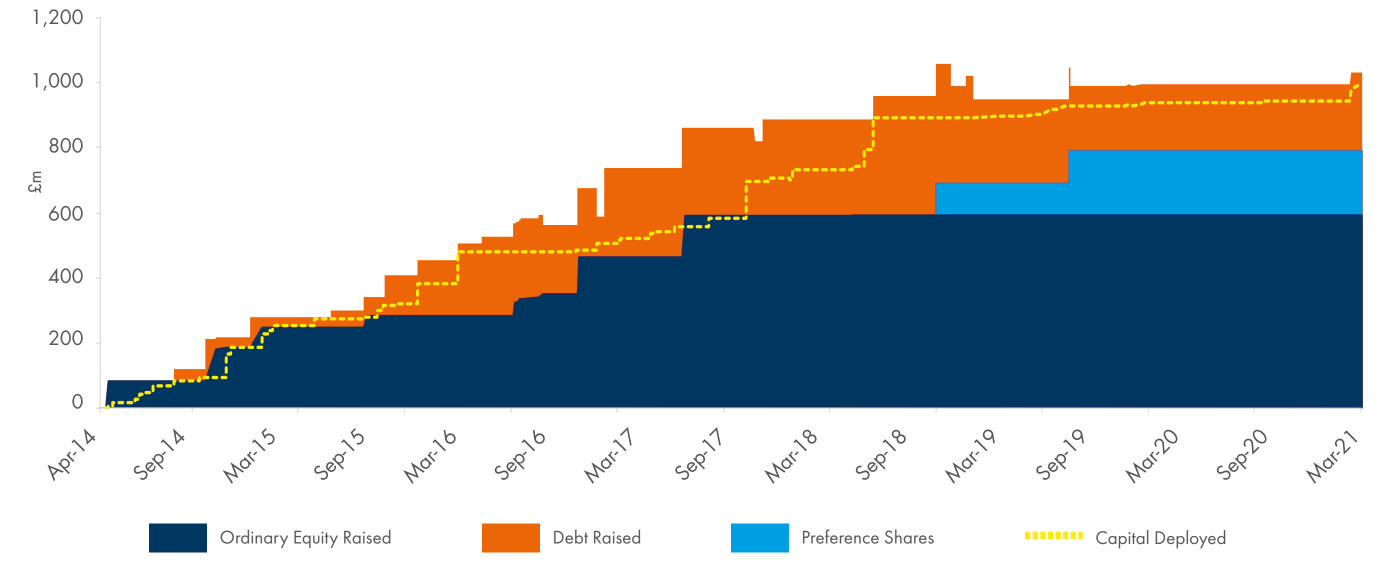
During the year, the Company disposed of several non-operational development projects (Strensham, Llanwern, and 16 development projects) to an affiliate of NEC. This resulted in NESF recovering all development costs incurred and producing a return on capital invested significantly in excess of NESF's annualised target return for our UK assets. The Board of Directors reviewed each proposal alongside external advice and concluded that each transaction was in the best interests of NESF shareholders, whilst also being in line with the Company's Investment policy. Our RNS disclosures demonstrate that we have followed the appropriate process for these disposals. The disposals were undertaken as the investment manager continued to actively manage the NESF portfolio and looked to divest residual development risk that did not fit the required return profile. Full details can be found in the relevant RNS announcements.

Installed Capacity since IPO

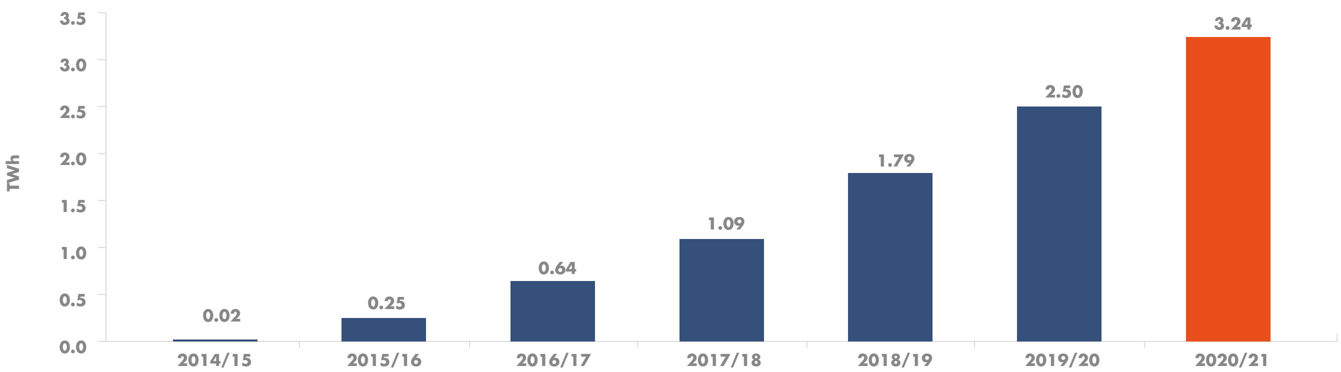


Our Investment Strategy and Track Record continued

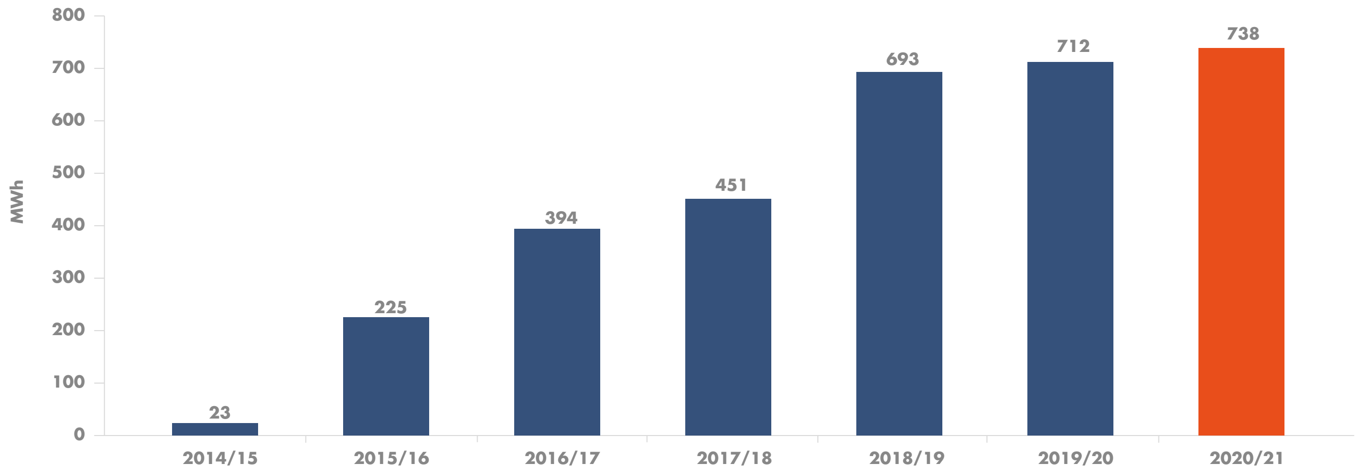
Capital Deployment Timeline since IPO



Total Cumulative Generation since IPO

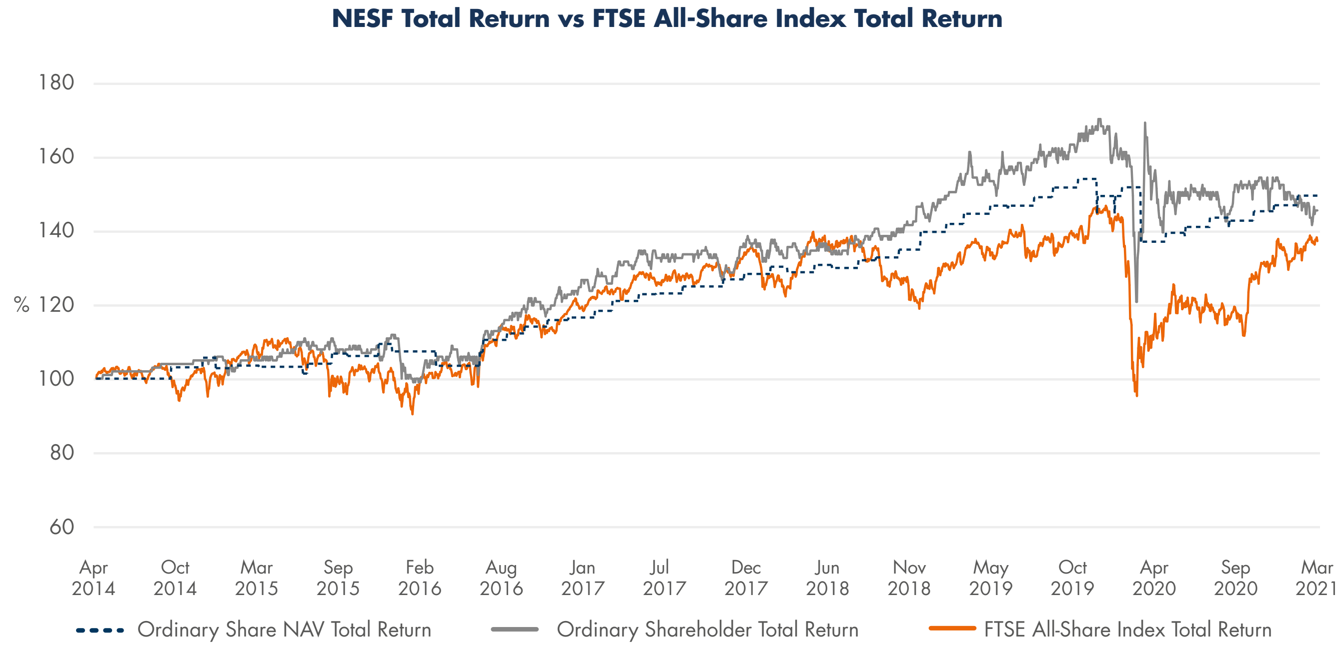


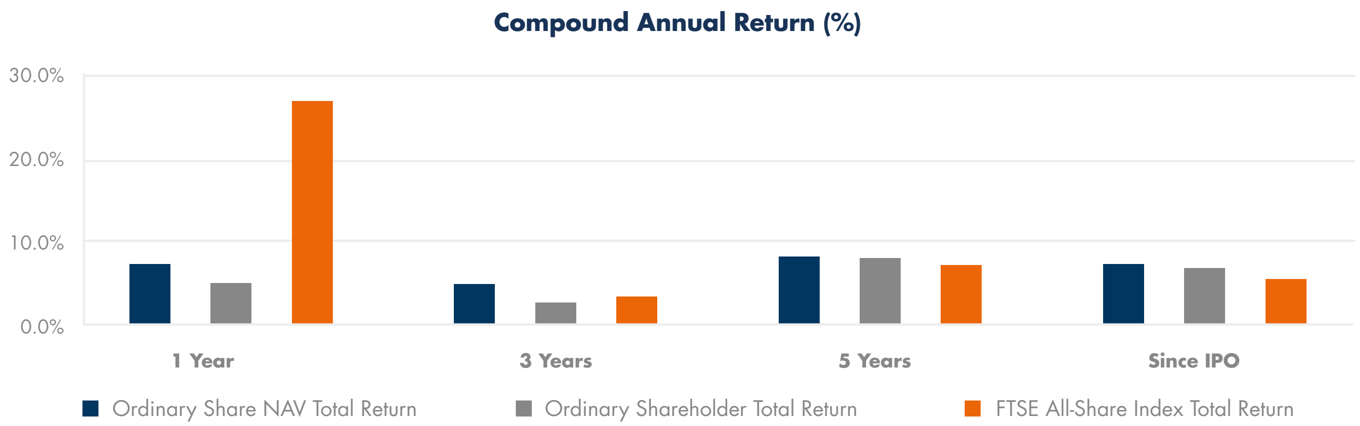
Annual Generation since IPO

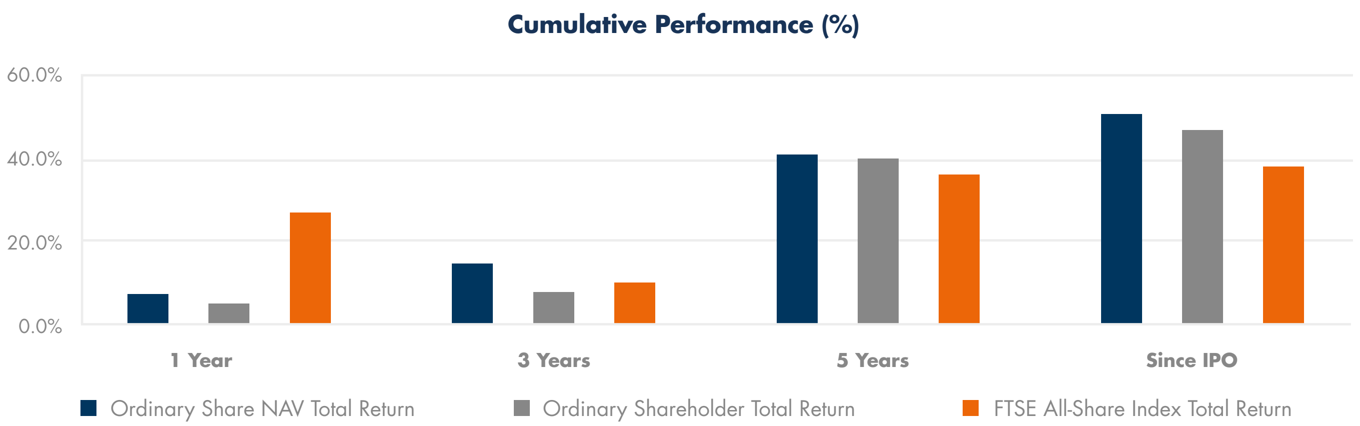


Our Investment Strategy and Track Record continued

Performance since IPO[1]







Source: Morningstar

[1] To ensure like-for-like comparisons, all the total returns in the charts assume dividends have been reinvested.

Salcey Farm (battery storage)

5.5MW installed

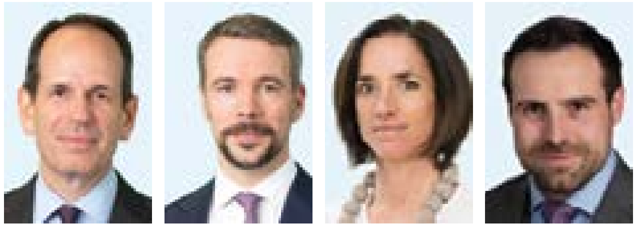
Energised in May 2018

1.4 ROC subsidy

1,400 homes powered annually

Buckinghamshire

Investment Adviser's Report



Michael Bonte-Friedheim Aldo Beolchini Giulia Guidi Ross Grier

Investment Committee of the Investment Adviser

Introduction

As at 31 March 2021, the NAV per ordinary share was 98.9p (2020: 99.0p). The change in NAV over 12 months reflects a decrease in long-term power price forecasts (-3.0p per ordinary share), a downward revision in short-term inflation forecasts (-1.1p per ordinary share) and increased UK corporate tax rates rising to 25% from 2023, expected to remain in place for the remainder of the life of the portfolio (-1.8p per ordinary share). These movements were mainly offset by the Company's operating outperformance (+1.4p per ordinary share) and a reduction in the unlevered discount rate (+3.4p per ordinary share).

At the year end, the UK blended average power curve corresponded to an average solar capture price of approximately £45.6/MWh (2020: £43.3/MWh) for the period 2021-2025 and £46.4/MWh (2020: £48.6/MWh) for the period 2026-2041 (at 2021 prices).

In March 2020, as the pandemic took hold, the NEC Group implemented its business continuity plans for its global staff to work from home. This had minimal disruption on the operations of the NEC Group. As our employees gradually return to the office, we continue to follow multiple government guidelines and monitor closely the impact of Covid-19 on our workforce, and the countries in which we operate and are pursuing new investment opportunities.

Portfolio Highlights

NEC Group continued to explore new attractive opportunities for NESF whilst actively managing NESF's existing portfolio of operating and development assets. On 14 May 2020, two subsidy-free projects under development, Strensham (40MW) and Llanwern (75MW), were disposed of for a combined consideration of £11.5m. This resulted in NESF recovering all development costs incurred and producing a return on capital invested significantly in excess of NESF's annualised target return for our UK assets. Construction had not started on either of these projects, and they were sold when they did not meet NESF's annualised target return, partly due to the decline in power price forecasts. The transaction constituted a smaller related party transaction as set out in the FCA's Listing Rules.

On 29 June 2020, a short-term revolving credit facility ("RCF") of £70m was extended from July 2020 to July 2022. This extension provides the Company with a short-term source of capital, at an attractive cost. The Company expects to use the RCF to finance the completion of its subsidy-free pipeline, and other investment opportunities that fall within the Company's Investment Policy.

Pre-construction works for our third subsidy-free asset, High Garrett, began in early 2020 and full construction commenced during the summer. High Garrett, a 8.5MW extension to the 5MW ROC asset known as Kentishes acquired in 2016, was energised in October 2020.

The Company has agreed to finance, design, develop, build, operate and own approximately 30MW of solar assets on Anglian Water sites. During the year, construction work progressed, and the first two projects Sutterton (0.4MW) and Marham (1MW) were energised in early 2021. The power generated from these assets will be sold direct to Anglian Water at a fixed price for a 25-year period through a private wire agreement.

On 1 March 2021, two projects totaling 100MW were acquired for a consideration of £64.3m. The Grange (50MW) is fully operational whilst South Lowfield (50MW) will be energised in the summer of 2021. Once commissioned, these two assets will represent an increase of c.13% in NESF's installed capacity and produce enough clean energy combined to power the equivalent of c.29,000 UK households per year. Both assets benefit from long-term 15-year PPA in place with AB InBev for c.75% of the electricity generation.

Following the investment approval of two subsidy-free projects (Hatherden (50MW) and Whitecross (36MW)) the Company successfully reached its target subsidy-free development portfolio capacity of c.150MW. Both assets are being prepared for construction and are expected to be energised in late 2022. The early entry into the UK subsidy-free market reflects the Company's leadership in the space and expertise in developing attractive value-accretive opportunities. As a result of our specialist energy sales desk, NESF's subsidy-free portfolio will benefit from active hedging and greater trading flexibility, thereby maximising risk-adjusted returns for shareholders by locking in future cash flows.

Financial year ended 31 March	No. of assets monitored	Irradiation (delta vs. budget)	Generation (delta vs. budget)	Asset Management Alpha
2015	6	-0.4%	+4.8%	+5.2%
2016	23	+0.4%	+4.1%	+3.7%
2017	31	-0.3%	+3.3%	+3.6%
2018	55	-0.9%	+0.9%	+1.8%
2019	84	+9.0%	+9.1%	+0.1%
2020	85	+4.0%	+4.7%	+0.7%
2021	88	+5.5%	+6.2%	+0.7%
Cumulative from IPO	**88**	**+2.9%**	**+5.2%**	**+2.3%**

Investment Adviser's Report continued

Having achieved its target subsidy-free capacity of c.150MW, the Company has begun to eliminate any residual development risk. In March 2021, the Company divested 16 development projects (not in construction or in operation) from its subsidy-free pipeline. The projects were sold to an affiliate of the NextEnergy Group through a related-party transaction as set out in the FCA's Listing Rules. The divestment amounted to a combined consideration of £5.6m and resulted in an attractive return on the capital invested into this development activity.

Portfolio Performance

During the pandemic, workers in the electricity sector are considered "key workers" and this enabled the Asset Manager to ensure that the technical and operational integrity of NESF's solar assets were maintained and, to date, NESF has not experienced any significant technical or operational impacts on its portfolio resulting from the effects of Covid-19.

Year ended 31 March 2021	Irradiation (delta vs. budget)	Generation (delta vs. budget)	Asset Management Alpha
UK portfolio	+5.6%	+6.3%	+0.7%
Italy portfolio	+4.9%	+5.1%	+0.2%
Total	**+ 5.5%**	**+6.2%**	**+ 0.7%**

During the year, irradiation across the entire portfolio was 5.5% above expectation (2020: 4.0%), and generation was 6.2% above budget (2020: 4.7%). Asset Management Alpha for the year was 0.7% (2020: 0.7%), which would have been 1.3% (2020: 1.5%) if distributor network outages, over which we have no control, were excluded.

Asset Management Alpha

The Asset Management Alpha is an important metric that allows the Company to identify the "real" outperformance of the portfolio due to effective asset management and excludes the effect of variation in irradiation. The "nominal" outperformance is calculated as the GWh generated by the portfolio versus the GWh expected in the assumptions used at the time of acquisition. This metric can be used for comparison with other peers in the solar industry to directly show the contribution of the Asset Manager to generation outperformance.

The Asset Manager monitors actual performance versus expectations for assets operational for at least two months post completion. The three rooftop portfolios have been excluded as irradiation is not monitored. Similarly, the generation performance of assets that are yet to pass Preliminary Acceptance Certificate ("PAC") in accordance with the EPC contract is not reported by the Asset Manager.

Portfolio Optimisation

Asset life extensions

During the year, we secured options or rights to extend the leases and/or planning on four UK plants. The positive impact on NAV of these lease extensions amounted to 0.6p per ordinary share.

As at 31 March 2021, 35 UK assets (337MW), comprising c.41% of the Company's portfolio, had secured 5, 10 or 15 year lease extensions. We continue to work on extending the life of the remaining assets and are targeting a further ten assets for the remainder of the current financial year to 31 March 2022.

For illustrative purposes, should the ten targeted assets be valued on a 40-year lease basis from the date of connection to the grid (assuming current lease terms), the Company's NAV per ordinary share at 31 March 2021 would increase by approximately 1.6p.

Asset optimisation

During the year, three sites entered into new Operating and Maintenance 'O&M' contracts, of which NEC actively negotiated a reduction in price of £5.5k/MW with various counterparties. This resulted in an aggregate annualised cost savings of c.£20k, equivalent to a 20% reduction in contract price.

Short/medium-term power purchase agreements

NEC's specialist energy trading desk, along with external energy brokers, ensures that the Company's electricity sales strategy maximises revenues whilst mitigating the negative impact of short-term fluctuations in the power markets.

Secured pricing comprises of fixed price contracts, hedging under the trading contracts and nine FiT sites opted into the export tariff. During the year, power price contract fixes provided £7.0m in additional revenue compared to baseload prices.

UK hedging summary	FY2021/ 2022	FY2022/ 2023
Budgeted generation hedged (%)[1]	87%	63%

[1] Covers 95% of total portfolio (775MW) as at 16 June 2021

For the financial year ended 31 March 2021, the Italian portfolio derived c. 85% of revenues from subsidised revenues (principally FiTs) and c. 15% of revenues resulted from the sale of electricity generated under short-term contracts. The Company has secured fixed price agreements covering 100% of its Italian electricity generation for calendar year 2021 at a weighted average fixed price of c.€45/MWh (2020: 100% at €57/MWh).

OFGEM audits

Since IPO, the majority of OFGEM audits have been successfully signed-off without impacting ROC accreditations. NESF continues to have regular audits and the NEC Group have experienced team who deal with the ongoing audit. Professional advisers are engaged as and when appropriate. During the year, no adjustments to the NAV were made as a result of any completed or ongoing OFGEM audits.

Subsidy-free Portfolio

Starting in 2018, the Company sourced a pipeline of projects to be developed into operating subsidy-free assets and set a target of c. 150MW to add into its portfolio. As at 31 March 2021, the Company had 64MW of operating subsidy-free assets. Following the recent investment approval of Hatherden (50MW) and Whitecross (36MW), the Company will have reached its target when the assets are energised in the financial year 2022/23.

Investment Adviser's Report continued

The Company's subsidy-free pipeline was intentionally greater than its subsidy-free target of c. 150MW. This was to ensure a broad set of investment opportunities for NESF from which it has selected the most attractive projects for inclusion in its portfolio.

The Anglian Water projects (Sutterton and Marham) and the Camden projects (The Grange and South Lowfield) are subsidy-free. However, the energy generated will be sold directly to offtakers at a fixed price linked to inflation for 25 and 15 years respectively. These assets therefore have similar characteristics to subsidised assets and for that reason are not included in the 150MW subsidy-free target.

The NEC Group's Head of Energy Sales is responsible for managing the strategy for the sale of electricity from the subsidy-free operating assets. Details on the power price risk management strategy can be found at the bottom of this page and in note 22b to the Financial Statements on page 101.

The Italian Solis Portfolio

In December 2017 the Company acquired the portfolio of eight operating solar plants with an installed capacity of 34.5MW located in Italy for a total value of €131.9m (equivalent to £116.2m). The portfolio represented 11% of the Company's GAV as at 31 March 2021.

The key benefits of the Solis portfolio continue to be:

- **High risk-adjusted return:** As at the 31 March 2021 valuation, the net IRR of the Solis portfolio was c. 8.0%.
- **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 merchant energy markets, as c. 85% of its revenues are fixed for 15 years following the acquisition.
- **Positive contribution to dividend cover:** The higher return on investment is coupled with an attractive cashflow generation profile, which is higher than ROC assets, and evenly spread over the life of the investment, as the Italian FiT is fully fixed. For the purposes of comparison, the Solis portfolio has a cash dividend cover equivalent metric of 1.4x.
- **NAV accretion:** As at 31 March 2021, the Solis portfolio was valued on a DCF basis with a discount rate of 7.25% (2020: 7.75%) as a result of the increasing competition to acquire solar PV assets in Italy.
- **Diversifying market risk:** Italy 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 which range between €195/MWh to €318/MWh. Once a PV plant is accredited, the FiT is granted over a period of 20 years and is not inflated.
- **Low revenue risk:** Of the Solis portfolio revenues, c.85% result from FiTs. The FiTs specific to this portfolio expire in 2032. 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%.

Changes to Investment Policy

As explained in the Chairman's Statement on page 9, the following changes to the Company's Investment Policy were approved by shareholders at the Company's AGM on 11 September 2020:

- up to 30% of GAV may be invested in solar assets that are located outside the UK (the limit was previously 15%);
- the Company may now acquire an interest in solar assets located in non-OECD countries where those assets form part of a portfolio of solar assets in which the Company acquires an interest and subject to the Company's aggregate investment in any such assets being not greater than 3% of GAV;
- up to 15% of GAV may now be invested in solar assets through private equity structures; and
- the Company may now also invest in standalone energy storage systems (not ancillary to or co-located with solar assets owned by the Company) up to an aggregate limit of 10% of GAV.

We have identified and are advancing value creating opportunities in line with the refocused Investment Policy to maximise shareholder returns and increase geographical diversification.

Managing NESF's merchant market exposure

PPA sourcing and structuring	Energy and market risk management	Market and pricing analysis
Run competitive off-taker selection processes through our extensive network in the solar industry	We measure, monitor and manage merchant exposure through selling at spot, entering into short-term, medium-term and long-term PPAs	NEC provides pricing for NESF projects, supported by multiple independent short and long-term third-party power price forecasts
Quantitative evaluation of the offers in term of risk and reward and devise optimal project-specific solutions	Constant dialogue with investors, banks and off-takers on developing new and innovative structures for risk diversification to enable us to increase portfolio returns	Undertake rigorous analysis and monitoring of the main drivers for power prices in target markets
Individual view of market price risks and opportunities and delivery obligations in order to find the optimal PPA structure		Monitor policy/regulatory developments in the UK and other OECD target markets to obtain an holistic energy market overview

Investment Adviser's Report continued

Portfolio Valuation

Introduction

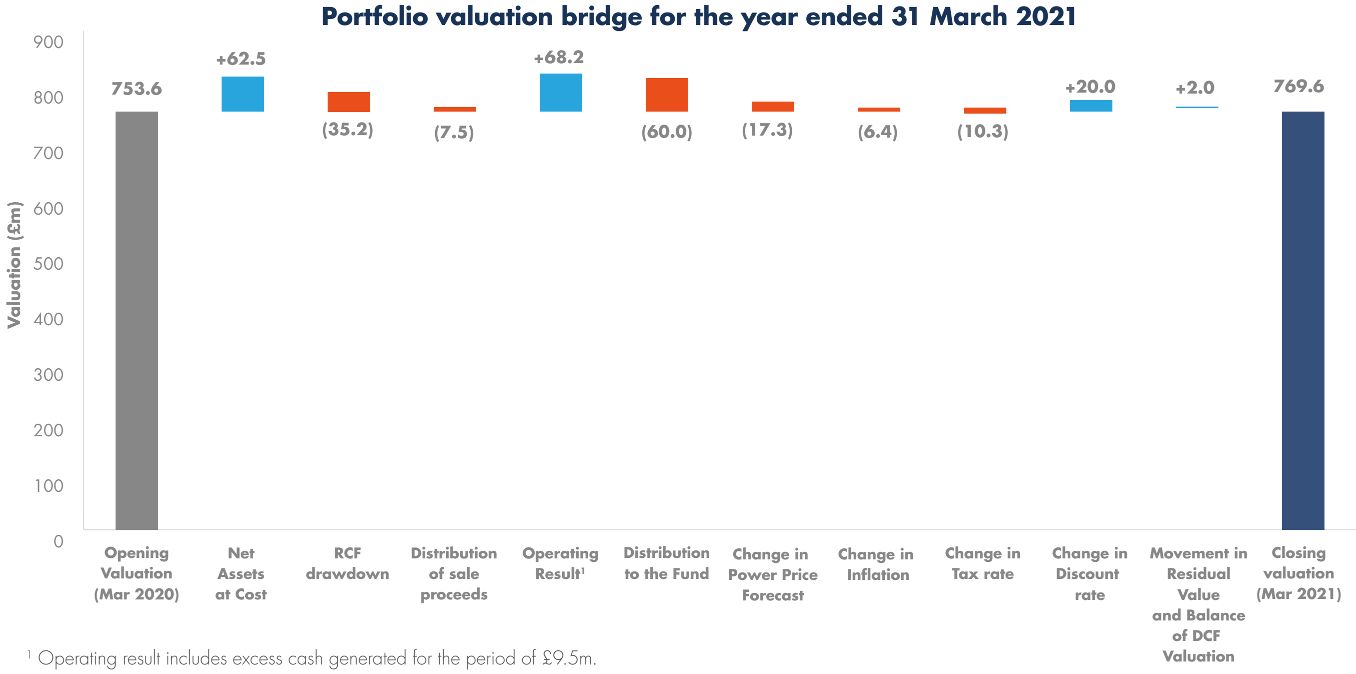
The Investment Adviser carries out the fair market valuation of the Company's underlying investment portfolio in line with its accounting policies. This valuation is then presented to the Board of the Investment Manager, before being presented to the Company's Board for review and final approval. The valuation is carried out quarterly (ad hoc valuations may also be undertaken from time to time, for example in conjunction with an equity fund raising).

The valuation principles used are based on a discounted cash flow methodology. Assets not yet operational or where the completion of the acquisition is not imminent at the time of valuation use the acquisition cost as a proxy for fair value.

The Board reviews the operating and financial assumptions used in the valuation of the Company's underlying portfolio.

Portfolio valuation – key assumptions	As at 31 March 2021	As at 31 March 2020
UK long-term inflation	3.0%	3.0%
UK short-term inflation (1 year horizon)	3.0%	2.2%
Weighted average discount rate	6.3%	6.8%
Weighted average asset life	27.5 years	26.9 years
UK short-term power price average (2021-2025)	£45.6/MWh (real 2021)	£43.3/MWh (real 2021)
UK long-term power price average (2026-2041)	£46.4/MWh (real 2021)	£48.6/MWh (real 2021)
Italy power price average (20 years)	€46.8/MWh (real 2021)	€46.9/MWh (real 2021)
UK corporation tax rate	19% until 2023, 25% thereafter	19%

Portfolio valuation bridge for the year ended 31 March 2021



[1] Operating result includes excess cash generated for the period of £9.5m.

Forecasted power price methodology

For the UK portfolio, we use multiple sources for UK power price forecasts. At the short end, where PPAs exist we use the PPA prices that have been achieved, for periods where there are no PPAs in place, we use the short-term market forward prices. After this we use a simple average of three leading independent energy market consultants' long-term projections. This approach allows mitigation of any delay in response from the Consultants in publishing periodic (quarterly) or ad hoc updates following any significant market development.

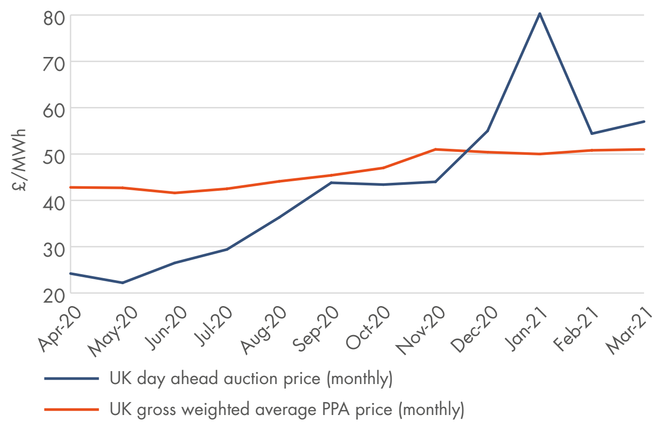
For the Italian portfolio, a leading independent energy market consultant's long-term projections are used to derive the power curve adopted in the valuation.

The power price forecasts used also include a "solar capture" discount which reflects the difference between the prices available in the market in the daylight hours of operation of a solar plant versus the baseload prices included in the power price estimates. This solar capture discount is provided by the Consultants on the basis of a typical load profile of a solar plant and is reviewed as frequently as the baseload power price forecasts. The application of such a discount results in a lower long-term price being assumed for the energy generated by NESF's portfolio.

Investment Adviser's Report continued

Historic - UK power prices

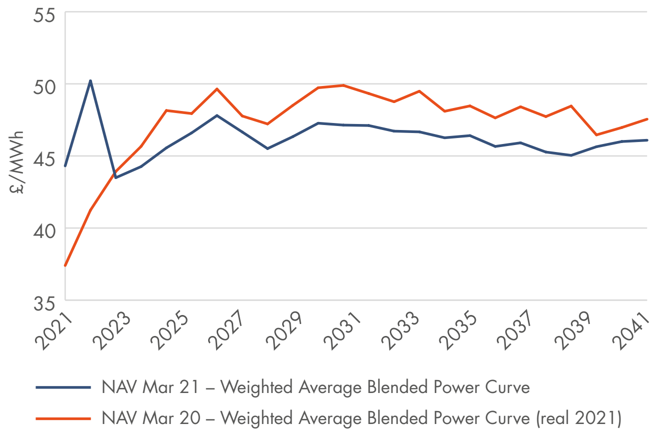
UK electricity day ahead prices increased from c. £24.2/MWh in April 2020 to c. £57.0/MWh in March 2021 (see graph below).



Source: N2EX - UK baseload – day ahead.

Forecast UK power prices (real 2021)

The Company's current UK long-term (2026-2041) average power price forecast represents a decrease of 4.5% compared to those used at the end of the previous financial year (real 2021). Overall, the 20-year UK average power price forecast is 49% below the assumptions employed at IPO.



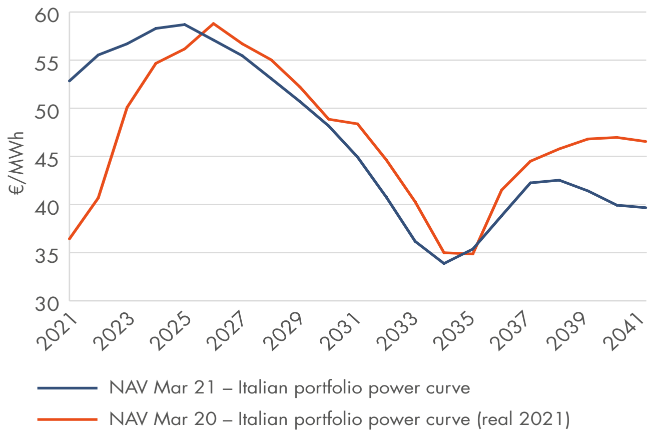
Historic - Italian power prices

The Italian price of electricity increased from approximately €24.8/MWh in April 2020 to c. €60.4/MWh in March 2021 (see graph below).

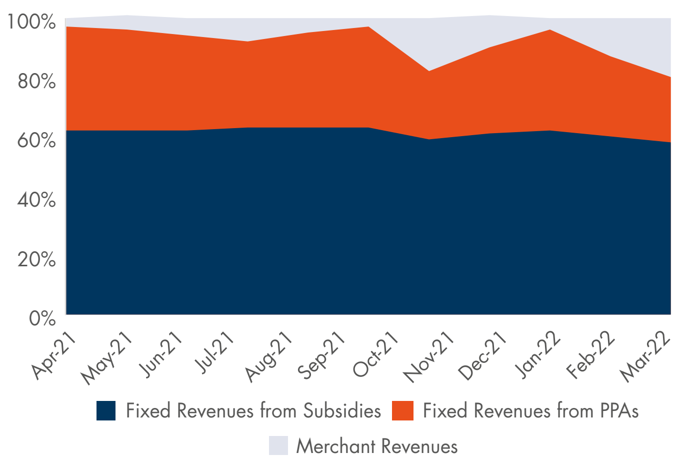
Source: Gestore Marcati Energetici – purchasing price.

Forecast Italian power price (real 2021)

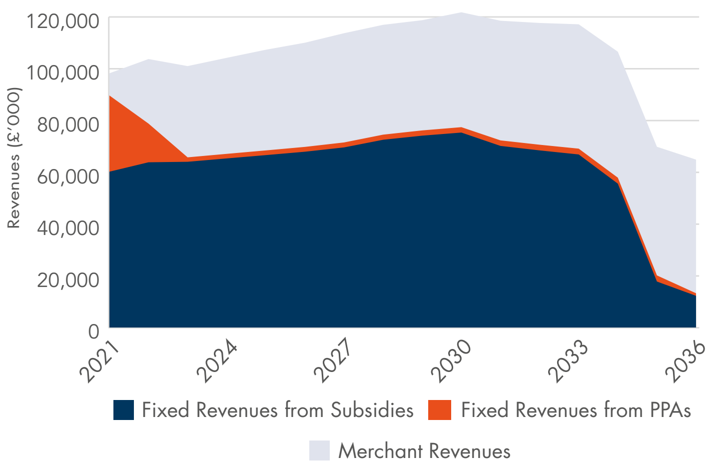
The Company's current Italian 20-year average power price forecast represents a decrease of 0.2% compared to those used at the end of the previous financial year (real 2021).



% of NESF revenue fixed until 31 March 2022



NESF 15-year forecast revenue breakdown



Investment Adviser's Report continued

Discount rate

During the year, the Company has reduced the discount rate for unlevered operating UK solar assets to 5.75% (2020: 6.25%).

In the context of high liquidity provided by international investors, a maturing renewable energy market, a scarcity of subsidised assets and the lack of any incentive framework for new installations, the demand for operating solar assets remained strong resulting in sustained pressure on prices in the last twelve months. These changing dynamics were evidenced by the experience of the Investment Adviser when bidding for solar assets in the UK.

Discount rate assumptions	Premium	As at 31 March 2021	As at 31 March 2020
UK unlevered	–	5.75%	6.25%
UK levered	0.7-1.0%	6.45-6.75%	6.95-7.25%
Italy unlevered[1]	1.5%	7.25%	7.75%
Subsidy-free (uncontracted)[2]	1.0%	6.75%	7.25%
Life extensions[3]	1.0%	6.75-7.75%	7.25-8.25%

1 Unlevered discount rate for Italian operating assets implying 1.50% country risk premium.

2 Unlevered discount rate for subsidy-free uncontracted operating assets implying 1.0% risk premium.

3 1.0% risk premium for cash flows after 30 years where leases have been extended.

The resulting weighted average discount rate for the Company's portfolio was 6.3% (2020: 6.8%). The Company does not use the weighted average cost of capital ("WACC") as the 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 leverage assets or levered portfolios. However, for the purposes of transparency, the Company's pre-tax WACC as at 31 March 2021 was 5.4% (2020: 5.5%).

Asset life

The discounted cash flow methodology implemented in the portfolio valuation assumes a valuation time-horizon capped to the current terms of the lease and planning permission on the properties where each individual solar asset is located. These leases have been typically entered into for a 25-year period from commissioning of the relevant solar plants (specific terms may vary). However, the useful operating life of the Company's portfolio of solar assets is expected to be longer than 25 years. This is due to many factors, including:

- solar assets with technology components similar to the ones deployed in the Company's portfolio have been demonstrated to be capable of operating for over 45 years, with levels of the technical degradation lower than those assumed or guaranteed by the manufacturers;
- local planning authorities have already granted initial planning consents that do not expire and/or have granted permissions to extend initial consented periods;
- the Company owns rights to supply electricity into the grid through connection agreements that do not expire, and
- discounted cash flow valuation assumes a zero-terminal value at the end of the lease term for each asset or the end of the planning permission, whichever is the earlier.

Operating performance

The Company values each solar asset on the basis of the minimum performance ratio ("PR") guaranteed by the vendor, or that estimated by the appointed technical adviser during the acquisition due diligence. These estimates have been generally lower than the actual PR that the Company has been experiencing during subsequent operations. We therefore deem it appropriate to adopt the actual PR after two years of operating history when, typically, the plants have satisfied tests and received Final Acceptance Certification ("FAC").

During the year, FACs were closed across 41.1MW, with £617k retentions secured. These funds have been held back at the SPV to remedy any issues which remain outstanding.

As at 31 March 2021, 69 UK solar assets and all eight Italian solar assets (totalling 557MW) achieved FAC and their actual PR was used in the discounted cash flow valuation.

FAC timeline for remaining assets	Capacity (MW)
Financial quarter ending June 2021	83
Financial quarter ending September 2021	12
Financial quarter ending December 2021	9
2022 onwards	111
Total	**215**

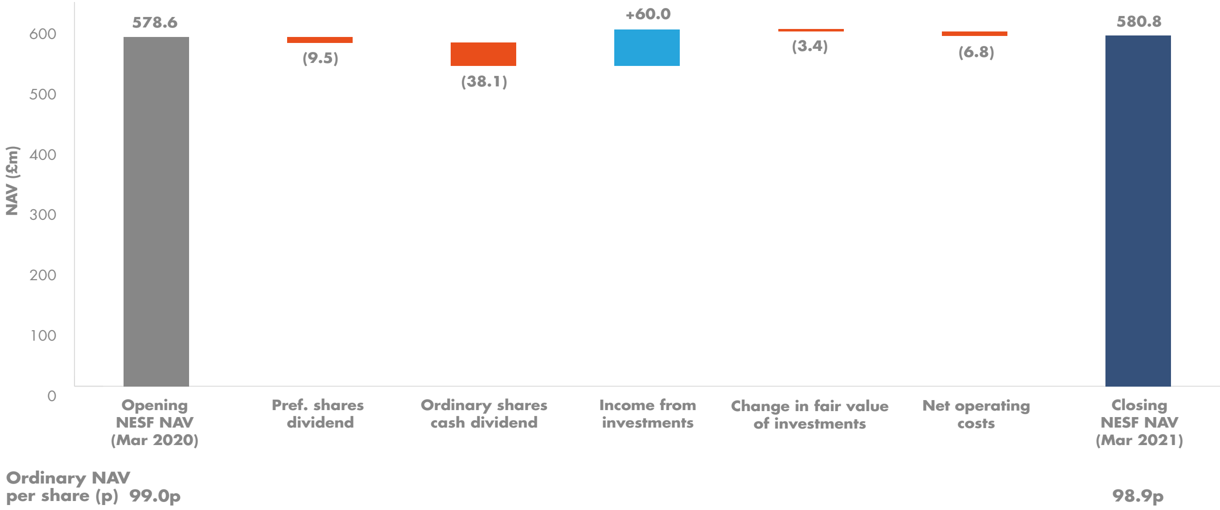
Investment Adviser's Report continued

NAV

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

In accordance with IFRS 10, the Company reports its financial results as an Investment entity and on a non-consolidated basis (see note 2d to the Financial Statements on page 87). The change in fair value of its assets during the year is taken through the Statement of Comprehensive Income.

NAV bridge for the year ended 31 March 2021

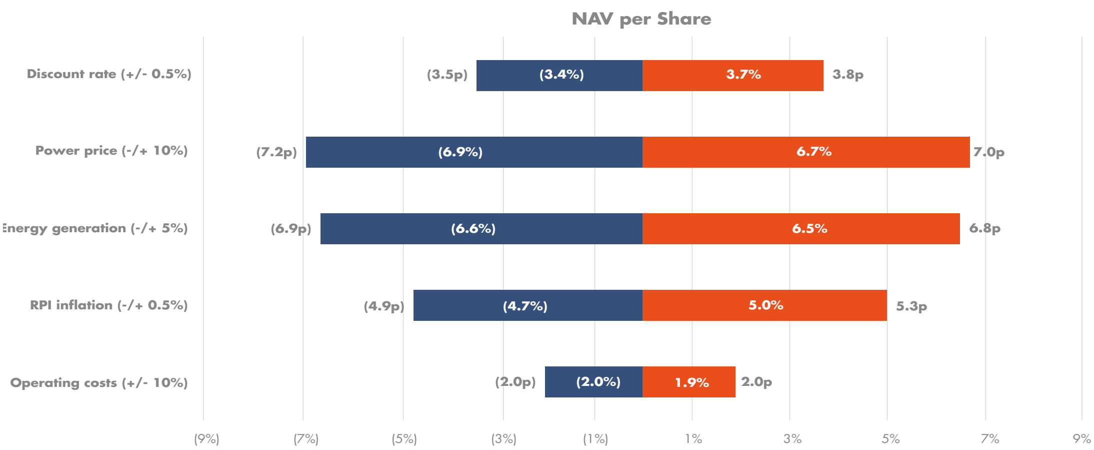


The movement in the NAV was driven by the following factors:

- a decrease in long-term (2026-2041) UK power prices forecasts provided by three Consultants (2020: two Consultants), being 4.5% lower than prior year. The Company used the forecasts released by the Consultants up to the date of preparation of this Annual Report;
- the uplift resulting from a decrease in the unlevered discount rate from 6.25% to 5.75% during the year;
- the increase in UK corporate tax rates from 2023 onwards;
- the downward revision in short-term inflation forecasts;
- the minor uplift arising from lease extensions;
- the operating results achieved by the Company's solar assets; and
- the dividends and operating costs paid during the year.

NAV sensitivity analysis as at 31 March 2021

The chart below shows the impact of the key sensitivities on the NAV per ordinary share. Additional sensitivity analyses can be found in note 19b to the Financial Statements on pages 97 to 100.



The UK Government is consulting on an alignment of the RPI to the lower consumer price index ("CPI"). Any change agreed after the consultation would not take effect until between 2025-30. The NAV does not take into account this potential change as it is not certain. However, for illustrative purposes, a CPI transition sensitivity for the year would equate to -6.2% reduction in ordinary NAV per share which is the equivalent of -6.4p per ordinary share.

Investment Adviser's Report continued

Cash flow generation

The Company generates revenues through the sale of electricity to the markets and the subsidies provided under different subsidy regimes (ROC, NIROC 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 to the markets, 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 payments and financing considerations, the cash flow generation of solar assets is also influenced by operating expenses, which are usually governed by long-term contracts and characterised by low volatility over the long- term.

Year ended 31 March 2021			Actual per MW[1]		Budget per MW[1]		Delta vs. Budget	Comments
Solar Irradiation	[A]	(kWh/m2)	1,269		1,203		+5.5%	Actual irradiation for the year
Conversion Factor[2]	[B]	(%)	80.3%		79.8%		+0.7%	Positive delta represents Asset Management Alpha for the year
Metered Generation	[C] = [A x B]	(kWh)	1,020		960		+6.2%	Actual generation measured at the meter for the year
			Power price	**Subsidies**	**Power price**	**Subsidies**		
Realised Prices	[D]	(£/ MWh)	47.2	90.6	48.4	88.9	+2.0%	Implied average power price and subsidies across entire
Revenues (Subsidies, PPAs, Etc.)	[E] = [C x D]	(£'000)	48.1	92.4	46.5	85.3	+8.3%	portfolio (including ROC recycle and embedded benefits
Total Revenues	[E]	(£'000)	140.5		131.8		+6.6%	Actual revenues at portfolio level for the year (unaudited figures per MW)
Operating Expenses	[F]	(£'000)	(28.9)		(30.8)[4]		(6.2%)	Actual costs at portfolio level for the year (unaudited figures per MW)
EBITDA[3]	[G] = [E – F]	(£'000)	111.6		101.0		+10.5%	Actual EBITDA for the year (unaudited figures per MW)
EBITDA Margin[3]			79.5%		76.7%			

1 Based on the average installed capacity (721MW) over the financial year. Given the different composition of the growing portfolio, this information is not directly comparable with what was provided in the previous Annual Report.

2 Ratio captures 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.

4 Budgeted operating expenses are based on the acquisition case of the assets.

Operating results

Profit before tax was £40.2m (2020: -£29.7m) with earnings per ordinary share of 6.87p (2020: -5.09p).

Operating expenses and ongoing charges

The operating expenses, excluding preference share dividends paid by the Company, for the year amounted to £6.8m (2020: £7.2m). The Company's ongoing charges ratio ("OCR") was 1.1% (2020: 1.1%). The budgeted OCR for the financial year ending 31 March 2022 is 1.1%. The OCR, which has been calculated in accordance with the Association of Investment Companies recommended methodology, is an Alternative Performance Measure (see page 111).

For the year ended 31 March 2021, the fourth quarterly dividend of 1.7625p per ordinary share is expected to be paid on 30 June 2021 to ordinary shareholders on the register at the close of business on 21 May 2021. The Company offers scrip dividends, details of which can be found on the Company's website (nextenergysolarfund.com).

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Investment Adviser's Report continued

Cash flow analysis

As at 31 March 2021, the Company held cash of £10.8m at high credit rated financial institutions.

Cash received from assets in the year covered the operating expenses, the preference shares dividend, the dividends declared to ordinary shareholders in respect of the year ended 31 March 2021 and part of the Investment into HoldCos.

Cash flows of the Company	Year end 31 March 2021 £'000	Year end 31 March 2020 £'000
Company cash balance at 1 April	**25,128**	**19,285**
Investment in HoldCos	(35,570)	(42,098)
Proceeds from preference shares	–	98,650
Received from HoldCos	77,814	–
Directors' fees	(253)	(224)
Investment Manager fees	(5,157)	(5,629)
Administration fees	(3,565)	(1,487)
Dividends paid in cash to ordinary shareholders	(38,062)	(36,771)
Preference share dividends	(9,526)	(6,598)
Company cash balance at 31 March	**10,809**	**25,128**

NESF Group operating SPV's

The below table represents the unaudited consolidated financial results of the Company's SPVs.

	Year ended March 2021 (unaudited) £'000	Year ended March 2020 £'000
Total Group revenue	101,302	108,001
EBITDA	78,289	85,966
EBIT	26,422	21,233
Cash income for the year[1]	59,490	61,192

1 Cash distributed to the fund during the year.

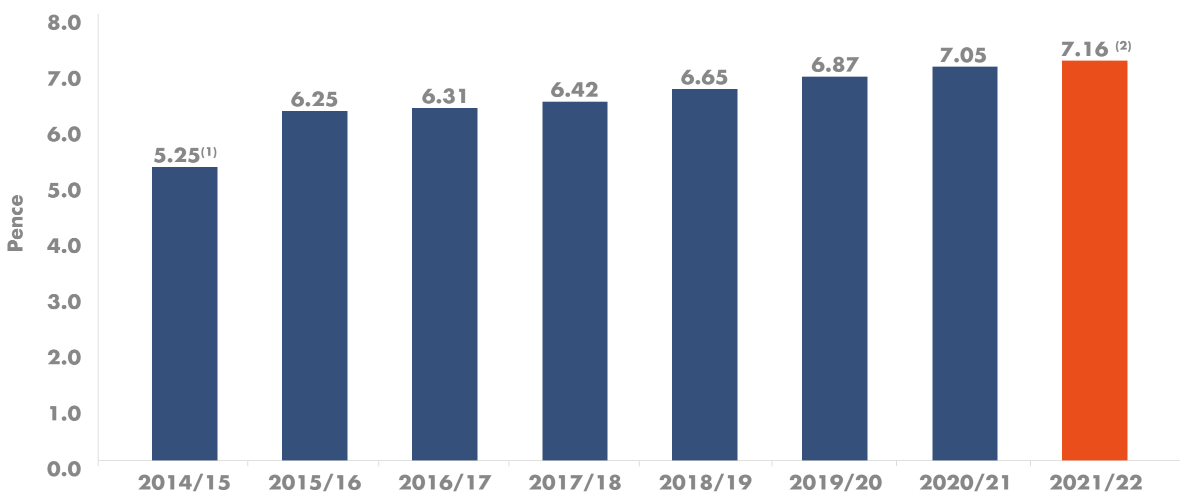
Cash dividend cover

Year ended 31 March 2021	£'000	Pre-scrip dividends £'000
Cash income for year[1]	59,490	
Net operating expenses for year	(6,825)	
Preference shares dividend	(9,526)	
Net cash income available for distribution	43,139	
Ordinary shares dividend paid during year		41,011
Cash dividend cover[2]		**1.1x**

1 Cash income differs from the Income in the Statement of Comprehensive Income as the latter is prepared on an accruals basis. See page 109 for further information.

2 Alternative Performance Measure.

Dividend per ordinary share track record



1 The period 2014/2015 was the first financial year following the Company's IPO.

2 Target dividends for the financial year ending 31 March 2022.

Investment Adviser's Report continued

Financing

Financial debt

At 31 March 2021, the Company's subsidiaries had financial debt outstanding of £246m (2020: £214m), on a look-through basis, as shown in the table below.

Due to a combination of low debt levels, and RPI linked subsidies, debt covenants at the HoldCos level would only be breached at very low power prices (less than c.£20/MWh).

Preference shares

At 31 March 2021, the Company had £200m of preference shares outstanding (2020: £200m).

The preference shares are non-redeemable (except in limited exceptional circumstances), non-voting and convertible into ordinary shares from 1 April 2036 at their issue price (£200m in aggregate) plus any unpaid preference share dividends at the date of conversion. For financial accounting purposes, and in line with IFRS the preference shares are classified as long-term liabilities. The preference shares are equivalent to non-amortising debt with repayment in shares, and the Company is not required to use cashflow, or raise funds, to repay them at the end of their life. The absence of amortisation enhances the ability to pay the ordinary share dividend, and repayment in shares removes refinancing risk.

The investment management fee is calculated based on the ordinary share NAV and, accordingly, no management fee is payable in respect of the preference shares. The terms of the preference shares can be found in note 9 to the Financial Statements on page 104.

Total gearing

The financial debt, together with the preference shares, represented a total gearing level of 43% (2020: 42%), which is below the maximum limit of 50% in the Company's Investment Policy.

Provider/ arranger	Type	Borrower	No. of power plants secured[1]	Loan to Value[2] (%)	Tranches	Facility amount (£m)	Amount out-standing (£m)	Termi-nation (inc. options to extend)	Applicable rate
MIDIS / CBA / NAB	Fully-amortising long-term debt[3]	NESH	21 (241MW)	51.4%	Medium-term	48.4	48.4	Dec-26	2.91%[4]
					Floating long-term	24.2	24.2	Jun-35	3.68%[4]
					Index-linked long-term	38.7	35.1[5]	Jun-35	RPI + 0.36%
					Fixed long-term	38.7	38.7	Jun-35	3.82%
					Debt service reserve facility	7.5	–	Jun-26	1.50%
MIDIS	Fully-amortising long-term debt[3]	NESH IV	5 (84MW)	47.5%	Inflation-linked	27.5	21.5[5]	Sep-34	RPI + 1.44%
					Fixed long-term	27.5	24.3	Sep-34	4.11%
Total long-term debt							**192.2**		
NIBC	Revolving credit facility	NESH II	2 (28MW)		N/a	20.0	–	Feb-22	LIBOR + 2.20%
Banco Santander	Revolving credit facility	NESH VI	13 (100MW)		N/a	70.0	54.1	Jul-22	LIBOR + 1.90%
Total short-term debt							**54.1**		
Total debt							**246.3**		

1 NESF has 325MW under long-term debt financing, 128MW under short-term debt financing and 359MW without debt financing.
2 Loan to Value defined as 'Debt outstanding / GAV'.
3 Long-term debt is fully amortised over the period secured assets receive subsidies (ROCs and others).
4 Applicable rate represents the swap rate.
5 Represents the "real" outstanding debt balance. The "nominal" outstanding debt balances are included in the debt balances provided in Note 23 b) to the financial statements.

Alignment of interest

As at 16 June 2021, NextEnergy Capital Group employees held 394,561 shares in NESF.

Events After the Balance Sheet Date

On 13 May 2021, the Directors approved an interim dividend of 1.7625p per ordinary share for the quarter ended 31 March 2021 to be paid on 30 June 2021 to ordinary shareholders on the register as at the close of business on 21 May 2021.

NextEnergy Capital Limited
16 June 2021

Operating Portfolio

	Power plant	Location	Announcement date	Subsidy/ PPA[1]	Installed capacity (MW)	Cost (£m)	Remaining life of plant (Years)
1	Higher Hatherleigh	Somerset	May-14	1.6	6.1	7.3[3]	17.0
2	Shacks Barn	Northamptonshire	May-14	2.0	6.3	8.2[3]	16.3
3	Gover Farm	Cornwall	Jun-14	1.4	9.4	11.1[3]	18.7
4	Bilsham	West Sussex	Jul-14	1.4	15.2	18.9[3]	23.2
5	Brickyard	Warwickshire	Jul-14	1.4	3.8	4.1[3]	18.6
6	Ellough	Suffolk	Jul-14	1.6	14.9	20.0[3]	27.9
7	Poulshot	Wiltshire	Sep-14	1.4	14.5	15.7[3]	17.9
8	Condover	Shropshire	Oct-14	1.4	10.2	11.7[3]	18.6
9	Llywndu	Ceredigion	Dec-14	1.4	8.0	9.4	28.7
10	Cock Hill Farm	Wiltshire	Dec-14	1.4	20.0	23.6[3]	18.4
11	Boxted Airfield	Essex	Dec-14	1.4	18.8	20.6[3]	19.0
12	Langenhoe	Essex	Mar-15	1.4	21.2	22.9[3]	34.0
13	Park View	Devon	Mar-15	1.4	6.5	7.7[3]	33.8
14	Croydon	Cambridgeshire	Mar-15	1.4	16.5	17.8[3]	18.7
15	Hawkers Farm	Somerset	Apr-15	1.4	11.9	14.5[3]	19.0
16	Glebe Farm	Bedfordshire	Apr-15	1.4	33.7	40.5[3]	28.7
17	Bowerhouse	Somerset	Apr-15	1.4	9.3	11.1[3]	34.0
18	Wellingborough	Northamptonshire	Jun-15	1.4	8.5	10.8[3]	18.2
19	Birch Farm	Essex	Oct-15	FiTs UK	5.0	5.3[3]	19.2
20	Thurlestone Leicester	Leicestershire	Oct-15	FiTs UK	1.8	2.3	12.1
21	North Farm	Dorset	Oct-15	1.4	11.5	14.5[3]	33.7
22	Ellough Phase 2	Suffolk	Nov-15	1.3	8.0	8.0[3]	34.6
23	Hall Farm	Leicestershire	Nov-15	FiTs UK	5.0	5.0[3]	39.4
24	Decoy Farm	Lincolnshire	Nov-15	FiTs UK	5.0	5.2[3]	35.0
25	Green Farm	Essex	Nov-15	FiTs UK	5.0	5.8	20.0
26	Fenland	Cambridgeshire	Jan-16	1.4	20.4	23.9[2,4]	19.3
27	Green End	Cambridgeshire	Jan-16	1.4	24.8	29.0[2,4]	20.0
28	Tower Hill	Gloucestershire	Jan-16	1.4	8.1	8.8[2,4]	19.0
29	Branston	Lincolnshire	Apr-16	1.4	18.9		33.6
30	Great Wilbraham	Cambridgeshire	Apr-16	1.4	38.1		33.9
31	Berwick	East Sussex	Apr-16	1.4	8.2	= 97.9[2,5]	20.5
32	Bottom Plain	Dorset	Apr-16	1.4	10.1		34.2
33	Emberton	Buckinghamshire	Apr-16	1.4	9.0		39.1
34	Kentishes	Essex	Nov-16	1.2	5.0	4.5	40.5
35	Mill Farm	Hertfordshire	Jan-17	1.2	5.0	4.2	35.8
36	Bowden	Somerset	Jan-17	1.2	5.0	5.6	35.7
37	Stalbridge	Dorset	Jan-17	1.2	5.0	5.4	35.7
38	Aller Court	Somerset	Apr-17	1.2	5.0	5.5	21.0
39	Rampisham	Dorset	Apr-17	1.2	5.0	5.8	21.5
40	Wasing	Berkshire	Apr-17	1.2	5.0	5.3	25.7
41	Flixborough	South Humberside	Apr-17	1.2	5.0	5.1	26.8
42	Hill Farm	Oxfordshire	Apr-17	1.2	5.0	5.5	30.9
43	Forest Farm	Hampshire	Apr-17	FiTs UK	3.0	3.3	31.0
44	Birch CIC	Essex	Jun-17	FiTs UK	1.7	1.7	19.2
45	Barnby	Nottinghamshire	Jun-17	1.2	5.0	5.4	21.3
46	Bilsthorpe	Nottinghamshire	Jun-17	1.2	5.0	5.4	21.7
47	Wickfield	Wiltshire	Jun-17	1.2	4.9	5.6	22.1
48	Bay Farm	Suffolk	Aug-17	1.6	8.1	10.5	32.9
49	Honington	Suffolk	Aug-17	1.6	13.6	16.0	32.8

Operating Portfolio continued

	Power plant	Location	Announcement date	Subsidy/ PPA[1]	Installed capacity (MW)	Cost (£m)	Remaining life of plant (Years)
50	Macchia Rotonda	Apulia	Nov-17	FiTs Italy	6.6		14.8
51	Iacovangelo	Apulia	Nov-17	FiTs Italy	3.5		15.1
52	Armiento	Apulia	Nov-17	FiTs Italy	1.9		15.1
53	Inicorbaf	Apulia	Nov-17	FiTs Italy	3.0	= 116.2[2,6]	14.9
54	Gioia del Colle	Campania	Nov-17	FiTs Italy	6.5		15.6
55	Carinola	Apulia	Nov-17	FiTs Italy	3.0		15.6
56	Marcianise	Campania	Nov-17	FiTs Italy	5.0		15.5
57	Riardo	Campania	Nov-17	FiTs Italy	5.0		15.5
58	Gilley's Dam	Cornwall	Dec-17	1.3	5.0	6.4	33.7
59	Pickhill Bridge	Clwyd	Dec-17	1.2	3.6	3.7	36.5
60	North Norfolk	Norfolk	Feb-18	1.6	11.0	14.6	23.6
61	Axe View	Devon	Feb-18	1.2	5.0	5.6	26.4
62	Low Bentham	Lancashire	Feb-18	1.2	5.0	5.4	24.9
63	Henley	Shropshire	Feb-18	1.2	5.0	5.2	25.2
64	Pierces Farm	Berkshire	May-18	FiTs UK	1.7	1.2	18.1
65	Salcey Farm	Buckinghamshire	May-18	1.4	5.5	6.5	18.1
66	Thornborough	Buckinghamshire	Jun-18	1.2	5.0	5.7	20.0
67	Temple Normaton	Derbyshire	Jun-18	1.2	4.9	5.6	20.3
68	Fiskerton Phase 1	Lincolnshire	Jun-18	1.3	13.0	16.6	29.0
69	Huddlesford HF	Staffordshire	Jun-18	1.2	0.9	0.9	19.8
70	Little Irchester	Northamptonshire	Jun-18	1.2	4.7	5.9	20.8
71	Balhearty	Clackmannanshire	Jun-18	FiTs UK	4.8	2.6	29.8
72	Brafield	Northamptonshire	Jun-18	1.2	4.9	5.8	35.2
73	Huddlesford PL	Staffordshire	Jun-18	1.2	0.9	0.9	20.0
74	Sywell	Northamptonshire	Jun-18	1.2	5.0	5.9	20.1
75	Coton Park	Derbyshire	Jun-18	FiTs UK	2.5	1.1	20.1
76	Hook	Somerset	Jul-18	1.6	15.3	21.8[2]	33.0
77	Blenches	Wiltshire	Jul-18	1.6	6.1	7.8[2]	17.7
78	Whitley	Somerset	Jul-18	1.6	7.6	10.4[2]	32.7
79	Burrowton	Devon	Jul-18	1.6	5.4	7.3[2]	32.5
80	Saundercroft	Devon	Jul-18	1.6	7.2	9.6[2]	32.9
81	Raglington	Hampshire	Jul-18	1.6	5.7	8.1[2]	32.8
82	Knockworthy	Cornwall	Jul-18	FiTs UK	4.6	6.6[2]	17.0
83	Chilton Canetello	Somerset	Jul-18	FiTs UK	5.0	9.0[2]	31.3
84	Crossways	Dorset	Jul-18	FiTs UK	5.0	10.0[2]	31.3
85	Wyld Meadow	Dorset	Jul-18	FiTs UK	4.8	7.1[2]	32.3
86	Ermis	Rooftop Portfolio	Aug-18	FiTs UK	1.0	3.0	15.6
87	Angelia	Rooftop Portfolio	Aug-18	FiTs UK	0.2	0.6	15.5
88	Ballygarvey	County Antrim	Aug-19	1.4 NIROCs	8.2	8.5	26.8
89	Hall Farm 2	Leicestershire	Aug-19	Subsidy-free	5.4	2.5	38.3
90	Staughton	Bedfordshire	Dec-19	Subsidy-free	50.0	27.4	37.9
91	High Garret	Essex	Oct-20	Subsidy-free	8.5	4.1	34.0
92	AWS - Marham	Norfolk	Mar-21	Long-term PPA	1.0	0.7	24.7
93	AWS - Sutterton	Lincolnshire	Mar-21	Long-term PPA	0.4	0.3	24.9
94	The Grange	Nottinghamshire	Mar-21	Long-term PPA	50.0	32.1	39.8
	Total				**814**	**969**	**27.5[7]**

1 ROCs, unless otherwise stated. An explanation of the ROC subsidy is available at www.ofgem.gov.uk/environmental-programmes/renewables-obligation-ro.
2 With project level debt.
3 Part of the Apollo portfolio.
4 Part of the Thirteen Kings portfolio.
5 Part of the Radius portfolio.
6 Part of the Solis portfolio
7 Weighted average remaining life of the portfolio

Portfolio Generation Performance

	Power plant	Operational date	Acquisition date	Year ended 31 March 2021 Generation (GWh)	Year ended 31 March 2021 Irradiation delta (%)	Year ended 31 March 2021 Generation delta (%)	Since acquisition Irradiation delta (%)	Since acquisition Generation delta (%)
1	Higher Hatherleigh	Apr-14	May-14	6.1	5.9	6.3	1.0	5.0
2	Shacks Barn	May-14	May-14	6.1	4.9	8.1	2.9	8.3
3	Gover Farm	Jan-15	Jun-14	9.8	4.9	9.0	2.7	1.0
4	Bilsham	Jan-15	Jul-14	16.4	8.5	6.8	4.8	5.3
5	Brickyard	Jan-15	Jul-14	3.7	6.5	10.3	3.3	6.0
6	Ellough	Jul-14	Jul-14	15.0	1.9	5.0	0.7	6.2
7	Poulshot	Apr-15	Sep-14	14.7	6.3	10.8	0.9	5.2
8	Condover	May-15	Oct-14	9.6	3.6	2.9	0.0	0.6
9	Llywndu	Jul-15	Dec-14	7.9	(1.2)	6.0	(3.6)	2.7
10	Cock Hill Farm	Jul-15	Dec-14	20.8	7.3	9.5	2.9	4.6
11	Boxted Airfield	Apr-15	Dec-14	19.0	5.9	7.8	3.5	5.7
12	Langenhoe	Apr-15	Mar-15	22.2	7.8	10.8	6.1	9.1
13	Park View	Jul-15	Mar-15	6.8	3.5	5.8	(2.0)	0.7
14	Croydon	Apr-15	Mar-15	16.6	8.7	12.2	6.1	7.5
15	Hawkers Farm	Jun-15	Apr-15	12.5	5.6	7.4	0.2	3.7
16	Glebe Farm	May-15	Apr-15	34.7	9.0	14.0	6.2	12.1
17	Bowerhouse	Jul-15	Jun-15	8.9	7.4	(0.6)	2.7	0.9
18	Wellingborough	Jun-15	Jun-15	8.5	4.5	9.1	2.4	4.8
19	Birch Farm	Sep-15	Oct-15	5.1	7.0	8.6	4.3	6.2
20	Thurlestone Leicester[1]	Oct-15	Oct-15	1.5	0.0	(2.4)	0.0	0.0
21	North Farm	Oct-15	Oct-15	11.3	1.2	(7.0)	(2.9)	(2.9)
22	Ellough Phase 2	Aug-16	Nov-15	8.4	7.0	12.1	8.4	12.1
23	Hall Farm	Apr-16	Nov-15	4.9	4.9	11.8	3.7	3.7
24	Decoy Farm	Mar-16	Nov-15	5.1	6.6	11.5	4.8	9.4
25	Green Farm	Dec-16	Nov-15	5.1	3.8	5.6	3.7	4.5
26	Fenland	Jan-16	Jan-16	21.0	6.3	9.8	5.1	9.3
27	Green End	Jan-16	Jan-16	24.1	5.7	3.6	4.9	4.9
28	Tower Hill	Jan-16	Jan-16	8.3	7.6	10.3	3.4	6.8
29	Branston	Mar-16	Apr-16	19.2	6.0	10.5	6.0	6.2
30	Great Wilbraham	Mar-16	Apr-16	38.8	7.4	8.9	5.4	6.2
31	Berwick	Mar-16	Apr-16	9.6	5.5	13.3	5.1	9.7
32	Bottom Plain	Mar-16	Apr-16	10.6	4.4	4.8	3.0	3.9
33	Emberton	Mar-16	Apr-16	8.7	5.4	3.2	4.4	4.0
34	Kentishes	Jul-17	Nov-16	5.3	6.5	7.0	5.7	6.3
35	Mill Farm	Jul-17	Jan-17	5.3	9.4	12.6	8.6	11.3
36	Bowden	Sep-17	Jan-17	5.4	2.3	3.3	0.3	1.5
37	Stalbridge	Sep-17	Jan-17	5.5	3.0	7.8	0.9	6.5
38	Aller Court	Sep-17	Apr-17	5.4	5.4	7.9	3.5	5.1
39	Rampisham	Sep-17	Apr-17	5.4	0.2	2.2	(1.8)	(1.2)
40	Wasing	Aug-17	Apr-17	5.4	8.3	11.1	6.6	10.0
41	Flixborough	Aug-17	Apr-17	5.0	4.3	7.2	5.1	7.8
42	Hill Farm	Mar-17	Apr-17	5.2	8.4	10.3	7.2	8.7
43	Forest Farm	Mar-17	Apr-17	3.3	7.4	11.7	5.0	8.9
44	Birch CIC	May-17	Jun-17	1.7	6.8	5.3	5.4	4.8
45	Barnby	Aug-17	Jun-17	4.3	2.7	(5.3)	4.5	3.8
46	Bilsthorpe	Aug-17	Jun-17	4.8	3.4	2.0	4.1	6.2
47	Wickfield	Mar-17	Jun-17	5.2	9.3	10.8	6.1	5.2
48	Bay Farm	Sep-17	Aug-17	8.3	6.5	12.3	7.8	8.2

Portfolio Generation Performance continued

	Power plant	Operational date	Acquisition date	Year ended 31 March 2021 Generation (GWh)	Year ended 31 March 2021 Irradiation delta (%)	Year ended 31 March 2021 Generation delta (%)	Since acquisition Irradiation delta (%)	Since acquisition Generation delta (%)
49	Honington	Sep-17	Aug-17	13.4	4.3	4.9	4.2	3.9
50	Macchia Rotonda	Nov-17	Nov-17	9.7	6.4	3.4	5.8	4.6
51	Iacovangelo	Nov-17	Nov-17	5.3	5.3	6.2	4.2	6.5
52	Armiento	Nov-17	Nov-17	2.9	6.2	8.1	5.0	7.4
53	Inicorbaf	Nov-17	Nov-17	4.7	6.5	7.9	5.4	6.7
54	Gioia del Colle	Nov-17	Nov-17	9.8	3.9	6.1	0.4	3.8
55	Carinola	Nov-17	Nov-17	4.3	4.6	5.5	2.4	5.4
56	Marcianise	Nov-17	Nov-17	7.2	3.9	4.7	2.8	4.0
57	Riardo	Nov-17	Nov-17	7.2	3.6	2.4	2.3	1.5
58	Gilley's Dam	Nov-17	Dec-17	5.1	(2.8)	(1.3)	(4.8)	(2.4)
59	Pickhill Bridge	Dec-17	Dec-17	3.6	3.4	6.9	4.5	7.8
60	North Norfolk	Dec-17	Feb-18	11.2	5.5	7.2	6.8	8.9
61	Axe View	Dec-17	Feb-18	5.2	7.4	9.1	5.3	7.1
62	Low Bentham	Dec-17	Feb-18	4.7	0.8	2.8	1.3	3.1
63	Henley	Jan-18	Feb-18	4.9	4.1	6.6	3.0	5.9
64	Pierces Farm	May-18	May-18	1.8	4.3	10.0	4.4	7.8
65	Salcey Farm	May-18	May-18	5.6	7.4	8.4	9.7	6.4
66	Thornborough	Jun-18	Jun-18	5.0	4.8	4.2	6.7	(2.5)
67	Temple Normaton	Jun-18	Jun-18	4.6	1.1	0.2	4.6	(1.3)
68	Fiskerton Phase 1	Jun-18	Jun-18	12.9	5.6	3.4	8.6	2.0
69	Huddlesford HF	Jun-18	Jun-18	0.9	3.6	4.3	6.1	3.8
70	Little Irchester	Jun-18	Jun-18	4.6	2.9	(1.4)	5.7	(4.7)
71	Balhearty	Jun-18	Jun-18	4.0	0.1	(6.1)	(1.2)	(11.2)
72	Brafield	Jun-18	Jun-18	5.1	6.5	4.4	7.8	1.7
73	Huddlesford PL	Jun-18	Jun-18	0.9	3.1	1.1	5.8	2.5
74	Sywell	Jun-18	Jun-18	5.1	4.7	4.9	7.5	1.4
75	Coton Park	Jun-18	Jun-18	2.2	1.2	2.7	4.0	4.8
76	Hook	Jul-18	Jul-18	16.2	4.9	4.6	3.7	1.8
77	Blenches	Jul-18	Jul-18	6.2	5.9	8.8	5.0	7.8
78	Whitley	Jul-18	Jul-18	7.5	7.0	(0.1)	4.7	(0.3)
79	Burrowton	Jul-18	Jul-18	13.2	6.0	2.2	5.8	3.5
80	Saundercroft	Jul-18	Jul-18					
81	Raglington	Jul-18	Jul-18	5.9	5.5	(3.7)	4.5	(7.6)
82	Knockworthy	Jul-18	Jul-18	4.1	2.1	(14.3)	1.9	(5.9)
83	Chilton Canetello	Jul-18	Jul-18	5.4	5.3	4.4	4.6	6.0
84	Crossways	Jul-18	Jul-18	5.7	4.1	4.4	3.5	4.1
85	Wyld Meadow	Jul-18	Jul-18	5.0	0.1	(2.7)	(1.4)	(1.3)
86	Ermis[1]	Aug-18	Aug-18	0.8	0.0	(0.5)	0.0	(0.7)
87	Angelia[1]	Aug-18	Aug-18	0.2	0.0	1.0	0.0	4.5
88	Ballygarvey	Mar-18	Aug-19	6.1	(0.6)	(4.0)	0.2	(3.4)
89	Hall Farm 2	Aug-19	Aug-19	5.0	11.0	8.7	11.0	8.7
90	Staughton	Dec-19	Dec-19	8.0	(1.7)	(5.9)	(1.7)	(5.9)
91	High Garrett	Oct-20	Oct-20	0.3	24.0	(5.1)	24.0	(5.1)
92	AWS - Marham[2]	Jan-21	Jan-21	–	–	–	–	–
93	AWS - Sutterton[2]	Mar-21	Mar-21	–	–	–	–	–
94	The Grange[2]	Mar-21	Mar-21	–	–	–	–	–
Total				**738**	**5.5**	**6.2**	**2.9**	**5.2**

1 Rooftop asset which is not monitored for irradiation.
2 Assets which are yet to pass provisional acceptance clearance (PAC) are not reported by the Asset Manager.

Sustainability and ESG

NESF Chairman ESG Foreword

In a year where the world has faced unprecedented change, we continue to see a systemic shift towards the need for rapid action in recognition of climate change, as the world transitions towards a more sustainable, renewable energy supply.

Governments and major economies around the world continue to step up their support, with the UK government becoming the first major Government to pass net-zero emission laws which require all greenhouse gas emissions to be net-zero by 2050.

Solar will have a huge part to play in this transition and NESF is in a great position to deliver change, with a solid foundation and the right management team driving growth forward.

Environmental, Social and Governance matters are more important than ever to investors, other stakeholders, and society. Tracking progress and reporting impact change throughout the NESF value chain is a crucial step in tackling climate change, driving accountability, and ultimately delivering a sustainable future for generations to come.

NESF achieved compliance with the European Union Sustainable Finance Disclosure Regulation this year and plans to remain compliant going forward. Macquarie Green Investment Group also continues to review and audit NESF data to ensure a high standard of transparency and continuity to all our stakeholders.

NESF ESG reporting continues to benefit from the extensive experience of NextEnergy Capital's Head of ESG, Giulia Guidi. Giulia continues to drive real change at NESF, not only incorporating ESG into the heart of all investment decisions but also providing valuable insight as an adviser on the NESF investment committee.

This is an exciting period for NESF and we look forward to continuing our leading and transparent approach in this space.

Human Rights in Xinjiang

NESF is aware of the recent media attention alleging forced labour in the solar supply chain in Xinjiang, China. Modern slavery is a grave form of human rights abuse and the Board of NESF supports the prevention of modern slavery in its own activities and throughout its business relationship, including its supply chain.

NESF recognises that the threat of modern slavery within supply chains requires a collaborative commitment and willingness to influence change from the whole sector.

NESF is actively involved with the solar energy industry to improve transparency and traceability and address human rights violations within the sector's supply chain.

The Board has continued to be actively engaged with its Investment Advisor since the matter was first reported and is monitoring the situation closely

Kevin Lyon
Chairman
16 June 2021

Sustainability and ESG continued

Introduction from the CEO of NextEnergy Capital Group

As the world accustoms itself to living with a modern-day pandemic, we have learnt just how responsive and adaptable governments, businesses, communities and individuals can be in the face of such a crisis. It is this responsiveness which is necessary to redouble efforts to achieving the 17 UN SDGs, progress against many of which has been detrimentally affected by Covid-19.

The development of reliable, sustainable and resilient infrastructure is at the core of the recovery plan and at NextEnergy Capital Group (NEC) we have the technical experience to play an instrumental role in this transition. The commitment to our mission of generating a more sustainable future is unwavering, and the UN SDGs remain core to our Environmental, Social and Governance (ESG) approach and operational practices. This, coupled with evolving our framework for managing, measuring, and reporting our contribution to the UN SDGs, as well as evaluating our impact on the world around us, is central to guiding our sustainable investment strategy and approach to ensure we continue to do things properly in the future.

Our framework is built on three pillars:

1) Climate Change

2) Biodiversity

3) Human Rights

This framework applies to the whole value chain of our business, from our clients' investments and our employees to our suppliers and services providers, our business partners, and the broader communities we operate in. The core of NEC's sustainability framework is our Sustainable Investment Policy, which articulates the value-creating ability of ESG considerations in our business and operations, and the solar sector more broadly, as well as our commitment to the United Nations Principles for Responsible Investment.

Our Sustainable Investment Policy applies to both NESF and our private equity funds; it outlines our business principles and explains how we integrate ESG factors throughout the investment process.

This year we have increased our transparency in line with the EU Sustainable Finance Disclosure Regulation (SFDR) and have issued an ESG Document where we have articulated how we take ESG factors into account for the group and for each specific fund, including NESF.

SCAN ME

NESF ESG at a Glance 2020/21

Environmental Performance

738GWh clean energy generated	317.6ktCO_2e avoided	195,269 equivalent homes powered	322 ha (800 acres) biodiversity enhancement

Social Performance

£113,000 community funding	7 new O&M contracts signed for a total of £28k, generating new jobs	£80,000 donated to the NextEnergy Foundation

Governance performance

Total board meetings held during financial year - 62	40% female at Board level during the year (25% female at board level following Sue Inglis's resignation)	Ranked 65 in the FTSE250 Hampton-Alexander Review

Sustainability and ESG continued

NESF's Sustainability Framework

We believe that solar energy has a pivotal role to play in responding to rapidly increasing energy demand while addressing the global climate agenda. NESF's commitment to tackling climate change ties into our additional ESG objectives we have set within NEC's business practices in order to develop a sustainable energy investment strategy.

Both NESF and NEC's commitment to sustainability is built around three fundamental pillars (see Sustainability Pillars): climate change, biodiversity and human rights. We believe that only by acknowledging the interconnections that exist between the three pillars and addressing them together, can we make a meaningful contribution to global sustainable development.

Based on these three pillars, and in line with the Group's sustainability framework, NESF refers to the UN Sustainable Development Goals (SDGs) as the underlying framework by which to identify, measure and report on key ESG impacts and opportunities associated with our assets.

Our Commitment to the United Nations Sustainable Development Goals

The SDGs form the basis of our sustainability strategy.

NESF's Approach to ESG

Our ESG approach is based on integration and is applied in three different steps: identify, manage, and report.

Integration of ESG factors occurs throughout NESF's investment and development process, from an initial screening, to full due diligence, risk management, implementation, and finally to measuring and reporting on the factors during the asset management phase.

NESF pays particular attention to any ESG risks associated with its supply chain and maintains active dialogue by engaging with key stakeholders.

ESG responsibilities reside with the Head of ESG at NEC, the Fund's Investment Adviser. The Head of ESG reports directly to NEC's CEO and is also a member of the Fund's Investment Committee.

Sustainability Pillars

Climate Change:

NESF is committed to supporting the UK Government in its ambitious objective of bringing all greenhouse gas emissions to net zero by 2050 and limiting global average temperature rise to 2°C from pre-industrial levels. NESF communicates its positive contributions to climate change mitigation via reporting annually on its clean energy generation and the CO_2e emissions avoided for the portfolio. This year NESF has expanded its reporting to include historical greenhouse gas (GHG) emissions avoided as well as the emissions associated with its portfolio, namely the GHG scope 1, 2 and 3 with the objective of increasing transparency towards net-zero ambitions

Biodiversity:

A key focus for NESF has been the opportunity to enhance biodiversity across the portfolio's sites. The Fund's commitment to leading best practice in biodiversity within the solar industry begins during the site selection phase and extends to the life cycle of each asset

Human Rights

NESF respects fundamental human rights principles and is against any form of slavery and forced labour, as stated in its Modern Slavery Statement[1]. The Group's commitment to respecting human rights is guided by the United Nations Declaration of Human Rights; NESF also recognises both the OECD Guidelines on Multinational Enterprise and the UN Guiding Principles of Business and Human Rights as key frameworks through which to identify and manage human rights associated with our operations, our supply chain, and our business relationships

ESG Integration

By integrating NEC's Sustainable Investment Policy into NESF's investment and development process, we are ensuring sustainable growth can be delivered over the long-term. As NESF is involved in secondary market acquisition as well as new developments; we have defined a process by which we identify, manage, and report on any ESG risks and opportunities for both types of activities. An outline of our approach is set out below.

Identify

NESF has a tried and tested investment and development process. ESG considerations form part of the investment decision-making at each stage of an investment and of the site's development. For secondary market acquisitions that occurred after September 2019, when the updated sustainability policy was approved, NESF undertakes due diligence in the pre-acquisition phase, to identify any potential risk associated with ESG matters. Once an initial screening has confirmed that NESF is not entering into any excluded activities (see page 39), full due diligence is undertaken to review compliance with national and local environmental legislation[2], social policies and best practice, including the Solar Energy UK 10 Commitments for Solar Farm Developers[3]. The due diligence is usually undertaken by an external adviser, and the outcome is presented to the Investment Committee for the final decision.

[1] https://www.nextenergysolarfund.com/modern-slavery-statement/
[2] https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/218695/env-impact-landscape.pdf;
[3] https://www.solarpowerportal.co.uk/news/sta_publishes_10_commitments_for_solar_farm_developers_2356

Sustainability and ESG continued

For new developments, a comprehensive set of national and local data sets are considered to avoid sensitive areas and to comply with the applicable guidelines for the deployment of solar projects. This development phase is supported by the use of computer-based geographic information system modelling tools, and site assessments are used to review and exclude inappropriate sites during early stages of development.

Excluded Activities & Site Selection

In accordance with the international, national and local landscape designations recognised by the UK Government, NESF does not invest in areas of high biodiversity or landscape character value. The NEC team confirms this exclusion at the earliest stage of site selection.

In line with NEC's policy, no activity will be undertaken if it would impact upon indigenous people or cause potential relocation of communities where no Free Prior Informed Consent (FPIC) has occurred before construction. These two exclusions are very unlikely to happen in the UK.

Manage

When potential risks are identified during the preacquisition and development phase the ESG team, together with the investment team and, where relevant, external advisers, agree upon the necessary mitigation measures to manage and minimise the impacts. Usually, an action plan that includes these mitigation measures is put forward and presented to the Investment Committee for approval.

The action plan is then negotiated with contractors, including Engineering, Procurement and Construction (EPC) and operations and maintenance (O&M), and then handed over to the asset management arm of NEC for management. Wise Energy oversees the implementation of these measures, including biodiversity management, land management, community engagement, and health and safety, amongst others.

Wise Energy reports on any progress towards these plans on a regular basis and, in addition, will measure and manage a number of selected KPIs based on the SDGs which have been identified as material to our business and operations, for more information see our Sustainable Development Goals Report on our website (nextenergysolarfund.com).

Report

NESF is committed to a high level of transparency on ESG issues and reports on the performance of the operational portfolio against progress on any ESG action plans as well as on a selected number of KPIs, as mentioned above.

During the current financial year, we have reported in compliance with the requirement of the EU Sustainable Finance Disclosure Regulation; our ESG Disclosure Document was issued on 10 March 2021 via our website (nextenergysolarfund.com).

NESF's performance in relation to the SDGs was recognized through its contribution to SDG 3 (Good Health and Wellbeing), SDG 7 (Affordable and Clean Energy), SDG 9 (Industry, Innovation and Infrastructure), SDG 12 (Responsible Consumption and Production, SDG 13 (Climate Action) and SDG 15 (Life on Land) reported in the Group's 2020 SDGs report, available on our website (nextenergysolarfund.com).

ESG integration into the investment process

Sustainability and ESG continued

These KPIs are independently verified by the Green Investment Group (GIG) who has been hired by NEC to support the group's impact reporting efforts. NESF's contribution to these goals was reported in the Group's 2020 SDGs report, available on our website.

Particular attention is given to climate related reporting. In line with NEC being an official supporter of the Task Force on Climate-Related Non-Financial Disclosure ("TCFD"), as well as both NEC and NESF having net-zero ambitions, NESF has recently commissioned the Green Investment Group to additionally report on its historical CO_2e emission reductions and to calculate its portfolio scope 1, 2 and 3 carbon footprint.

NESF & SFDR

The Sustainable Finance Disclosure Regulation (SFDR) has come into force on the 10 March 2021, requiring financial market participants to disclose on ESG policies and practices. As previously mentioned, to comply, NESF has published an ESG Disclosure document on its website. This document outlines how NESF substantially contributes to climate mitigation, how it does no significant harm to the other four environmental objectives applicable to the solar PV sector (climate adaptation, water management, circular economy and biodiversity), and how it complies with the minimum safeguarding standards, including, but not limited to, human rights violations.

Supply chain

Our approach to supply chain management is consistent with the broader approach to ESG. We deal with this issue through two parallel processes: ongoing ESG due diligence at asset and portfolio level and an extensive stakeholder engagement process.

NESF's ESG due diligence process also extends to its supply chain. NESF has developed specific due diligence questionnaires to assess suppliers' human rights and labour policies and practices, as well as other ESG factors, in order to identify potential risks within its supply chain. This process is embedded into NESF's investment process and includes module, inverter and battery manufacturers.

Supply Chain Management

In addition to each individual investment, the supply chain due diligence is undertaken with key selected manufacturers with which NESF and the Group have signed or will sign a master framework agreement. NESF has developed module framework agreements as the structure through which to identify and select top-tier, reputable manufacturers with a proven track record of delivering high quality products (i.e. manufactured with high durability, easy dismantling, refurbishment and recycling). This framework incorporates quality control, product certification and international standards, including ISO 9001 and IEC61215:2016; thereby providing visibility of the entire supply chain and materials used during production. NESF is currently in the process of including ESG considerations and obligations into these agreements to ensure that suppliers abide by our standards, and in particular the group's Sustainable Investment Policy and Human Rights Position Statement.

NESF is aware of the recent allegations of forced labour in the solar supply chain in Xinjiang and we are committed to preventing modern slavery in our own activities and those related to our business relationships, including supply chain. This is supported by our public Policy and statements.

NESF strongly believes that supply chain management can be tackled collectively and through a long-term engagement process aimed to influence changes to eradicate human rights abuses and raise labour practices and standard globally. To this extent, NEC continues to engage with a number of stakeholders, including NGOs, industry associations, reputable advisers and manufacturers to increase transparency and traceability. NEC, NESF's investment adviser, has signed the Solar Energy Industry Association (SEIA) and the Solar Energy UK (SUK) pledge against slave labour; NEC is also actively involved with the SUK in setting up a task force to address this very important matter.

Stakeholder Engagement and Stewardship

During the reporting year, several members of NEC's staff engaged with SUK across various workstreams, including one employee who chairs the SUK Natural Capital Working group, while others are involved with supporting SUK on their engagement with the Department for Business, Energy and Industrial Strategy (BEIS) on the technical interpretation of the Nationally Significant Infrastructure Projects (NSIP) threshold. Lastly, other employees have been working with Ofgem around the Renewables Obligation (RO) audits program.

NESF's Stewardship efforts have seen the Company involved in several consultations with the UK Government on the Contracts for Difference scheme, as well as leading negotiations with the Valuation Office Agency (VOA) on the revised ratings list for solar, network charging and cost modelling. In addition, the NEC Group is a signatory of the United Nations Principles for Responsible Investment ("UNPRI"), and a member of the Institutional Investors Group on Climate Change ("IIGCC"). The ESG Team actively engages and collaborates with both organisations to promote best practice within the solar industry, and regularly discusses any relevant recommendations and important trends for NESF with colleagues who are responsible for investment and asset management of the Company's portfolio. NESF also engages with an extended set of stakeholders to continuously improve its approach to ESG and supply chain matters in the solar sector. These include conservation groups, such as IBAT Alliance, experts on climate change, human rights and biodiversity, and non-profit organisations, such as the Business and Human Rights Resource Centre.

[4] NextEnergy-Capital-ESG-Disclosures-Final-09.03.2021.pdf (nextenergycapital.com)

Sustainability and ESG continued

Accountability and Governance

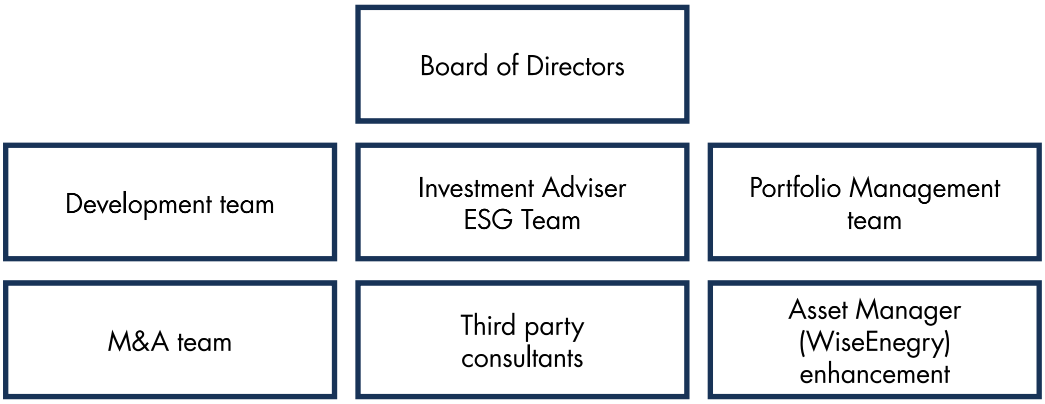
Responsibility for NESF's ESG risk management, reporting and stakeholder engagement falls within NEC's ESG team.

The Head of ESG, Giulia Guidi, reports to NEC's CEO and is responsible for setting the strategy and for implementing the Sustainable Investment Policy for the Group and in particular, for the Company. She sits on the Company's investment committee and takes an active role in the investment decision-making process. She meets regularly with senior managers of the Company to continue to raise awareness around global societal issues, discuss new trends, review the stakeholder engagement strategy, and the wider Group business strategy.

NESF has built strong governance around these issues, ensuring that the team works not only alongside the investment and development teams, but also meets regularly with the procurement offices, the operational team, the biodiversity team, the portfolio managers, and the SPV's managers, in order to ensure that ESG is integrated at the different stages of investment and development.

The ESG team consists of two team members, Giulia Guidi, with more than 20 years of combined experience in ESG risk management in the financial sector, and Phoebe Wright, the ESG Analyst for the NEC Group. An additional resource is responsible for NextEnergy Foundation (see page 45).

NESF – ESG Stakeholders



Scope 1,2,3 Emissions	Units
35.3	$ktCO_2e$

Green impact: historic performance

Metric	Units	FY2021	FY2020	FY2019	FY2018	FY2017	FY2016	FY2015	FY2014
GHG avoided	$ktCO_2e$	317.6	307.7	299.4	211.2	191.4	110.0	30.6	21.6
NOx avoided	tonnes	283.4	274.4	276.5	193.1	176.3	108.3	41.3	34.3
Sox avoided	tonnes	527.5	511.9	499.2	365.9	335.8	214.4	94.1	82.6
PM2,5	tonnes	24.0	23.2	22.6	15.9	14.5	8.4	2.4	1.7
PM10	tonnes	5.9	5.8	5.6	4.0	3.7	2.3	0.9	0.7
Fossil Fuels avoided	tonnes oil equivalent	135.9	131.2	127.7	90.0	81.6	46.9	13.0	9.1
	million barrels	1.00	0.96	0.94	0.66	0.60	0.34	0.10	0.07

Source: Green Investment Group

Sustainability and ESG continued

Environmental, Social and Governance factors

Environmental

In the context of our business, environmental factors considered throughout the investment and ownership phase include climate change, biodiversity and landscape, potential water impacts, as well as circular economy considerations.

Climate change: NESF contributes to positive climate mitigation and it is committed to reporting its CO_2e avoided emission on a year-on-year basis, as well as through employing historical data. GIG has also supported us in estimating the carbon footprint associated with the lifecycle of our portfolio, including our greenhouse gas emissions scope 1, 2 and 3 (see page 42). NESF's carbon footprint throughout the lifecycle is minor and we aim to start collecting additional data in the future to assess how we can achieve a net zero objective. Climate-related risks, such as areas that according to the Environment Agency's datasets are at risk of flooding, are identified during the pre-investment phase. We currently avoid flood risk areas, however sometimes we can model them to ensure that the project minimises flood risk. In the past, mitigation measures put in place for solar projects have helped to alleviate the risk of flooding on land adjacent to the site. Despite the operational lifetime of NESF's sites being up to 45 years, all sites are designed using a 100-year flood projection to account for projected climate-induced risks. In line with our TCFD commitments, and, based on potential initial risks identified, at a future date we could commission climate-related physical risk assessment for climate-induced risks.

Biodiversity: NEC has a dedicated Biodiversity team that is working with organisations such as Wychwood and Twig to ensure that land management and native fauna and flora are being considered throughout the investment and ownership phases. A set of proven biodiversity solutions are included within planning-controlled site proposals, with the view of ecologically enhancing the project area and any additional land held under the project ground lease. NEC has developed a specific Universal Biodiversity Management Plan ("UBMP") for NESF sites (see case study 1 on page 43) and NESF has hired biodiversity specialists to design and implement bespoke and effective measures that develop, repair and connect local wildlife, habitats and ecosystems. Our UBMP also exists to improve local stakeholder relationships by educating the community on the benefits of transforming solar plants into ecosystem-friendly assets. This makes up part of NEC's wider Biodiversity Strategy which works to support the UK Government's 25-year Environmental Plan[2]. During the asset's operational lifetime, schemes are also designed to allow sheep grazing. Such schemes employ densities which work within the land's natural carrying capacity. They are devised in conjunction with the broader environmental, landscape and ecological objectives of site-specific measures, which are agreed in advance with local councils, as well as the UBMP.

Circular economy: where possible, biodegradable or recyclable materials are sourced. At the end of the solar farm's life, we expect there to be a residual value in most of the materials used in the modules, for example glass, silicon, steel, aluminum and copper. The value of these materials is expected to pay in full for the decommissioning costs of the solar farm.

Social

NESF pays particular attention to any social impacts that could arise in the communities we operate in, as well as to broader impacts that could be present throughout our supply chain. NESF focuses its attention on the following factors:

Community engagement: during the pre-acquisition phase, NESF closely engages with local parishes and councils to ensure the suitability of site proposals. Where possible, community feedback is incorporated into the transaction proposals so that we can work on long-term community development plans (see case study 2 on page 43). We also commit to employing people locally where practical and possible. In addition, community funds are established to promote development and support community renewable energy projects and initiatives. NESF is dedicated to using our solar farms as educational opportunities, particularly regarding the promotion of the value of biodiversity and clean energy.

Health and safety: Regarding occupational and environmental health and safety standards, we uphold minimum construction and production-related industry standards, such as those set out in the Construction, Design and Management Regulations 2015 and the International Organisation for Standardisation's requirements. These standards are incorporated into the main service delivery contracts and impose contractual obligations on our suppliers.

Labour and human rights: NESF has zero tolerance for human rights abuses across the value chain. We work with our counterparties to ensure that they abide by our human rights related principles, as outlined in NESF's Modern Slavery Statement, NEC's Sustainable Investment Policy and NESF Human Rights Statement. To this extent, NEC is working to include human rights related criteria into our solar PV module framework agreements (see "Supply chain" page 40). We also aim to add obligations to comply with human rights related standards in our contractual relationships with all our counterparties, including co-owners and EPC and O&M contractors and subcontractors.

Governance

As part of our ESG approach we want to engage with counterparties that have the highest standards in terms of transparency and governance.

Anti-bribery, Anti money Laundering, corruption and tax evasion: It is both NESF's and NEC's policy to conduct all of its business in an honest and ethical manner. We have a zero tolerance policy towards bribery, corruption and the criminal facilitation of tax evasion. As part of the investment process, NESF undertakes due diligence on each counterparty to ensure they act professionally, fairly and with integrity in all business dealings.

Sustainability and ESG continued

NESF ESG Case Studies

Case Study 1: Universal Biodiversity Management Plans (UBMP)

NEC is committed to ESG principles and responsible investment. We continue to develop our ESG policy and are committed to evolving it and delivering sustainable growth across the Company.

In early 2020, the UBMP sites transitioned into the implementation phase. Universal non-site-specific measures such as hibernacula, bug hotels and bird and bat boxes have been introduced across all 15 sites by August 2020 within the UK portfolio. These measures have been introduced to increase net gain within the portfolio and supports NEC's commitment to their Biodiversity Strategy. These will be monitored to ensure that they remain in good order and usable for the wildlife that inhabits them.

We had to stage these UBMP initiatives into two phases as the impact of Covid-19 made it prohibitive to have non-operational works carried out at site during the Spring and early Summer of 2020. Phase 1 was the boxes; bug hotels and hibernacula and Phase 2 was the wildflower seeding.

At the start of September 2020), Phase 2 was initiated to deploy wildflowers across the 12 UBMP sites that required seeding. This was a partial success as 5 sites were sown with wildflower mix during the planting season. Due to the wet weather forecasts the decision had therefore been taken to postpone the seeding works at the remaining 7 sites until Spring 2021.

Overall, for 2021, the Biodiversity Team have 14 sites completed to full UBMP level as per the Wychwood guidance maps. A total of 1 site is outstanding for Autumn 2021.

Case Study 2: Exemplar Sites

As of 31 March 2020, NESF had implemented a total of five sites at an exemplar standard. An additional three sites had been earmarked for 2021.

As of 31 March 2021, NESF carried out annual ecological surveys within the Exemplar portfolio. These surveys were being conducted by Wychwood alongside trainee ecologists so that they could gain fieldwork exposure and learn how to perform ecological surveys on NESF assets. NEC believes it is essential to support upcoming students in their research and ensure learning opportunities are encouraged when available. These surveys consisted of Breeding Birds, Botany and Invertebrates and the reports will be finalised in September to allow tangible data to track the ecological growth on these sites, to ensure progress and monitor biodiversity net gain.

Regarding the Exemplar's sites Biodiversity Management Plans, Burrowton and Emberton were finalised at the end of the financial year. Two bug hotels were introduced at Emberton in December 2020 and wildflowers along with species-specific bird boxes were introduced at Burrowton by January 2021.

O&M	Power plant	Habitats	Status
PSH Operations	Croydon	Works	Not Required
Gemec	Hall	Works	
Ingeteam	Decoy	Works	
Ingeteam	Birch	Works	Works Complete
Ingeteam	Brickyard	Works	
Ingeteam	Condover	Works	
Encome	Branston	Works	
Encome	Shacks Barn	Works	
Encome	Bottom Plain	Works	Work
Encome	Higher	Works	Works Complete
Ingeteam	Bilsham	Works	
Ingeteam	Cockhill	Works	
Ingeteam	Gover Farm	Works	
Ingeteam	Llwyndu	Works	
BSR	North Farm	Works	

Sustainability and ESG continued

Burrowton Solar Farm

Case Study 3: Community Engagement - Langham Parish Council pre-school outdoor play area

At our Boxted solar farm, we donated £7,142.58 towards Langham Parish council to support the redevelopment of the Langham pre-school playground. The outdoor play area was installed on 21 September 2020 in order to make it a safe area for young children to play.

Case Study 4: Community Engagement - Contribution to Education

The community orchard and outdoor classroom was a plot of land that was developed to build a community orchard, which is also helping to promote wildlife, near the Birch site in Colchester. At the request of the local community, an outdoor classroom was built and introduced in 2019. This was made possible by a donation from one of our SPVs, Birch CIC. Since then, the area has been used by local parish and schools to provide an area where the community can watch nature and learn about sustainability.

Case Study 5: University Research

The Biodiversity Team worked alongside Bristol University to support a PhD Student with their research into solar farms and bats in the south west region. The student visited 12 sites within the UK portfolio between July and October 2020 to complete the project. This project also encompassed landowner engagement as the project required adjacent fields within the area. Data analysis is still ongoing, and we expect the project to be finalised by September 2021. NESF believes in supporting scientific research within the sector to help provide tangible information regarding biodiversity and net gain.

Case Study 6: Greater Change

NESF helped to combat homelessness around the Bilsham site in Chichester and the Hill Farm site in Oxford. The Company supported 10 individuals living around both sites through Greater Change, which works to aid these individuals to find accommodation, as well as training them to live and maintain their new homes. This year, a total of £8,610 was spent on the 10 individuals around Oxford and Chichester to support them in making a difference to their current situation which was heavily impacted by Covid-19. One individual became homeless due to the pandemic and struggled significantly with substance abuse. NESF funding was able to help him obtain a property through the council and provide him the necessary support to abstain from his addiction.

Trevor said:

"I would like to say thank you for supporting me, this will change my life and make it easier for me to see my children and feel presentable. I can't thank you enough!"

Sustainability and ESG continued

Recognition of NESF's Green Credentials

During the year ending 31 March 2020, the Company was awarded the London Stock Exchange's Green Economy Mark, which recognises companies that derive over 50% of their annual revenues from products and services that contribute to the global green economy.

The Company was also successful in obtaining Guernsey Green Fund status from the Guernsey Financial Services Commission ("GFSC"). Following an application to the GFSC via Route 1 suitable third-party certification, NESF is deemed to have met the following investment criteria as outlined in the Guernsey Green Fund Rules, 2018 ("Rules"):

- the property of a Guernsey Green Fund shall be invested with the aim of spreading risk and with the ultimate objective of mitigating environmental damage resulting in a net positive outcome for the environment; and
- a Guernsey Green Fund shall comprise 75% of assets by value that meet the Rules' criteria and the remaining 25% must not lessen or reduce the Guernsey Green Fund's overall objective of mitigating environmental damage or comprise an investment of a type specified within schedule 3 of the Rules.

The Route 1 suitable third-party certification was provided by Grant Thornton Limited in the form of an independent limited assurance report and their engagement was conducted in accordance with the International Standard on Related Services ("ISRS") 4400 "Engagements to Perform Agreed-Upon Procedures Regarding Financial Information".

Charitable Donation to the NextEnergy Foundation (the "Foundation")

The Foundation is an international charity founded in 2017 with the vision of participating proactively in the global effort to reduce carbon emissions, providing clean power sources in regions where they are not available, and contributing to poverty alleviation. The Foundation is NEC's personal effort to support small and commendable projects that would otherwise not be in the remit of its operations. NEC has pledged 5% of its profits annually to the Foundation, recognising the importance of benefiting communities both in which it is present as well as those beyond.

In December 2020, NESF made a charitable donation of £80,000 to the Foundation. This is the second year that NESF has supported the Foundation; the funds donated were utilised to contribute to projects directly related to the Foundation's mission of alleviating poverty through the nexus with renewable energy access, but also its expanded remit to respond to those most affected socially and economically by the Covid-19 pandemic. This has included:

- Completing the installation of solar systems on 100% of the primary schools in the Nkhata Bay District, Malawi;
- Contributing to the installation of a solar water farm which will provide purified drinking water for up to 2,500 litres per day in the Cabo de la Vela community, Colombia; and,
- Distributing food parcels to vulnerable children and marginalised elderly across the UK and Italy over the 2020/21 Festive period.

More details about the projects which Foundation has, and is currently supporting, can be found on the Foundation website (nextenergyfoundation.org).

Looking Ahead and Next Steps

For NESF, ESG integration is an evolving process where stakeholder engagement and implementation of industry best practice helps us to continuously improve our practices and become a leader in the solar sector.

In line with our continued commitment to climate change solutions, and our support of the UK Government's Net Zero ambition, we aim to continue our stakeholder engagement on this subject and aim to provide further transparency on what a net zero scenario implies for a solar PV portfolio.

We are planning to continue to strengthen our ESG disclosures and to deepen the overall integration of ESG into our investment process, in line with the evolving requirements of the EU Taxonomy and Disclosure Regulation; we aim to measure NESF's current portfolio performance through an expanded set of key performance indicators line with the EU Regulatory Technical Standard.

Another key area of focus continues to be the assessment of our supply chain, including module, inverter and battery suppliers, in order to determine their approach to environmental, social and governance matters and, in particular, their labour practices.

Stakeholder Engagement

We recognise the importance of maintaining a high standard of business conduct and strong and constructive relationships with our key stakeholders in order to deliver the Company's long-term strategic objectives.

As the Company has no employees and given the nature of its services, the Investment Adviser has significant dealings with our other stakeholders and, therefore, is an integral point of contact between the Company and our stakeholders. The Company's Corporate Brokers, Cenkos Securities plc and Shore Capital Ltd, are also an integral point of contact between the Company and our shareholders and, together with the Investment Adviser feed back any shareholder concerns or observations.

Our key stakeholders are shown in the table below. The table seeks to explain why those stakeholders are important to us and how we seek to engage with them, which we may do either directly or through the Investment Adviser or our Corporate Brokers as appropriate.

Some of our Key Stakeholders	Why they are important to us	How we engage with them
Investment Adviser	The Investment Adviser's performance is critical for the Company to deliver its investment strategy successfully and meet its investment and strategic objectives. Accordingly, the Company relies on the Investment Adviser's expertise, and needs to ensure the quality and sustainability of its services, to deliver the necessary performance. The Investment Adviser's culture and reputation is also important when it is representing the Company and its subsidiaries.	• Board and Committee meetings. • Ad hoc meetings and calls with the Board. • External Board evaluation, which includes feedback from the Investment Adviser. • Informal meetings.
Investment Manager	The Investment Manager's role is important to ensure all acquisitions and divestments meet the Company's investment and strategic objectives.	• Quarterly reports to the Board. • Annual evaluation by the Management Engagement Committee. • Ad hoc meetings and calls with Directors.
Shareholders (All investors in the Company– institutional investors –(including wealth managers)and retail investors (including private individuals))	A well-informed and supportive shareholder base is crucial to the long-term sustainability of our business. Understanding the views and priorities of our shareholders is, therefore, fundamental to retaining their continued support and to have the potential to access equity capital in order to continue to expand the Company's portfolio over time in order to further diversify the investment portfolio and create economies of scale.	• Annual and Interim Reports. • Quarterly factsheets. • Market announcements, including quarterly NAV announcements. • Website. • Institutional investor meetings (one-to-one and group), primarily through our Investment Adviser and corporate brokers, to update them (e.g. annual and interim results presentations) or gauge their opinions on specific matters(e.g. strategy and capital raisings). • Regular institutional investor feedback received from our Investment Adviser and corporate brokers. • Chairman meetings and other communications with substantial shareholders. • Research analyst presentations. • Dialogue with research analysts through our Investment Adviser, as and when required. • AGM. • Investor perception surveys.
Administrator	As the Company has no employees, we rely on the Administrator to provide us with administrative, fund accounting and company secretarial services. In particular, on the Administrator maintaining the accuracy of our accounting records and ensuring our compliance with applicable laws, rules and regulations.	• Board and Committee meetings. • Ad hoc meetings and calls with the Board. • Quarterly reports to the Board. • Annual evaluation of the Administrator by the Management Engagement Committee.
Other Key Service Providers and Advisers (Registrar, Financial Advisers, Legal advisers, Corporate Brokers, Public Relations and Auditors)	A strong and constructive working relationship with our other key service providers and advisers ensures that we receive high-quality services to help deliver our investment and strategic objectives.	• Board and Committee meetings. • One-to-one meetings and calls. • Provision of relevant information to or by the Company. • Annual evaluation of key service providers and advisers by the Management Engagement Committee.

Stakeholder Engagement continued

Some of our Key Stakeholders	Why they are important to us	How we engage with them
Lenders (Provider of the Company's credit facilities)	An appropriate amount of gearing is required to achieve our target returns. It is important to maintain a strong working relationship with our existing lenders in case we may need, at some point, their consent for, e.g., strategic initiatives. We also look to build strong relationships with lenders, including our existing lenders, who may provide debt facilities in the future.	• Provision of information to lenders in accordance with the terms of the relevant facility agreements. • Consultation in advance on matters which may require their consent under the relevant facility agreements.
Local Communities	Ensuring our investment creates a positive social impact is core to our sustainability approach.	• See the Environmental, Social and Corporate Governance Report on pages 43 to 44.
Asset Manager	The Asset Manager's performance is critical for the operating solar assets to deliver operational outperformance verses the budget. The Asset Manager also provide the administration and fund accounting for the Company's subsidiaries, as well as providing an Energy Sales desk to manage our electricity price ad sales strategy.	• Monthly and ad-hoc meetings with the Investment Adviser. • Monthly reports to the Investment Adviser. • Quarterly reports to the Investment Manager, which is reported to the Board. • Annual evaluation of the Asset Manager by the Management Engagement Committee.

Risks and Risk Management

We recognise that effective risk management is important to the Company's long-term sustainable success.

Approach to Managing Risk

Our risk management process is designed to identify, evaluate, manage and mitigate (rather than eliminate) the significant risks we face. The process can therefore only provide reasonable, and not absolute, assurance.

The Audit Committee formally reviews, on the Board's behalf, the effectiveness of our risk management and internal control systems bi-annually. During the course of these reviews, the Audit Committee has not identified or been advised of any material failings or weaknesses that it has determined to be material.

Risk Appetite

The Board is ultimately responsible for defining the level and type of risk that the Company considers appropriate, ensuring it remains in line with the Company's investment objective and Investment Policy that sets out the key components of its risk appetite.

The Company's risk appetite is considered in light of the emerging and principal risks that the Company faces, including having regard to, amongst other things, the level of exposure to power prices, gearing and financing risk and solar resource risk.

Emerging and Principal Risks

Details of the emerging and principal risks we face that have the potential to materially affect our business are set out below. There are some risks that we currently regard as immaterial and, therefore, they have not been included below but they may become material in the future. Other risks may be unknown to us at present.

Portfolio Management and Performance Risk

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

Risks and Risk Management continued

Operational and Strategic Risks

Risks	Summary	Mitigation
1. A decline in the price of electricity	Revenues of solar assets are dependent on the electricity market. Exposure to the wholesale energy market could impact the prices received for energy generated by and revenues forecast for the operating assets of the Company. The development of subsidy-free assets has the potential to increase this risk as once operational they generate their revenue through the wholesale energy market and short-term PPAs contracts The Company is exposed to a reduction in the price of electricity. The Covid-19 pandemic resulted in a decline in demand for energy which exacerbated recent declines in the price of electricity. This risk exists with future pandemics. A H2 2020 economic recovery, and subsequent increased demand for electricity, has driven a recovery in short- and medium- term power prices; something that is currently reflected in day-ahead prices as well as 2021 and 2022 forward pricing.	The Investment Adviser uses the most recent quarterly reports from the Consultants to be kept informed of long-term electricity prices, and uses this information to formulate the Company's electricity sales and hedging strategies. **Short-term:** The Company enters into PPAs and forward contracts to fix electricity prices for a future period ranging from six to 12months.The NEC Group has an Energy Sales desk which is responsible for hedging generation produced in the short-term. At the date of this report, the Company had secured fixed price agreements covering 87% of its UK electricity generation for the 2021/22 financial year and 63% for the 2022/23 financial year. **Long-term:** Wholesale power prices are beyond the control of the Company. Factors that could increase the price of electricity include the roll-out of electric vehicles and the electrification of domestic heating and transportation networks. The Investment Adviser reviews wholesale electricity price forecasts and enters into long-term PPAs where appropriate. **Subsidy free assets:** The Investment Adviser will plan for short-term and long-term contracts before the asset is operational.
2. Counterparty risk	This is the risk of counterparty failure. The Company has entered into O&M contracts and PPAs, which affect the costs and revenues of the Company. The Company has also contracted with various EPCs for construction of the subsidy-free assets. If the counterparty becomes insolvent there is a risk of disruption and financial loss until the counterparty is replaced.	The Asset Manager continuously monitors NESF's contracts in line with the market. There are contractual arrangements in place that have warranties in case of defaults. The Asset Manager ensures that counterparties are of an acceptable financial standing to minimise risk.
3. Plant operational risk	The Company relies on third-party contractors to provide corrective and preventative maintenance through O&M contracts. The O&M contractor could fail to fulfil its obligation and the solar plant's performance could deteriorate. Degradation of the solar modules reduce the performance of the plant over time. An increase in the rate of degradation may lead to under performance.	The Company can seek legal recourse against failure by an O&M contractor. The Asset Manager monitors and ensures that the O&M contract maintains a detailed preventative schedule, with contract warranties and penalty payments in the event of failure. NESF looks at technological improvements on an ongoing basis to offset the effect of degradation. Also, NESF has contract warranties to secure the performance of the plants.

Risks and Risk Management continued

External and Market Risks

Risks	Summary	Mitigation
1. Adverse changes in government policy and political uncertainty	On 31 January 2020 the UK left the European Union. The EU-UK Trade and Cooperation Agreement was agreed on 24 December 2020 and ratified by the UK Parliament on 30 December 2020. Uncertainty remains regarding the impact of the agreement to the UK energy market, the regulatory environment and the legal and commercial operations of the portfolio assets. Changes in policies by the coalition government in Italy could affect the value of the Italian assets.	The Investment Manager and the Board believe Brexit to have a very limited effect on the Company's financial and operating prospects. The Investment Manager will continue to closely monitor the impact of the EU–UK Trade and Cooperation Agreement on the underlying portfolio. In both the UK and Italy, the Company built up a stock of spare parts during 2019 to ensure adequate levels of spare parts are available at portfolio level to mitigate potential disruption to supply chains between EU countries. The UK's sixth carbon budget released earlier this year will enshrine the Government's commitment to reduce the country's greenhouse gas emissions to net zero. Within this commitment the Government commits to reducing greenhouse gas emissions but 78% by 2035 compared to 1990 levels. The Investment Manager does not think the UK government will introduce primary legislation to reverse this commitment as a result of Brexit. The implications of Brexit and the policies of the Italian government on the Company are not identifiable at present. These risks are beyond the control of the Company, but the Company closely monitors developments and their impact on the solar industry and would consider legal remedies.
2. Adverse changes to regulatory framework for solar PV	Uncertainty for the future regulatory framework for solar PV creates a risk that further planned acquisitions do not take place. This would affect the Company's growth potential, valuation and profitability.	The Company actively monitors regulatory changes within the industry and participates in contributions towards government discussions on the industry.
3. Changes to tax legislation and rates	Changes to the existing rates and rules could have an adverse effect on the valuation of the portfolio and levels of dividends paid to shareholders.	NESF has tax advisers to ensure awareness of any upcoming changes to tax legislation and rates, to implement the necessary changes as quickly and smoothly as possible.
4. Health and Safety	The Covid-19 pandemic could affect the supply chain for solar equipment, work environment at sites and at our Investment Adviser and other stakeholders' offices and the welfare of our staff working from home.	Covid-19 health and safety practices have been implemented to conform to local governmental standards.

Going Concern and Viability

Going Concern

This Strategic Report describes the Company's business activities, together with the factors likely to affect its future performance, position and prospects. The financial position of the Company, its cash flows, liquidity position and borrowing facilities are referred to in the Chairman's Statement, Investment Manager's Report and notes to the Financial Statements.

The NESF Group's cash balance as at 31 March 2021 was £11m, all of which was readily available. It also had immediately available but undrawn amounts under its debt facilities of a further £36m. The NESF Group had capital commitments totaling £9.5m at the year end. The majority of the NESF Group's revenues are derived from government subsidies. A significant part of the NESF Group's borrowings are on a non-recourse basis. The Company's portfolio is diversified by geography, components, plant size, subsidy schemes and revenue streams.

The Board is satisfied that the Company has sufficient financial resources available to be able to manage the Company's business effectively and pursue the Company's principal activities and investment objective. In particular, the Board is not currently aware of any material uncertainties in relation to the Company's ability to continue for a period of at least 12 months from the date of approval of this Annual Report. The Board is of the opinion, therefore, that the going concern basis adopted in the preparation of the Financial Statements is appropriate.

Assessment of Viability

In accordance with the AIC Code of Corporate Governance and the FCA's Listing Rules, the Directors have assessed the prospects of the Company over a longer period than the 12 months required when preparing financial statements on a going concern basis.

In reviewing the Company's viability, the Directors have assessed its viability for the period to 31 March 2026. The Board believes this period, being approximately five years, is an appropriate period over which to assess the Company's viability as it is consistent with the five year period used by the Board when considering the Company's investment strategy and medium-term business plans, including cash flows, and is considered reasonable having regard the long-term nature of the Company's investment strategy.

The Company owns a portfolio of solar energy infrastructure assets in the UK and Italy that are predominantly fully constructed, operational and generating renewable electricity. As a result, it benefits from predictable and reliable long-term cash flows and is subject to a set of risks that can be identified and assessed. Each solar asset is supported by a detailed financial model at acquisition and incorporated into the Company's valuation model for quarterly valuations. The Directors believe that the diversification within the Company's portfolio of solar assets helps to withstand and mitigate the emerging and principal risks the Company is most likely to face. The Company's revenues from investments provide substantial cover to the operating expenses of the SPVs, HoldCos and the Company and any other costs likely to be faced by any of them over the viability assessment period.

NESF prepares a five-year cash flow forecast annually and the Investment Manager and the Board review this as part of their business planning and to address the sustainability of the dividends. This forecast is based on the Investment Manager's expectations of future asset performance, income and costs, and are consistent with the methodology applied to provide the valuation of the investments. The forecast considers the Company's cash balances, cash flows, dividend cover, other financial ratios, compliance, investment policy and key operational and financial indicators over the period. Furthermore, the forecast also considers the terms of the Company's borrowing facilities (mainly interest payable, amortisation and financial covenants) and the terms of the preference shares and their limited redemption rights. Apart from any drawings under two revolving credit facilities for an aggregate of £90m that expire in 2022, there are no borrowings by the Company or any of the HoldCos or SPVs that are expected to be refinanced. However, the forecast considers raising further short-term debt and equity to acquire future assets.

The viability assessment assumes continued government support for existing subsidy arrangements for the assets within the portfolio.

The key assumptions underpinning the cash flows and covenant compliance forecasts are subject to sensitivity analysis to explore and evaluate the Company's resilience to the potential impact of those emerging and principal risks summarised on pages 48 to 50 that, both individually and in aggregate, could prevent the Company from delivering on its investment strategy. The emerging and principal risks that are subject to the sensitivity analysis are outlined in note 19b on pages 97 to 100, as these could have a material negative impact on valuations and cash flows and give rise to a reduction in the availability of finance. The remaining emerging and principal risks, whilst having an impact on the Company's business model and future performance, position and prospects, are not considered by the Directors to have a reasonable likelihood of impacting the Company's viability over the five-year period to 31 March 2026.

The sensitivities performed were designed to be severe but plausible and to take full account of the availability and likely effectiveness of mitigating actions that could be taken to reduce or avoid the impact or occurrence of the underlying risks.

If the ordinary shares trade, on average, at a discount to the NAV in excess of 10% over any financial year of the Company, the Board is required to propose, at the next AGM, a special resolution that the Company ceases in its current form. In assessing the likelihood of a discontinuation resolution being triggered, the Board has had regard to the historic average premia/discounts of the Company's ordinary shares and its peers over rolling 12 month periods since the Company's IPO in 2014.

Viability Statement

Having considered the five-year forecast cash flows and covenant compliance, the impact of the sensitivities in combination and the emerging and principal risks facing the Company, the Directors confirm that they have a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the period to 31 March 2026.

Going Concern and Viability continued

Covid-19 Pandemic

The pandemic has affected all levels of business and society since early 2020. The Directors do not believe that there is a significant risk to the business and continue to monitor developments and follow governmental guidelines.

Approval

This Strategic Report was approved by the Board on 16 June 2021 and signed on its behalf by:

Kevin Lyon
Chairman
16 June 2021

BERWICK

- 8.2MW installed
- Energised in March 2016
- 1.4 ROC subsidy
- 2,000 homes powered annually
- East Sussex

Governance

Introduction from the Chairman

Kevin Lyon
Chairman

I am pleased to present the Company's Corporate Governance Report, which comprises pages 58 to 65, for the year ended 31 March 2021.

We believe that strong corporate governance gives the Company's shareholders and other key stakeholders confidence in the Company's trustworthiness, fairness and transparency. The practice of good governance is, therefore, an integral part of the way we manage the Company and plays an important role in shaping the Company's long-term sustainable success and achieving our strategic objectives.

In April 21, the Board commissioned an independent specialist to carry out a perception study with NESF shareholders. The study involved speaking to investors to listen to their views. This was a productive and helpful exercise and the views and opinions of the shareholders have been duly noted and will be considered. The initiative formed part of NESF's pro-active approach to increase market understanding and promote engagement. The Board would like to thank all participants for their valuable contribution.

Corporate Governance Regime

This Corporate Governance Report explains how we apply the principles and provisions of the AIC Code of Corporate Governance (February 2019). It provides details of the key aspects of our corporate governance framework and seeks to demonstrate how the Board and its Committees have operated during the year and how we exercise effective stewardship over the Company's activities for the benefit of our shareholders as a whole, whilst having regard to the interests of wider stakeholders.

Board Composition and Evaluation

Sue Inglis (Sue) resigned from the Board on 31 March 2021. This reduced our gender diversity, with our female Director making up 25% of the Board. The Board continues to keep its composition under review.

During the year, we implemented our second external Board evaluation, which was undertaken by Linstock Limited. Overall, the conclusions from the evaluation were positive, although they did identify some areas that we should seek to improve upon and we are responding to the recommendations. The AIC Code requires us to undertake externally facilitated Board evaluations at least every three years. Further information on this year's evaluation process and its findings can be found under "Annual Performance Evaluations" on pages 63 and 64.

Management Engagement Committee

Following Sue's resignation, the Board resolved that Joanne Peacegood be appointed as chair of the Management Engagement Committee. Further information on the principle responsibilities of the Management Engagement Committee can be found on page 55.

Engagement with Our Key Stakeholders

We recognise the importance of engaging with our key stakeholders and information on how we do this can be found under "Engagement with Our Stakeholders" on pages 46 and 47. During the year, we updated the Company's website (nextenergysolarfund.com), incorporating improved features and additional functionality. We will continue to look at how we engage with all of our key stakeholders to ensure that our engagement is both appropriate for the Company's business and dynamic so that we can respond as the business and our key stakeholders' views evolve.

Kevin Lyon
Chairman
16 June 2021

Governance Framework

Our governance framework reflects the fact that, as an investment company, the Company has no employees, its Directors are all non-executive and its day-to-day activities, including investment management and administration, are outsourced to external service providers.

NEXTENERGY SOLAR FUND

BOARD

(All independent of the Investment Manager, Investment Adviser and Administrator)

Independent Chairman: Kevin Lyon (since 22 January 2014)
Principal Responsibilities: To lead the board; to ensure the board's overall effectiveness in directing NESF

Senior Independent Director: Vic Holmes (since 22 January 2014)
Principal Responsibilities: To provide a sounding board for the chairman and serve as an intermediary for the other directors and shareholders

Non-executive Directors: Patrick Firth (since 22 January 2014), Joanne Peacegood (since 20 February 2020)

SCHEDULED MEETINGS: 4 p.a.

PRINCIPAL RESPONSIBILITIES:

To promote the long-term sustainable success of NESF, generating value for shareholders whilst having regard to the interests of wider stakeholders

To set NESF's strategic objectives and ensure that the necessary resources are available for it to meet its objectives

To establish a framework of prudent and effective controls that enable risk to be assessed and managed

To oversee the performance of the Investment Manager and other external service providers

To ensure effective engagement with shareholders and other key stakeholders

To robustly scrutinise and constructively challenge all matters that come before the board

A — AUDIT COMMITTEE

MEMBERSHIP: All Directors

CHAIRMAN: Patrick Firth (since 2014)

SCHEDULED MEETINGS: 3 p.a.

PRINCIPAL RESPONSIBILITIES:

To oversee the quality of financial reporting

To review and monitor the risks the company is exposed to, its risk appetite and the effectiveness of its risk management framework

To review the effectiveness of the external audit process and independence of the external auditor

M — MANAGEMENT ENGAGEMENT COMMITTEE

MEMBERSHIP: All Directors

CHAIRMAN: Jo Peacegood (since 31 March 2021)

SCHEDULED MEETINGS: 1 p.a.

PRINCIPAL RESPONSIBILITIES:

To evaluate at least annually the performance and continuing appointments of the Investment Manager and other key service providers and advisers

R — REMUNERATION AND NOMINATIONS COMMITTEE

MEMBERSHIP: All Directors

CHAIRMAN: Vic Holmes (since 2014)

SCHEDULED MEETINGS: 1 p.a.

PRINCIPAL RESPONSIBILITIES:

To keep under review the Directors' remuneration policy

To review and evaluate regularly the Board's composition and succession planning and lead the process for new Board appointments

To lead the annual evaluation of the Board and Committees

Board of Directors

Kevin Lyon
Chairman

Resident: UK

Appointed: 22 January 2014

Independent: Yes

Relevant Skills and Experience:

Over 30 years of experience in private equity and Director positions in a number of different companies.

Qualified Chartered Accountant.

Spent approximately 17 years with 3i Group, responsible for their core private equity business across the UK, with a team of 10 directors and 40 executives.

Independent Non-executive Director and Chairman of more than 20 companies over the last 15 years, including Smart Metering Systems plc, Valiant Petroleum plc, Wyndeham Press Group, Craneware plc, Booker plc, David Lloyd Leisure and Phase 8.

Attended management courses of INSEAD, IESE and Ashridge.

Awarded the Institute of Directors Scotland Non-executive Director of the Year Award in 2013.

Principal External Appointments:

Chairman of Inoapps Ltd, a vendor of Oracle software and AMG Vango, an owner & distributor of outdoor brands.

Non-executive Director of retailer SpaceNK.

Vic Holmes
Senior Independent Director

Resident: Guernsey

Appointed: 22 January 2014

Independent: Yes

Relevant Skills and Experience:

Over 30 years of experience in financial services.

Qualified Chartered Certified Accountant.

Joined the Board of Guernsey International Fund Management Limited, Guernsey's largest fund administration company, in 1986.

Head of Northern Trust's Irish businesses (2005 to 2007) and Channel Island businesses (2007 to 2011).

Chairman of the Guernsey Investment Fund Association's executive committee from 2013 to 2015.

Has served on a wide range of fund-related Boards, based mainly in Guernsey and Ireland but also in the UK and Cayman Islands, since 1986.

Spent 15 years in managing director positions with Baring Asset Management Group companies until 2005.

Principal External Appointments:

Chairman of Permira Holdings Limited, Utmost Worldwide Limited, Highbridge Tactical Credit Fund Limited and Ocorian Admin (Guernsey) Limited.

Non-executive Director of DBG Management GP (Guernsey) Limited, Rothschild & Co BI Limited and a range of Ashmore funds.

Board of Directors continued

Patrick Firth
Non-executive Director

Resident: UK

Appointed: 22 January 2014

Independent: Yes

Relevant Skills and Experience:

Has worked in the fund industry in Guernsey since joining Rothschild Asset Management C.I. Limited in 1992.

Qualified Chartered Accountant.

Managing Director at Butterfield Fund Services (Guernsey) Limited (subsequently Butterfield Fulcrum Group (Guernsey Limited), a Company providing third party fund administration services, from 2002 to 2009.

Former Chairman of the Guernsey International Business Association and of the Guernsey Investment Fund Association.

A member of the Chartered Institute of Securities and Investment.

Principal External Appointments:

Non-executive Director of a number of management companies, general partners and investment companies, including Riverstone Energy Limited, ICG-Longbow Senior Secured UK Property Debt Investments Limited, India Capital Growth Fund Limited and Sancus Lending Limited (formerly GLI Finance Limited).

Joanne Peacegood
Non-executive Director

Resident: Guernsey

Appointed: 20 February 2020

Independent: Yes

Relevant Skills and Experience:

Over 20 years of experience in the Investment Management sector including Premium Listed Funds and Alternative assets.

Qualified Chartered Accountant and Institute of Directors Diploma.

Worked for big four accounting firms in the Channel Islands UK and Canada for over 20 years.

Led hundreds of audits for reputable Asset Management clients and Controls Assurance engagements.

Expertise in Valuations, Corporate Governance, Audit, Accounting, Risk, Controls and Regulations.

Previous Innovation & Technology leader overseeing technology solutions to enable the business to operate more efficiently.

Chair of Guernsey Investment & Fund Association.

Council member of Guernsey International Business Association.

Member of the Cyber Partnership Forum (Guernsey) and the AIC Channel Islands Committee.

Principal External Appointments:

Non-executive Director roles include Cairngorm (Private Equity), Alpha (Private Equity), Ashgrove (Debt), Castelnau (Equity), Danske (Hedge), Guernsey Electricity (Utilities) and Longview (Asset Managers).

Corporate Governance Statement

Statement of Compliance

The Board considers that the principles and provisions set out in the AIC Code of Corporate Governance (February 2019) provide the most appropriate framework for the Company's governance and reporting to shareholders. The AIC Code addresses the principles and provisions set out in the UK Corporate Governance Code (July 2018) as well as setting out additional principles and recommendations on issues that are of specific relevance to investment companies. The AIC Code includes an explanation of how the AIC Code adapts the principles and provisions set out in the UK Corporate Governance Code to make them relevant for investment companies. The AIC Code is available on the AIC's website (www.theaic.co.uk).

The AIC Code has been endorsed by the Financial Reporting Council and the Guernsey Financial Services Commission. By reporting against the AIC Code, the Board is meeting its obligations in relation to:

- the UK Corporate Governance Code (and associated disclosure requirements under the FCA's Listing Rule 9.8.6R) and, accordingly, the Company does not need to report further on issues contained in the UK Corporate Governance Code which are irrelevant to it; and
- the Guernsey Financial Services Commission's Finance Sector Code of Corporate Governance (February 2016).

The Company has complied with the principles and has complied with the provisions of the AIC Code during the year ended 31 March 2021.

Board Leadership and Company Purpose

Board Leadership

The role of the Board is to promote the long-term sustainable success of the Company, generating value for our shareholders whilst having regard to the interests of wider stakeholders.

The Investment Manager, Investment Adviser and Administrator are responsible for implementing the Company's strategy and managing the Company's day-to-day activities and operations. The Company's success is based on such implementation and management being effective. The Board leads and provides direction for the Investment Manager, Investment Adviser and Administrator by setting the Company's strategic objectives within a robust framework of risk management and internal controls. The Board oversees the execution of the Company's strategy and implementation of its key investment, financial, operational and compliance policies, enabling it to scrutinise robustly and challenge constructively the performance of the Investment Manager, Investment Adviser and Administrator.

Company Purpose, Values and Strategy

The Company's principal purpose is to provide ordinary shareholders with attractive risk-adjusted returns, principally in the form of regular dividends, by investing in a diversified portfolio of primarily UK-based solar energy infrastructure assets, through investment in a diversified portfolio of solar assets managed in accordance with its Investment Policy. Details of the Company's investment and strategic objectives and its investment strategy are set out in "Our Objectives" and "Our Investment Strategy and Track Record" on pages 17 and 18 respectively. In setting the Company's strategic objectives, the Board had regard to the interests of the Company's key stakeholders.

The Strategic Report describes:

- how the Company seeks to generate and preserve value over the long-term (see "Portfolio Optimisation" in the Investment Adviser's Report on page 23);
- the key considerations relating to new investment opportunities (see "Portfolio Highlights" in the Investment Adviser's Report on pages 22 and 23);
- the emerging and principal risks to the future success of the Company and how we seek to manage and mitigate them (see "Risks and Risk Management" on pages 48 to 50); and
- the sustainability of the Company's business model (see "the Going Concern and Viability section" on pages 51 and 52).

We aim to ensure the Company is run in a manner that is consistent with our belief in integrity, fairness and transparency and responsive to the views of the Company's shareholders and wider stakeholders.

Board Culture

Our culture is based on openness, trust and candour between Board members, respect for differing opinions and areas of expertise and individual and collective accountability. We believe that this culture encourages constructive and robust challenge and debate, generates strong collective wisdom, and ultimately leads to good decision making, all of which are important to the successful implementation of the Company's strategy.

We seek to ensure that our culture is aligned with the Company's purpose, values and strategy principally through ongoing and regular dialogue and engagement with the Investment Manager, Investment Adviser and Administrator, whose efforts are collectively directed towards delivering returns to shareholders in line with the Company's purpose, and monitoring the performance and management of the Company.

Section 172 Statement

Section 172 of the Companies Act 2006 ("Section 172") applies directly to UK domiciled companies. Nonetheless, although NESF is a Guernsey company, the intention of the AIC Code is that the matters set out in section 172 are reported on by all companies, irrespective of domicile, provided this does not conflict with local company law. Under section 172, directors have a duty to promote the success of their company for the benefit of its members as a whole, whilst having regard to (amongst others) the likely consequences of their decisions in the long-term and the interests of the company's wider stakeholders.

Information on how we have acted in accordance with the requirements of section 172 is included throughout the Strategic Report and this Corporate Governance Report. In particular:

- information on the Company's values and business model and our culture can be found under "Our Business Model" on pages 13 to 15 and under "Company Purpose, Values and Strategy" on the previous page;
- details of how the Company seeks to generate and preserve value over the long-term can be found in the Investment Adviser's Report on pages 22 to 31;
- information on the emerging and principal risks that could disrupt the long-term success of the Company and how we seek to manage and mitigate them are considered under "Risks and Risk Management" on pages 48 to 50;
- details of the Company's key stakeholders, why they are important to us and how we engage with them can be found in "Engagement with Our Stakeholders" on pages 46 and 47;
- in relation to the Company's solar assets, the Asset Manager and the Investment Adviser have day-to day responsibility for the Company's dealings with suppliers, contractors, customers and others and information of how they foster these relationships are included on pages 46 and 47;
- information on how the Company's operations impact on the environment and the communities in which its solar assets are located are included in the Sustainability and ESG section on pages 42 to 44; and
- a summary of the Board's principal activities during the year under review is included under "Principal Roles" on page 61.

In making decisions, our aim is always to ensure the long-term sustainable success of the Company and, therefore, the likely long-term consequences of any decision are a key consideration. In relation to the decisions we took during the year under review, we acted in the way we considered, in good faith, would be most likely to promote the Company's long-term sustainable success and achieve its wider objectives for the benefit of our shareholders as a whole, having had regard to our wider stakeholders and the other matters set out in Section 172.

Conflicts of Interest

The Directors have a duty to avoid situations where they have, or could have, a direct or indirect interest that conflicts, or possibly could conflict, with the Company's interests ("conflict situations"). A Director must inform the Chairman (or, in the case of the Chairman, the Senior Independent Director) as soon as they become aware of the possibility of a conflict situation.

Where it is deemed appropriate, the Board may approve conflict situations. In deciding whether to approve a conflict situation, the Board will act in a way it considers, in good faith, will be most likely to promote the Company's long-term sustainable success. The Board can impose limits or conditions when giving approval if it considers this appropriate.

We believe that our arrangements for approving and monitoring of potential conflict situations is operating effectively.

There were no conflict situations during the year under review (or since the end of the year).

Division of Responsibilities

Board

The Board comprises four Directors, all of whom are non-executive and independent, and is chaired by Kevin Lyon. The biographies of the Directors are on pages 56 and 57.

The Board's principal responsibilities include:

- promoting the Company's long-term sustainable success, generating value for our shareholders whilst having regard to the interests of wider stakeholders;
- setting the Company's strategic objectives and ensuring that the necessary resources are in place for the Company to meet its objectives;
- establishing a framework of prudent and effective controls that enable risk to be assessed and managed;
- establishing a framework of high standards of corporate governance;
- overseeing the execution of the Company's strategy and implementation of its key investment, financial, operational and compliance policies;
- overseeing the performance of our Investment Manager, Investment Adviser, Administrator and other key service providers and advisers;
- ensuring effective engagement with shareholders and other key stakeholders; and
- robustly scrutinising and constructively challenging all matters that come before the Board.

The Board has overall responsibility for the Company's activities. However, it has delegated or outsourced various matters to its standing Committees and day-to-day activities to the Investment Manager and the Administrator, all of which operate within clearly defined terms of reference or agreements that set out their roles, responsibilities and authorities. All other matters are reserved for consideration and approval by the Board (including those matters listed in a formal schedule of reserved matters approved by the Board), thus enabling the Board to maintain full and effective control over appropriate strategic, financial, operational and compliance issues. The reserved matters include:

- the overall management and leadership of the Company, including setting of the strategic objectives;
- changes to the Company's equity and debt capital structures;
- the Company's dividend policy and declaration of dividends;
- the Company's financial reporting and controls;
- ensuring the appropriate systems of internal control and risk management strategy are in place;
- approval of material contracts and agreements entered into, varied or terminated;
- approval of related party transactions;

Corporate Governance Statement continued

- approval of quarterly and any ad hoc net asset value and related announcements;
- the Company's operating and marketing budgets;
- Board and Committee memberships; and
- all corporate governance matters.

To enable the Board to fulfil its responsibilities, the Directors are expected to provide strategic guidance, constructive challenge, offer specialist advice and hold the Investment Manager, Investment Adviser, Administrator and other service providers and advisers to account.

The Directors have access to the advice and services of the Administrator. Where necessary, in carrying out their duties, the Directors may also seek independent professional advice and services at the expense of the Company.

Chairman

The current Chairman is Kevin Lyon. His primary role as Chairman is to provide leadership to the Board. The principal responsibilities of the Chairman include:

- the overall effectiveness of the Board in directing the Company;
- taking a leading role in setting the Company's strategic objectives;
- promoting behaviors and attributes that make up the Board's culture (details of which can be found under "Board Culture" on page 58);
- ensuring the Company is meeting its responsibilities to shareholders and wider stakeholders; and
- engaging with shareholders to ensure that the Board has a clear understanding of their views.

The effectiveness and independence of the Chairman is evaluated on an annual basis as part of the Board's performance evaluation. Information on the 2021 appraisal of the Chairman can be found under "Annual Performance Evaluations" on pages 63 and 64.

Senior Independent Director

The current Senior Independent Director is Vic Holmes. His primary role as such is to serve as a sounding board for the Chairman, act as an intermediary for other Directors and be available to respond to shareholders' concerns if they cannot be resolved through the normal channels of communication (i.e. through the Chairman). The Senior Independent Director leads the annual evaluation of the Chairman (see "Annual Performance Evaluations" on pages 63 and 64 for information on the 2021 annual evaluation).

Board Committees

The Board has three standing Committees:

- **Audit Committee:** The Audit Committee is chaired by Patrick Firth. Information on the Audit Committee's membership, roles and responsibilities is included in the Audit Committee Report on pages 69 to 71.
- **Management Engagement Committee:** The Management Engagement Committee is chaired by Joanne Peacegood.

  Remuneration and Nominations Committee: The Remuneration and Nominations Committee is chaired by Vic Holmes. Information on the membership and the remuneration-related roles and responsibilities of the Committee are included in the Directors' Remuneration Report on pages 66 to 68.

  The Committee's nomination-related responsibilities include:

- reviewing the Board composition and assessing whether the balance of skills, experience, knowledge, diversity and independence is appropriate to enable the Board to discharge its responsibilities effectively and efficiently;
- succession planning;
- leading the process for new appointments to the Board; and
- leading the annual evaluation of the Board and its Committees.

A copy of the terms of reference of each Committee is available on the Company's website (www.nextenergysolarfund.com). The Committees review their terms of reference at least annually, with any proposed changes recommended to the Board for approval.

The Board also establishes additional Committees from time to time to take operational responsibility for specific matters following "in principle" approval from or with subsequent ratification by the Board. These Committees ensure that key matters are dealt with efficiently.

Investment Manager and Investment Adviser

A Management Agreement between the Company and the Investment Manager sets out the matters over which the Investment Manager has authority and responsibility. Under the Management Agreement, but subject to the overall control and supervision of the Board, the Investment Manager has full discretion to make investments in solar assets that have been recommended by the Investment Adviser and meet the requirements of the Company's Investment Policy.

The Investment Manager is also the Company's Alternative Fund Manager ("AIFM") for the purpose of the EU's AIFM Directive. As the AIFM, the Investment Manager also has responsibility for all risk management and portfolio management activities. In addition, the Investment Manager has been granted powers by the Company as regards its HoldCos and SPVs in order to facilitate the performance of its obligations.

The Investment Adviser's role primarily entails the origination, evaluation, co-ordination and recommendation of investment opportunities for the Company and the related provision of investment advice to the Investment Manager in respect of strategy, acquisitions and disposals, portfolio efficiencies, financing, market developments and other matters that may affect the Company's portfolio or the Company's ability to meet its investment or strategic objectives. In addition, the Investment Adviser is responsible for overseeing the performance of the Company's portfolio.

In advance of Board meetings, the Investment Manager provides regular reports, which include operating updates on the Company's solar assets, information on potential new investment opportunities, cash flow forecasts and other financial information, industry updates and other relevant information. Senior representatives of the Investment Manager and the Investment Adviser attend Board meetings. In addition, there is regular contact between the Board, Investment Manager and Investment Adviser, including informal meetings between Board meetings. Our active engagement and supportive working relationship with the Investment Manager and Investment Adviser create an open and collaborative culture that ensures that we have a thorough understanding of the Company's business and facilitates our robust scrutiny and constructive challenge of the activities and performance of the Investment Manager and Investment Adviser.

Administrator

The Company has appointed the Administrator to provide company secretarial, fund accounting and administration services. The Administrator's responsibilities include:

- ensuring that the Company complies with applicable Guernsey laws, rules and regulations and also the FCA's rules and regulations applicable to investment companies with a premium listing and of the London Stock Exchange's rules and regulations;
- advising on all governance matters;
- supporting the Board to ensure that it has the policies, processes and information it needs in order to function effectively and efficiently;
- under the direction of the Chairman, facilitating the flow of information between the Board, Committees, Investment Manager, Investment Adviser and other service providers and advisers; and
- ensuring that Board procedures are followed.

In advance of Board meetings, the Administrator provides regular reports, which include financial and other operational information, details of any breaches or complaints and relevant legal, regulatory, corporate governance and other technical updates. There is also regular contact between the Directors and the Administrator between Board and Committee meetings. Our working relationship and dialogue with the Administrator provides us with a thorough understanding of the Company's operational activities, ensures we comply with relevant legal, regulatory, corporate governance and other technical requirements and facilitates our effective oversight and scrutiny of the activities and performance of the Administrator.

Board and Committee Meetings and Activities

Meetings

The Board and its standing Committees hold regular scheduled meetings and additional meetings as required. The agenda for each meeting is prepared by the Administrator and approved by the Chairman of the relevant meeting. Representatives of the Investment Manager, Investment Adviser and Administrator attend all scheduled meetings, although the Directors may meet without all or some of them being present.

Agendas, along with reports and other papers containing relevant, concise and clear information, are circulated to the Board and Committees in a timely manner to enable review and consideration prior to scheduled and ad hoc meetings. This ensures that the Directors are capable of contributing to and making informed decisions. The Board or a Committee may also seek, as required, further clarification of matters from the Investment Manager, Investment Adviser, Administrators and other service providers or advisers by means of additional reports and/or in-depth discussions.

The primary focus at the quarterly Board meetings is:

- a review of the Company's investments, including their performance and any operational issues and asset management initiatives;
- any investment opportunities and how they fit within the Company's strategy;
- legal, regulatory and market developments that may impact the Company or its investments;
- valuation of investments and NAV calculation;
- the Company's financial performance;
- the Company's financial and regulatory compliance;
- investor relations, shareholder analysis and marketing; and
- peer group benchmarking and other relevant sector information.

Board Activities

In addition to routine business at the quarterly Board meetings, matters considered by the Board during the year under review included:

- changes to the Company's Investment Policy, as approved at the AGM on 11 September 2020 (see "Investment Policy" in the Strategic Report of pages 17 and 18);
- consideration of the Company's dividend policy (see "Dividend Policy" in the Strategic Report of page 15);
- the Company's strategy and strategic aims, including in respect of UK subsidy-free solar and international assets (see "Portfolio Update" in the Chairman's Statement on pages 8 and 9 and in the Investment Adviser's Report on pages 22 and 23);
- approving the Annual and Interim Reports;
- engaging an independent service provider to consider the valuation process;
- the Board and Committee Composition and Evaluation (see Board Composition, Independence and Succession on page 62); and
- recommendations from its Committees.

Committee Activities

Information on the activities of the Audit Committee during the year under review can be found under "Responsibilities and Activities" in the Audit Committee Report on pages 69 to 71. The Management Engagement Committee has agreed that next annual evaluation of the Company's key service providers, including the Investment Manager, Investment Adviser and Administrator, and advisers will be completed in Q4 2021. Matters considered by the Remuneration and Nominations Committee during the year under review included:

- **Board Composition:** Following Sue Inglis' resignation with effect from 31 March 2021, and having evaluated the skills, experience, knowledge and tenure of the continuing Directors, the Committee concluded that an immediate replacement would not be sought.

Corporate Governance Statement continued

The Committee will continue to keep the Board's composition under review. Details of the Board Composition are discussed under "Board Composition and Independence" below.

- **Annual evaluation of the effectiveness of the Board and its Committees:** Details of the evaluation process and the outcomes can be found under "Annual Performance Evaluations" on pages 63 and 64.
- **Succession planning:** Details of the intended succession plan can be found under "Succession Planning" on page 63.

Meeting Attendance

The number of scheduled Board and Committee meetings during the year under review which each Director was entitled to attend, and the attendance of the individual Directors at those meetings, is shown in the table below.

In addition to the scheduled Board meetings, there were 10 ad hoc Board meetings, one ad hoc meetings of the Audit Committee and one ad hoc meeting for each of the Remuneration and Nominations Committee and Management Engagement Committee during the year under review. These meetings were convened to conclude a number of matters previously discussed at scheduled meetings and to deal with administrative and process matters. Ad hoc meetings are typically convened at relatively short notice and are held in Guernsey. It is not always feasible or necessary for all the Directors to attend the ad hoc meetings. However, Directors who are unable to attend an ad hoc meeting are expected to communicate their views on any matters to be discussed to their fellow Directors ahead of the meeting.

Board Composition, Independence and Succession

The Board currently comprises four Directors, all of whom are non-executive and independent of the Investment Manager and the Investment Adviser. Details of the Directors' skills, experience and principal external appointments are included in their biographies on pages 56 and 57.

The current Chairman, Kevin Lyon, Senior Independent Director, Vic Holmes, and Audit Committee Chairman, Patrick Firth, have held their positions since the Company's IPO in 2014. Joanne Peacegood has held her position since 20 February 2020. The Chairman (or any other of the Directors) do not have, and have not had, any relationships or circumstances that may create a conflict of interest between their interests and those of the shareholders.

Appointments to the Board

The Remuneration and Nominations Committee oversees the recruitment process, which generally includes the use of a firm of Non-executive Director recruitment consultants.

When considering new appointments, the Committee takes into account other demands on the candidates' time. In advance of joining the Board, new Directors are asked to disclose any existing significant commitments with an indication of the time involved and to confirm that they are able to allocate sufficient time to the business of the Company and that there are no situations where they have, or could have, a direct or indirect interest that conflicts, or possibly could conflict, with the Company's interests.

At the time of appointment, a new Director receives a letter of appointment that sets out their duties and obligations. Copies of the letters of appointment of the current Directors are available for inspection at the Company's registered office and at each AGM.

An induction programme for new Directors is in place. This includes meetings with the senior members of the NextEnergy Capital team involved in the management of the Company and the Administrator, as well as visiting at least one of the Company's sole PV assets.

Details of changes to the Board during the year under review can be found under "Board Composition and Evaluation" on page 54.

Board Commitments

Prior to taking on any new listed board, time consuming, conflicted or otherwise significant appointments, a Director must seek the prior approval, on behalf of the Board, of the Chairman (or, in the case of the Chairman, the Senior Independent Director). If the Chairman (or Senior Independent Director) believes the relevant appointment causes a conflict or potential conflict of interest, they will refer the appointment for consideration and, if appropriate, approval of the

Director	Board	Audit Committee	Management Engagement Committee	Remunerations and Nominations Committee
Kevin Lyon	4/4	3/3	1/1	1/1
Vic Holmes	4/4	3/3	1/1	1/1
Patrick Firth	4/4	3/3	1/1	1/1
Joanne Peacegood	4/4	3/3	1/1	1/1
Sue Inglis[1]	4/4	3/3	1/1	1/1

[1] Sue Inglis resigned as a Director on 31 March 2021.

Board. A Director must promptly notify the Administrator of any new board appointments that they take on.

When considering whether to recommend the election or re-election of a Director at any AGM, the Board assesses the Director's continuing ability to meet the time requirements of the role by considering, amongst other things, their attendance at Board, Committee and other ad hoc meetings held during the year as well as the nature and complexity of their other external roles.

The Directors' attendance at all scheduled Board and Committee meetings held during the year is shown in the table on page 62. Patrick Firth was appointed to the Board of India Capital Growth Fund Limited, a company listed on the premium segment of the main market of the London Stock Exchange, with effect from 25 September 2020. Neither the Chairman nor any of the other Directors took on any other listed board appointments during the year under review (or since the end of the year). The Board believes all the Directors have sufficient time to meet their Board responsibilities.

Board Diversity

Appointments to the Board are made on merit, having due regard to the benefits of diversity in its widest sense (including gender, age, social and ethnic backgrounds and cognitive and personal skills, experience and strengths) and with the objective of ensuring that the Board and its Committees have the skills, experience and knowledge necessary to bring a wide range of perspectives and to discharge their responsibilities effectively. Our priority when making new appointments is to identify the candidate with the best range of skills, experience and knowledge to complement those of the existing Directors. Accordingly, we do not believe it is in the interests of the Company or its shareholders to set prescriptive targets for diversity on the Board.

Board Tenure

We have considered the tenure for Directors, including the Chairman, and are mindful that three Directors will reach their ninth anniversary simultaneously in January 2023. We have considered succession planning and concluded that no Director should normally remain in office beyond the date of the AGM following the ninth anniversary of their first appointment to the Board. However, this period may be extended to facilitate effective succession planning, as outlined in the section below.

None of the Directors has been on the Board for nine years or more. The date of appointment of each Director can be found in their biographies on pages 56 and 57.

Succession Planning

The Remuneration and Nominations Committee is responsible for reviewing the succession plans for the Board. Kevin Lyon, Vic Holmes and Patrick Firth are the longest standing Directors, having been appointed at the time of the Company's IPO in 2014. Whilst the Board does not consider that length of service in itself necessarily undermines a Director's independence or that each Director, including the Chairman, should serve for a finite fixed period, the Remuneration and Nominations Committee has reviewed and recommended to the Board a succession plan for the staged refreshment of the Board with Patrick Firth, Kevin Lyon and Vic Holmes to resign at the 2022, 2023 and 2024 AGMs respectively.

Election and Re-election by Shareholders

All Directors stand for re-election at each AGM of the Company, save that, at the first AGM following their appointment, a new Director stands for election.

The Board has reviewed the outcome of the annual Board evaluation, information on which is set out under "Annual Performance Evaluations" below. The Board has also assessed each Director's independence, time commitment to the Company, contribution (outside of the usual meeting cycle as well as in scheduled meetings) since they were last elected or re-elected, and tenure, as well as the nature and complexity of their other external roles and whether their election or re-election would be in the best interests of the Company. We believe that the Board is well balanced and possesses the necessary breadth of skills, experience and knowledge and diversity of gender and cognitive and personal strengths to ensure it functions effectively and efficiently in discharging its responsibilities, which is important to the long-term sustainable success of the Company. We are also satisfied that each Director continues to perform effectively, to be independent and to demonstrate commitment to their role. Therefore, resolutions will be proposed at this year's AGM to re-elect all four Directors.

Removal of Directors

The Directors' letters of appointment do not impose any maximum limit on the period for which they may serve, although the continuation of their appointment is contingent on satisfactory performance evaluation and annual re-election (or, in the case of a Director appointed since the previous AGM, election) by shareholders at the AGM.

Under their letter of appointment, a Director's appointment may be terminated at any time by either the Company or the Director giving not less than three months' notice or otherwise in accordance with the Company's Articles of Incorporation.

Annual Performance Evaluations

Board, Committees and Directors

In February 2021, the Company re-engaged Linstock Limited, an independent consultant, to facilitate an external Board valuation. Linstock has no other connection with the Company or with individual Directors, other than providing this type of service.

All board members participated in the evaluation. The Investment Adviser also participated in the evaluation. The evaluation took the form of comprehensive online questionnaires, which asked the Directors to consider, among other things: board composition, expertise, dynamics and succession planning; the management and focus of, and atmosphere in, Board meetings; Directors' training requirements, Board support by the Administrator; the effectiveness of the Chairman; the performance of the Audit and Remuneration and Nominations Committees; the Company's strategy and strategic objectives and oversight of its strategy, investment activities and performance; risks and risk management; investor relations and marketing, including shareholder engagement; and priorities for change over the next 12 months.

The Remuneration and Nominations Committee considered Linstock's report at its meeting in March 2021. Linstock's report rated a number of key areas of focus as good or adequate including Board composition and dynamics, management of meetings, the

Corporate Governance Statement continued

effectiveness of the Committees, the clarity of the Company's strategic aims, the Board's oversight of the Company's strategy and the Board's effectiveness in monitoring risks and risk management. The top two priorities for the next 12 months were identified establishing and implementing a suitable plan for the staged refreshment of the Board, enhancing Board dynamics and the relationship between the Company and Investment Adviser, both of which had been hampered over the financial year due to Covid-19 restrictions preventing face to face meetings and less formal engagement outside of the Boardroom. The Remuneration and Nominations Committee concluded that, based on the evaluation, the composition of the Board and its Committees reflected a suitable mix of skills, experience and knowledge and that the Board and its Committees, were functioning effectively.

Having considered Linstock's report, each Director's individual performance, contribution and commitment, the Boardroom atmosphere and the relationships between the Board members, the Remuneration and Nominations Committee was satisfied that each Director contributed effectively and that, collectively, the Directors worked together effectively in the pursuit of achieving the Company's objectives.

Chairman

Led by the senior Independent Director the review of the Chairman was very positive, with the other Directors commenting favourably on, in particular, the Chairman's leadership, his facilitation of constructive Board relations, his encouragement of open and inclusive Boardroom discussions. The other Directors concluded that the Chairman continued to chair the Board effectively.

Investment Manager and Investment Adviser

The services provided by the Investment Manager and Investment Adviser are kept under continual review by the Board but it was agreed that the formal review would be delayed until Q1 2022 to align with the Board's calendar of events for the year ended 31 March 2022. When considering the performance of the Investment Manager and Investment Adviser the Board considers the Company's track record in terms of NAV and share price performance and achievement of performance objectives, the quality of the services provided, the resources that they committed to the Company's affairs, the continuity of the personnel assigned to handle the Company's affairs and the relationship between the Board and the Investment Manager and Investment Adviser. The Board also considered the terms of the Management Agreement, and in particular the fees payable to the Investment Manager (no fees are payable by the Company to the Investment Adviser). The Board considers that, having regard to NextEnergy Capital's proven track record in, and sole focus on, the solar energy infrastructure sector, the specialist nature of the Company's investment remit was best served by the Investment Manager. The Board agrees that the continuing appointment of the Investment Manager on the terms set out in the Management Agreement and its continued appointment terms set out in the Management Agreement and its continued appointment of the Investment Adviser were in the best interests of shareholders as a whole and the Company's wider stakeholders.

Details of the fees payable to the Investment Manager and related entities can be found in notes 5 and 26 to the Financial Statements on pages 90 and 106.

Other Key Service Providers and Advisers

The Board monitored the service levels of the Administrator and the Company's other key party service providers and advisers throughout the year. The formal review has been postponed until Q1 2022 to align with the Board's calendar of events for the year ended 31 March 2022. The Board remain satisfied that the Administrator and the Company's other key service providers were all operating effectively and providing a good level of service.

Directors' Remuneration

The Directors' Remuneration Report on pages 66 to 68 includes the Directors' remuneration policy and details of the Directors' remuneration during the year under review.

Risk, Internal Controls and Internal Audit

Introduction

The Board is responsible for promoting the long-term sustainable success of the Company and generating value for our shareholders whilst having regard to the interests of wider stakeholders. A critical factor in achieving long-term sustainable success is understanding the risks that the Company faces and ensuring that controls are in place to manage and mitigate them. The Company's principal and emerging risks, together with details of how we seek to manage and mitigate them, are set out under "Risks and Risk Management" on pages 48 to 50. The Company's financial instrument risks are discussed in note 22 to the Financial Statements on pages 101 to 103.

Responsibility for, and Review of, Risk Management and Internal Controls

The Board is responsible for determining the nature and extent of the emerging and principal risks the Company is willing to take in order to achieve its long-term strategic objectives. The Board is also responsible for maintaining the Company's systems of risk management and internal controls (such as financial, operational and compliance controls). The AIC Code requires the Board to review the effectiveness of the Company's systems of risk management and internal controls at least annually.

The Board, through the Audit Committee, has established, in conjunction with the Investment Manager, Investment Adviser and Administrator, an ongoing process designed to meet the particular needs of the Company in managing the risks to which it is exposed. The process is based on a risk-based approach to internal controls and risk management through a matrix that identifies each of the key risk areas associated with the Company's business and activities and the controls employed to minimise and mitigate those risks. The matrix attributes assigns, in relation to each risk, a rating (high, medium or low) of the risk value, risk probability and effectiveness of control.

The Audit Committee is responsible for monitoring and regularly reviewing Company's systems of internal controls and risk management and reports its findings and conclusions to the Board (see "Risk management and internal control processes" on page 69 of the Audit Committee Report).

Taking into account the information under "Risks and Risk Management" on pages 48 to 50.

The ongoing work of the Audit Committee in monitoring the risk management and internal control systems on behalf of the Board and the Audit Committee's reports to the Board on its findings and conclusions regarding the risk management and internal control systems, the Board:

- is satisfied that it has carried out a robust assessment of the principal and emerging risks facing the Company, including those that could threaten its business model, future performance, solvency, liquidity or reputation; and
- has reviewed the adequacy and effectiveness of the risk management and internal control systems and no significant failings or weaknesses were identified.

Risk Management and Internal Control Systems

The Company's risk management and internal control systems are designed to identify, manage and mitigate on a timely basis both the key principal risks and the emerging risks inherent to the Company's business and safeguarding the Company's assets. The systems are also designed to manage, rather than eliminate, the risk of failure to achieve the Company's investment and strategic objectives and can only provide reasonable, but not absolute, assurance against material misstatement or loss.

The Company has delegated its day-to-day activities to the Investment Manager, Investment Adviser and Administrator and has clearly defined their roles, responsibilities and authorities. The Board oversees the ongoing performance and work of the Investment Manager, Investment Adviser and Administrator at its quarterly meetings.

The Board monitors the actions of the Investment Manager and Investment Adviser at quarterly and relevant ad hoc Board meetings. At each quarterly Board meeting, the Investment Manager and Investment Adviser report on the performance of the Company's investments, activities since the last Board meeting, any specific new risks identified relating to the Company's portfolio, investment valuations and cash projections. The Board also receives updates from the Investment Manager and Investment Adviser on material developments affecting the Company or its investments between quarterly Board meetings.

The Board, Investment Manager and Investment Adviser, together, review all financial performance and results notifications.

The Investment Manager reports to the Board twice a year on the Company's longer-term viability, which includes financial sensitivities and stress testing of the business to ensure that the adoption of the going concern is appropriate.

The Board is made aware of the business controls of the Investment Manager and Investment Adviser 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 NESF Group.

The Administrator, which provides administrative, accounting, compliance and company secretarial services to the Company, has its own internal control systems relating to these matters. In its role as a third-party fund administration services provider, the Administrator produced an annual ISAE 3402 Assurance Report on its internal control procedures in place for the year ended 30 September 2020 and this was reviewed by the Audit Committee and the Board. At each quarterly Board meeting, the Board receives reports from the Administrator, which include an outline of the Company's corporate activity and information on financial, compliance, governance, legal and regulatory matters.

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

Each year a detailed review of the quality of services and performance of the Investment Manager, Investment Adviser and Administrator and other key service providers and advisers pursuant to their terms of engagement is undertaken by the Management Engagement Committee.

Internal Audit Function

For the reasons stated under "Internal audit requirements" in the Audit Committee Report on page 70, the Board does not currently consider that an internal audit function is required.

Approval

This Corporate Governance Statement was approved by the Board on 16 June 2021 and signed on its behalf by:

Kevin Lyon
Chairman
16 June 2021

Directors' Remuneration Report

Vic Holmes
Remuneration and Nominations Committee Chairman

I am pleased to present the Directors' Remuneration Report for the year ended 31 March 2021.

Introduction

This Directors' Remuneration Report has been prepared by the Remuneration and Nominations Committee and approved by the Board. The Committee deals with both remuneration-related matters and nominations. This Directors' Remuneration Report covers the remuneration-related activities of the Committee and shows how the current remuneration policy, which was approved by shareholders at the AGM in 2020, was implemented during the year ended 31 March 2021.

Remuneration and Nominations Committee

Chaired by Vic Holmes, the Remuneration and Nominations Committee comprises of all of the Directors. The Board is satisfied that, as all of the Directors are non-executive, it is appropriate for all of them to be members of the Committee. All of the Directors are, and have been since appointment, independent.

In respect of remuneration-related matters, the Remuneration and Nominations Committee's responsibilities include:

- setting the policy for the remuneration of the Directors;
- reviewing the ongoing appropriateness and relevance of the remuneration policy;
- within the terms of the approved policy, determining the remuneration of the Chairman and reviewing the quantum of the other Directors' remuneration and, if considered appropriate, recommending any changes to the Board;
- appointing and setting the terms of reference for any remuneration consultants to advise the Committee;
- agreeing policy on the recovery by the Directors of expenses;
- incurred in performance of their duties; and
- drafting the Directors' Remuneration Report and reporting to shareholders on the implementation of the Company's remuneration policy in accordance with relevant corporate governance requirements.

Full details of the Committee's roles and responsibilities are set out in formal terms of reference. The terms of reference are regularly reviewed by the Committee and are available on the Company's website (nextenergysolarfund.com).

Remuneration Policy

The Directors' remuneration policy is designed to support the strategic objectives of the Company and to promote its long-term success. In this context, the remuneration policy is designed to enable the Company to attract and retain Directors of high calibre with suitable skills, experience and knowledge and to ensure that their remuneration is set at a reasonable level commensurate with their duties and responsibilities and the time commitment required to carry out their duties effectively.

As all Directors are non-executive, there are:

- no service contracts with the Company;
- no bonuses or other performance-related payments;
- no pensions or pension-related benefits, medical or life insurance schemes, share options, long-term incentive plans or other benefits; and
- no payments for loss of office save for payment of any fees or expenses due but unpaid at the time of termination and for any unexpired notice period.

The Directors have letters of appointment that provide that their appointment can be terminated by no more than three months' notice by either party. In normal circumstances, the Directors are expected to serve up to a maximum of nine years, subject to satisfactory performance, which is reviewed annually by the Remuneration and Nominations Committee. The Company requires that all Directors are re-elected at each AGM and, if any Director is not re-elected, their appointment ceases immediately and without the requirement for any notice. A Director's appointment may also be terminated with immediate effect in certain other circumstances as detailed in the Company's Articles of Incorporation.

The Directors' remuneration:

- will reflect their duties, responsibilities, experience and time spent on the Company's affairs, taking into account the nature of the Company's activities;
- will allow those chairing the Board and key Committees, as well as the Senior Independent Director, to be paid higher fees than other Directors in recognition of their more demanding roles and increased accountability;
- will be paid quarterly in arrears;
- at the discretion of the Board, may include additional fees for any further specific work undertaken on behalf of the Company which is outside of their normal duties and requires a meaningful time commitment (details of any additional fees paid and the associated work undertaken will be disclosed in the Director's Remuneration Report in the next Annual Report); and
- will be reviewed by an independent professional consultant with relevant experience at least every three years.

The aggregate fees payable to the Directors will not exceed £400,000 per annum. The level of this limit provides, in particular, flexibility in respect of the recruitment of additional Board members.

Whilst the Board currently considers four Directors sufficient for the Company, the number of Directors may increase in future periods, either permanently or for a limited time in order to aid succession and to ensure an orderly transition.

The Remuneration and Nominations Committee reviews the quantum of Directors' remuneration at least every three years, with the last review having taken place in 2020. In reviewing whether to recommend any changes to the Board, the Committee has regard to the outcome of latest Directors' remuneration review by an independent remuneration consultant appointed by the Company, the level of fees paid by other UK-listed renewable energy infrastructure investment companies and other comparator UK-listed investment companies and any views expressed by shareholders on Directors' fees. The Board also considers wider factors such as any change in the Directors' responsibilities (including additional time commitments due to increased legal, regulatory or corporate governance requirements) and the rate of inflation over the period since the previous review. No Director is present when their own fee is being determined.

The Directors are entitled to be reimbursed all reasonable travel, hotel and other expenses incurred in attending meetings or in carrying out any other duties incumbent on them as Directors.

Directors' and officers' liability insurance cover is maintained by the Company, at its expense, on behalf of the Directors.

The Company is committed to engagement with shareholders and will seek major shareholders' views in advance of making significant changes to its remuneration policy or how it is implemented. The Chairman of the Remuneration and Nominations Committee will attend the AGM to answer any questions in relation to remuneration.

The Remuneration and Nominations Committee has the discretion to amend the remuneration policy with regard to minor or administrative matters where it would be, in the opinion of the Committee, in the best interests of the Company and disproportionate to seek or await shareholder approval.

Directors' Remuneration

The table below shows the Directors' remuneration for the financial year ended 31 March 2021, together with the comparative figures for 2020, following the increase in Directors' remuneration as detailed in last year's Annual Report.

No additional fees were paid to the Directors during the year ended 31 March 2021 (2020: none).

The total amount of Directors' expenses reimbursed during the year ended 31 March 2021 was £839 (2020: £1,729).

Director	Role	2021	2020
Kevin Lyon	Chairman	£70,000	£65,000
Patrick Firth	Audit Committee Chairman	£50,000	£45,000
Vic Holmes	Senior Independent Director/ Remuneration and Nominations Committee Chairman	£46,000	£41,750
Joanne Peacegood[2]	Director	£42,000	£4,705
Sue Inglis[1]	Management Engagement Committee Chairman	£45,000	£40,000

[1] Resigned with effect from 31 March 2021.

[2] Appointed as Chair of the Management and Engagement Committee from 31 March 2021.

Directors' and Officers' Liability Insurance

The Company maintains Directors' and officers' liability insurance, at its expense, on behalf of the Directors.

Directors' Interests

There is no requirement under the Company's Articles of Incorporation or letters of appointment for Directors to hold shares in the Company.

Director	2021	2020
Kevin Lyon	160,000	160,000
Patrick Firth	89,641	83,904
Vic Holmes	110,000	110,000
Joanne Peacegood	10,000	–
Sue Inglis[1]	50,000	50,000

[1] Resigned with effect from 31 March 2021.

The interests of the Directors (and their connected persons) in the ordinary shares of the Company at 31 March 2021, together with the comparative figures for 2020, are shown in the table above.

All holdings of the Directors (and their connected persons) are beneficial. There have been no changes in the interests shown in the table above since the Company's financial year end to the date of this Directors' Remuneration Report.

None of the Directors (nor any of their connected persons) had or has any interest in the Company's preference shares.

Directors’ Remuneration Report continued

Relative Importance of Spend on Directors’ Remuneration

To enable shareholders to assess the relative importance of spend on Directors’ remuneration, the following table shows the total remuneration paid to the Directors and the total dividends paid or payable to shareholders for the financial year ended 31 March 2021, together with the comparative figures for 2020.

	2021 £’000	2020 £’000	Change £’000
Directors’ total remuneration	253	224	29
Total dividends paid or payable[3]	41,011	39,731	1,280

[3] Including the cash equivalent of scrip dividends.

Shareholder Approval of Remuneration Policy

The Company seeks shareholder approval of the Directors’ remuneration policy at every third AGM. The Directors’ remuneration policy for the three year period to 31 March 2023 was approved at the AGM held in 2020. There are no material differences in the substance of the remuneration policy set out in this Directors’ remuneration report from that approved by shareholders in 2020.

At the AGM held on 11 September 2020, of the 456,791,436 votes cast by proxy and at the meeting (including votes cast at the Chairman’s discretion), 99.97% were in favour of the resolution to approve the Directors’ remuneration policy, as set out in the Annual Report for the year ended 31 March 2020, and 0.01% were against. 49,156 votes were withheld.

Shareholder Approval of Remuneration Report

An advisory ordinary resolution to approve the Directors’ Remuneration Report (excluding the Directors’ remuneration policy) is put to members at each AGM.

At the AGM held on 11 September 2020, of the 456,792,260 votes cast by proxy and at the meeting (including votes cast at the Chairman’s discretion), 99.97% were in favour of the advisory resolution to approve the Directors’ Remuneration Report in respect of the year ended 31 March 2020, 0.01% were against and 49,156 votes were withheld.

Approval

This Directors’ Remuneration Report was approved by the Board on 16 June 2021 and signed on its behalf by:

Vic Holmes
Remuneration and Nominations Committee Chairman
16 June 2021

Audit Committee Report

Patrick Firth
Audit Committee Chairman

I am pleased to present the Audit Committee's Report for the year ended 31 March 2021.

Introduction

The Audit Committee aims to serve the interests of the Company's shareholders and other stakeholders through its independent oversight of the Company's financial reporting process, its systems of internal controls and effective management of risk and the appointment and ongoing review of the independence and quality of the work of the Company's external auditor.

Composition

Chaired by Patrick Firth, the Audit Committee comprises of all of the Directors. As permissible under the AIC Code the Chairman of the Board is a member of the Committee to enable his greater understanding of the issues facing the Company and also to benefit from his valuable contributions. All of the Directors are, and have been since appointment, independent. The Board has considered the composition of the Audit Committee.

All members of the Committee are qualified accountants. The Board is satisfied that the Committee, as a whole, has:

- recent and relevant financial experience;
- competence relevant to the sector in which the Company operates; and
- the skills, experience and objectivity to be an effective Audit Committee.

Details of the skills and experience of all of the Committee members are outlined in their biographies on pages 56 and 57.

Meetings

The Audit Committee meets no less than three times a year and at such other times as the Committee shall require or any member may request. The Administrator, Investment Manager and Investment Adviser are invited to attend meetings, as the Committee deems appropriate.

The external auditor attends the Audit Committee meetings at which the annual and interim financial statements are considered, and at which the auditor has the opportunity to meet with the Committee without representatives of the Investment Manager, the Investment Adviser or the Administrator being present. The auditor also attends the audit planning meeting. The auditor may request that a meeting of the Committee be convened if it deems it necessary.

The Audit Committee met four times (3 scheduled and 1 ad hoc) during the year ended 31 March 2021 (details of the Committee members' attendance at the meetings can be found under "Meeting Attendance" on page 62).

Responsibilities and Activities

The Audit Committee's responsibilities include:

- monitoring the integrity of the Company's financial statements and any formal announcements relating to its financial performance;
- reviewing significant financial reporting judgements;
- evaluating the effectiveness of the systems of internal control and risk management;
- assessing the effectiveness and independence of the Company's external auditor; and
- making recommendations to the Board on the appointment and remuneration of the external auditor.

Full details of the Committee's roles and responsibilities are set out in formal terms of reference and include all of the roles and responsibilities recommended by the AIC Code. The terms of reference are regularly reviewed by the Committee and are available on the Company's website (nextenergysolarfund.com).

The Audit Committee is required to report formally to the Board on its findings after each meeting on all matters within its roles and responsibilities, identifying any matters on which it considers that action or improvement is needed and making recommendations on the steps and decisions to be taken. In discharging its duties over the course of the year under review, the Audit Committee's principal activities included the following:

- **Risk management and internal control processes:** The Committee assessed the principal and emerging risks facing the Company (details of which are included under "Risks and Risk Management" on pages 48 to 50). The Committee also reviewed and, where necessary, amended and updated the Company's risk matrix and its record of internal control processes. The Committee was satisfied with the adequacy and effectiveness of the risk management framework and internal control processes, details of which are included under "Risk, Internal Controls and Internal Audit" on pages 64 and 65.
- **Interim review and annual audit:** The Committee reviewed and approved the interim review and annual audit plans of the external auditor, including their scope and the auditor's engagement terms and fees. The Committee monitored the implementation of the plans and discussed the auditor's reports and findings. The Committee also evaluated, and was satisfied with, the effectiveness, including performance and objectivity, and independence of the auditor and the overall quality and effectiveness of the external audit process.

Audit Committee Report continued

- **Annual and Interim Reports:** The Committee reviewed the Company's accounting policies and considered the format and content of the Company's Interim and Annual Reports before recommending their approval to the Board. As part of the review process, the Committee:
  - considered the continuing appropriateness of the Company's accounting policies, including the potential implications of forthcoming changes in accounting standards for the Company;
  - reviewed the significant financial reporting judgements used in preparing the Financial Statements; and
  - discussed and challenged the forecasts, assumptions and other information provided by the Investment Manager to support the going concern and viability statements.
  - The Committee concluded that, taken as whole, the Annual Report was fair, balanced and understandable and provided the information necessary for shareholders to assess the Company's position and performance, business model and strategy.
- **Internal audit requirements:** The Committee considered the Company's internal audit requirements. Due to the Company having no employees and the outsourcing of its investment and administrative arrangements to third parties who have their own internal controls and procedures, the Committee concluded that there continued to be no need for an internal audit function.
- **Whistleblowing:** The Committee reviewed the whistleblowing policy in place for each of the Investment Manager, the Investment Adviser and the Administrator and was satisfied the relevant staff could raise concerns, in confidence, about possible improprieties relating to financial reporting or other matters that may affect the Company.
- **Performance evaluation:** The Committee reviewed the outcome of the annual evaluation of its performance and concluded that it continued to provide effective challenge and oversight.

The Audit Committee Chairman will be available at the AGM to answer any shareholder questions on the Committee's activities.

Significant Issues Considered Relating to Financial Statements

Following discussions with the Investment Manager, the 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 the valuation of investments. The Company is required to calculate the fair value of its investments. Whilst there is a relatively active market for financial assets of this nature, there are no suitable listed or other public market quotations against which the value of the Company's investments can be benchmarked. Accordingly, the valuation of the Company's investments is undertaken using a discounted cash flow methodology in line with IFRS 9 Financial Instruments and IFRS 13 Fair Value Measurement and takes into account the International Private Equity and Venture Capital's valuation guidelines. As further explained in note 4a to the Financial Statements on page 89, valuation of the Company's investments using a discounted cash flow methodology requires a series of material judgements to be made regarding the assumptions and estimates underlying the discounted cash flow calculations. As such judgements are subjective, they carry elements of risk.

The Investment Manager undertakes the valuation of the Company's investments and provides the Board with a detailed valuation report, which includes information on the assumptions and other factors that have a material impact on the valuation and the rationale for any proposed changes to them since the previous valuation. The key assumptions and other factors include (but are not limited to):

- **Discount rates:** A discount rate is applied to the expected future cash flows for each investment's financial forecasts derived using, among others, the key assumptions referred to above to arrive at its valuation. The Investment Manager recommends to the Board the discount rates to be used based on the Investment Adviser's extensive experience of the current market for transactions in solar assets in the relevant jurisdictions.
- **Power price assumptions:** A significant proportion of the income from the Company's investments is fixed for a period of time in accordance with the terms of the relevant ROC or FiT subsidy. The balance of the income has exposure to wholesale electricity prices, although the Investment Manager seeks to reduce this exposure through entering into short- or long-term power purchase agreements with fixed price mechanisms. Over time the proportion of income that is fixed in accordance with the terms of subsidies will reduce, increasing the proportion of income with exposure to changes in wholesale electricity prices. The Investment Adviser uses the average of three of the leading independent energy market consultants' long-term projections to derive, by jurisdiction, the future assumed wholesale electricity prices used in the valuation of the Company's investments.
- **Lease life extensions:** Assets where the lease life has been extended beyond the life of the subsidy have additional risk.
- **Operating performance and costs assumptions:** These include assumptions regarding the remaining operating life of each investment, the energy generated by each investment over its life and operating costs.
- **Macroeconomic assumptions:** These include inflation, foreign exchange rate, interest rate and tax rate assumptions. Further details on the key assumptions and other factors, together with a sensitivity analysis showing the impact of changing some of them, are included in the Investment Adviser's Report on page 28.

The Board considers in detail each valuation report received from the Investment Manager, challenges the key assumptions and other factors used in calculating the valuation of the Company's investments and monitors the changes in them over time.

Annual Report for Year Ended 31 March 2021

The production of the Annual Report, including the audit of the Company's financial statements, for the year ended 31 March 2021 was a comprehensive process requiring input from a number of different contributors.

One of the key corporate governance requirements is that the Annual Report, taken as a whole, must be fair, balanced and understandable and provide the information necessary for shareholders to assess the Company's position and performance, business model and strategy. Another requirement is that the narrative and numerical disclosures in the Annual Report must be consistent. Having reviewed the Annual Report and considered the work undertaken in producing it, the Committee concluded that the Annual Report did pass these tests and, in recommending approval of the Annual Report to the Board, it reported accordingly.

Non-audit Services Provided by External Auditor

The Company may only use its external auditor for non-audit work with the prior approval of the Audit Committee. The Committee's policy regarding the provision of non-audit services by the auditor is aligned to the Financial Reporting Council Ethical Standard 2019 which precludes the auditor from providing any prohibited non-audit services. Furthermore, the Committee will not approve the use of the auditor for non-audit services where there may be perceived to be a conflict with the auditor's role as such or which may compromise its independence or objectivity.

During the year from 1 April 2020 to 16 June 2021, the only non-audit work carried out by KPMG was in relation to its review of the Interim Report and certain agreed upon procedures in relation to a related party transaction for which it was paid fees of £40,000 and £67,500 respectively (equivalent to 7.4% and 12.5% respectively of the audit fee for the year ended 31 March 2021).

Annual Assessment of Effectiveness of External Audit Process

Following the conclusion of the audit process for the Company's financial statements for the year ended 31 March 2020, the Audit Committee evaluated the quality and effectiveness of the external audit process. In order to form a view, the Committee considered its own observations and interactions with KPMG, as well as feedback from KPMG, the Investment Manager, the Investment Adviser and the Administrator. The Committee reviewed the robustness of the audit process and the quality of delivery, reporting, people and service. The Committee also considered KPMG's technical competence, understanding of the Company's business and the sector in which it operates and whether KPMG demonstrated an appropriate level of diligence, professional scepticism and challenge. In addition, the Committee considered the cost effectiveness of the audit process. The Committee also reviewed the independence of KPMG, having regard to matters such as its report describing its arrangements to identify, report and manage any conflicts of interest and the extent of non-audit services provided by it. Having completed the evaluation the Committee was satisfied with the effectiveness, including performance and objectivity, and independence of KPMG and the overall quality and effectiveness of the external audit process. Consequently, the Committee recommended to the Board that a resolution to appoint KPMG as the Company's auditor be put to shareholders at this year's AGM.

Auditor's Fees for NESF and Subsidiaries

The fees payable to KPMG for audit services and audit related services to the Company and its subsidiaries for the year ended 31 March 2021 were as follows:

	2021 £'000
NESF	80
Subsidiaries	462
Total audit fees	**542**
Interim review	40
Agreed upon procedures	67
Total fees	**649**

External Auditor's Tenure

There are no contractual obligations that restrict the Company's choice of external auditor and the auditor's appointment is subject to shareholder approval at each AGM. As KPMG was first appointed as the Company's external auditor in 2019 following a competitive tender, the Committee will consider the need for a competitive tender for the role of external auditor in, or before, 2024. In any event, the Committee will carry out a competitive tender in, or before, 2028 in respect of the audit for the year ending 31 March 2029. The audit partner for the Company, Dermot Dempsey, has been in place for two years and, therefore, the Committee expects that there will be an audit partner rotation for, or before, the audit for the year ending 31 March 2025.

Approval

This Audit Committee Report was approved by the Audit Committee on 16 June 2021 and signed on its behalf by:

Patrick Firth
Audit Committee Chairman
16 June 2021

Directors' Report

Introduction

The Directors are pleased to present their Annual Report, including the Company's audited financial statements, for the year ended 31 March 2021. This Directors' Report and the Strategic Report on pages 72 and 7 respectively comprise the "management report", for the purposes of the FCA's Disclosure Guidance and Transparency Rule 4.1.5R.

Information Contained Elsewhere in this Annual Report

Information	Location in Annual Report
Directors	Pages 56 and 57
Directors' interests in shares	Page 67
Appointment and removal of directors	Pages 62 and 63
Financial Instruments	Page 88
Principal and emerging risks	Pages 48 to 50
Going concern and viability	Pages 51 and 52
Annual Review of systems of risk management and internal control	Page 65
Disclosure of Information to Auditor	Page 74
Annual Evaluation of the Investment Manager and Investment Adviser	Page 64
Section 172 Statement	Page 58

Financial Results and Dividends

The financial results for the year can be found in the Statement of Comprehensive Income on page 82.

Details of the four interim dividends that have been declared in respect of the year ended 31 March 2021 are set out in note 15b to the Financial Statements on page 94. As the last dividend in respect of any financial period is payable prior to the relevant AGM, it is declared as an interim dividend and, accordingly, there is no final dividend payable. This means that shareholders are not given the opportunity to vote on the payment of a final dividend. Accordingly, in accordance with good corporate governance, the Board asks shareholders to approve the Company's dividend policy at each AGM. The dividend policy is set out under "Dividend Policy, Scrip Dividends and Dividend Target for the Financial Year Ending 31 March 2022" on page 15.

In addition to being asked to approve the Company's dividend policy at this year's AGM, shareholders will also be asked to renew the Company's scrip dividend facility that gives ordinary shareholders the opportunity to elect to receive new ordinary shares (these being scrip shares) in place of their cash dividend payments. Information on the scrip dividend alternative can be found under "Dividend Policy, Scrip Dividends and Dividend Target for the Financial Year Ending 31 March 2022" on page 15.

Share Capital

During the year, the Company issued 2,781,747 ordinary shares as scrip shares. As at 31 March 2021 and the date of this Directors' Report, there were 586,987,678 ordinary shares in issue.

The Company issued no preference shares within the year ended 31 March 2021. As at 31 March 2021 and the date of this Directors' Report, there were 200m preference shares in issue. Details of the private placement and further information regarding the rights of the preference shares can be found in note 23a to the Financial Statements on page 104.

Substantial Shareholdings

As at 31 March 2021, the Company had been notified under the FCA's Disclosure Guidance and Transparency Rules of the following substantial holdings in its ordinary shares:

	Ordinary Shares	
Investor	No.	%
Artemis Investment Management LLP on behalf of discretionary funds under management	70,246,523	11.97
Baillie Gifford & Co	59,677,002	10.17
M&G Investments	59,135,726	10.07
Legal & General Investment Mgt	41,975,295	7.15
Gravis Capital Mgt	40,016,510	6.82
Investec Wealth & Investment (RS)	35,261,471	6.01

Between 31 March 2021 and the date of this Directors' Report, the Company was notified that M&G Investments had increased their interest to 60,209,662 ordinary shares (10.26% of the issued ordinary shares) and Investec Wealth & Investment (RS) had decreased their interest to 29,342,705 ordinary shares (4.99% of the issued ordinary shares). There have been no other notifications during that period.

Powers to Issue and Buy-back Ordinary Shares

At the Company's AGM held on 11 September 2020, the Directors were granted general authority to issue ordinary shares or sell treasury shares, non-pre-emptively, in accordance with the Articles of Incorporation up to, in aggregate, 116,987,009 ordinary shares, equivalent to 20% of the ordinary shares in issue at the date the authority was granted, less one. Save for the scrip shares referred to under "Share Capital" above no ordinary shares have been issued and no treasury shares have been sold under this authority, which will expire at the conclusion of this year's AGM.

At last year's AGM, the Directors were also granted authority to make one or more market purchases of ordinary shares, in accordance with section 315 of the Companies (Guernsey) Law, 2008, up to, in aggregate, 87,681,763 ordinary shares, equivalent to 14.99% of the ordinary shares in issue at the date the authority was granted. No ordinary shares have been purchased under this authority, which will expire at the conclusion of this year's AGM.

The Directors will be seeking similar issuance and purchase authorities at this year's AGM. The Directors do not currently have any authority to issue any further preference shares.

Treasury Shares

Under section 315 of the Companies (Guernsey) Law, 2008, the Company is allowed to hold shares acquired by market purchase as treasury shares, rather than having to cancel them. It is the Company's policy to hold up a maximum of 10% of the ordinary shares in issue as treasury shares, which may be either sold in the market or cancelled subsequently. This gives the Company the ability to re-issue shares quickly and cost efficiently, thereby providing the Company with additional flexibility in the management of its capital base. The Board would only authorise the sale of treasury shares at prices at or above the prevailing NAV per ordinary share (plus any costs of the relevant sale), so there would be no dilution of the NAV per ordinary shares. There are currently no treasury shares.

Restrictions on Transfer of Shares

There are no restrictions on the transfer of shares in the Company, except pursuant to:

- the Listing Rules, which require certain individuals to have approval to deal in the Company's shares; and
- the Company's Articles of Incorporation, which allow the Board to decline to register a transfer of shares or otherwise impose a restriction on shares, to prevent the Company breaching any law or regulation.

The Company is not aware of any agreements between holders of securities that may result in restrictions on the transfer of shares in the Company.

Shares Carrying Special Rights

No person holds shares in the Company carrying special rights with regard to control of the Company.

Amendment of Articles of Incorporation

The Articles may be amended by a special resolution of the Company's shareholders.

Powers of the Directors

Subject to the Articles of Incorporation, the Companies (Guernsey) Law, 2008 and any directions given by the Company by special resolution, the business of the Company will be managed by the Board, which may exercise all the powers of the Company.

Greenhouse Gas Emissions

As the Company has outsourced its day-to-day activities to third parties, there are no significant greenhouse gas emissions from its operations. In relation to the Company's investments, the level of greenhouse gas emissions arising from the low volume of electricity imports and from operation and maintenance activity is not considered material for disclosure purposes. Furthermore, as the assets are renewable energy generators, they reduce carbon dioxide emissions on a net basis.

Political Donations

The Company made no political donations during the year.

Charitable Donations

The Company donated £80,000 (2020: £50,000) to the NextEnergy Foundation, information on which can be found in the Sustainability and ESG section on page 45. No other charitable donations were made during the year.

Events after the Balance Sheet Date

Details of events occurring since 31 March 2021 can be found in note 28 to the Financial Statements on page 106.

Independent Auditor

The Company appointed KPMG Channel Islands Limited ("KPMG") to act as its independent auditor on 27 September 2019 and re-appointed KPMG in the same capacity at the AGM in September 2020.

KPMG has indicated its willingness to continue as auditor for the year ending 31 March 2022 and resolutions to re-appoint KPMG and to authorise the Directors to determine KPMG's remuneration, will be proposed at this year's AGM.

2021 AGM

A separate notice convening this year's AGM will be sent to shareholders in due course. The notice will include an explanation of the resolutions to be considered at the meeting. A copy of the notice will also be published on the Company's website (nextenergysolarfund.com).

Approval

This Directors' Report was approved by the Board on 16 June 2021 and signed on its behalf by:

Kevin Lyon
Chairman
16 June 2021

Statement of Directors' Responsibilities

Statement of Directors' Responsibilities in Respect of the Annual Report and the Financial Statements

Directors' Responsibilities

The Directors are responsible for preparing the Annual Report and financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law they are required to prepare the financial statements in accordance with International Financial Reporting Standards ("IFRS") and applicable law.

Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of its profit or loss for that period. In preparing these Financial Statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable, relevant and reliable;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

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 its financial statements comply with the Companies (Guernsey) Law, 2008. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

Disclosure of Information to Auditor

The Directors who hold office at the date of approval of this Director's Report confirm that so far as they are aware, there is no relevant audit information of which the Company's auditor is unaware, and that each Director has taken all the steps they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Website Publication

The Directors are responsible for ensuring the Annual Report is made available on a website. Annual Reports are published on the Company's website (nextenergysolarfund.com). Legislation in Guernsey governing the preparation and dissemination of financial statements may vary from legislation in other jurisdictions. The maintenance and integrity of the Company's website is the responsibility of the Directors. The Directors' responsibility also extends to the ongoing integrity of the financial statements contained on the website.

Directors' Confirmations

In accordance with the FCA's Disclosure Guidance and Transparency Rule 4.1.12R, we confirm that, to the best of our knowledge:

- the Financial Statements have been prepared in accordance with International Financial Reporting Standards and give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company; and
- the management report (comprising the Strategic Report on pages 7 to 52, the Directors' Report on pages 72 and 73 and any other sections of the Annual Report referred to in the Strategic Report or the Directors' Report) includes a fair review of the development and performance of the Company and its position, together with a description of the emerging and principal risks that it faces.

In addition, in accordance with the AIC Code, we confirm that, to the best of our knowledge, the Annual Report, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's performance, business model and strategy.

On behalf of the Board of Directors of

NextEnergy Solar Fund Limited

Kevin Lyon
Chairman
16 June 2021

Independent auditor's report

to the members of NextEnergy Solar Fund Limited

Our opinion is unmodified

We have audited the financial statements of NextEnergy Solar Fund Limited (the "Company"), which comprise the statement of financial position as at 31 March 2021, the statements of comprehensive income, changes in equity and cash flows for the year then ended, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements:

— give a true and fair view of the financial position of the Company as at 31 March 2021, and of the Company's financial performance and cash flows for the year then ended;

— are prepared in accordance with International Financial Reporting Standards; and

— comply with the Companies (Guernsey) Law, 2008.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the Company in accordance with, UK ethical requirements including FRC Ethical Standards, as applied to listed entities. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Overview		
Materiality: financial statements as a whole	£11.6m Approximately 2% of net asset value	
Key audit matters		**vs 2020**
Recurring risks	Valuation of investments	◄►

Key audit matters: our assessment of risks of material misstatement

Key audit matters are those matters that, in our professional judgement, were of most significance in the audit of the financial statements and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by us, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. 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. In arriving at our audit opinion above, the key audit matter was as follows, (unchanged from 2020):

	The risk	Our response
Valuation of investments at fair value through profit and loss £769.6 million; (2020: £753.6 million) Refer to pages 69 to 71 (Audit Committee Report), pages 88 to 89 (accounting policies) and pages 97 to 100 (valuation disclosures).	***Forecast based valuation:*** ***Basis*** The Company's investments in its direct subsidiaries are carried at fair value through profit or loss and represent a significant proportion of the Company's net assets. Those direct subsidiaries hold equity interests in special purpose vehicles which in turn own solar photovoltaic assets (the "underlying investment portfolio") for which there is no liquid market. The fair value of the Company's investments has been determined as the product of the fair value of the underlying investment portfolio and the other residual net assets within the subsidiaries. The fair value of the underlying investment portfolio has been determined using the income approach whereby the long term forecasted cash flows of each individual solar photovoltaic asset is discounted at a rate that reflects their risk profile. Inherent in these long term forecasted cash flows are macro-economic assumptions including power price forecasts, future energy yields, and inflation. ***Risk*** The valuation risk represents a risk of fraud and error associated with estimating the timing and amount of long term forecasted cash flows alongside the selection and application of appropriate assumptions including the impact Covid-19 has had on those assumptions. Changes to long term forecasted cash flows and/or the selection and application of different assumptions may result in a materially different valuation for the underlying investment portfolio which in turn would impact the valuation of the Company's investments at fair value through profit or loss.	***Our audit procedures included the following:*** ***Control evaluation:*** We tested the design and implementation of the Investment Manager's review control over the valuation of the underlying investment portfolio. ***Valuation model integrity and model inputs:*** – tested the valuation model for mathematical accuracy including but not limited to material formula errors; – verified key inputs into the valuation model, such as power price forecasts, energy yield, contracted revenue and operating costs, to supporting documentation; and – agreed a value driven sample of balances within the residual net asset amounts at subsidiary levels to supporting documentation such as independent bank confirmations, post year end receipts and other source documentation. ***Assessing fair value:*** – obtained and vouched supporting documentation in relation to all significant acquisitions and disposals during the year; – considered market transactions in close proximity to the year-end and assessed their appropriateness as being representative of fair value; and – in order to assess the reliability of management's forecasts we completed a retrospective assessment over the actual performance of the underlying investment portfolio by comparing last year's actual generation output to the historical forecasted amounts included in the valuation model.

Key audit matters: our assessment of risks of material misstatement (continued)

	The risk (continued)	Our response (continued)
Valuation of investments at fair value through profit and loss £769.6 million; (2020: £753.6 million) Refer to pages 69 to 71 (Audit Committee Report), pages 88 to 89 (accounting policies) and pages 97 to 100 (valuation disclosures).	***Forecast based valuation:*** ***Risk*** The valuation risk represents a risk of fraud and error associated with estimating the timing and amount of long term forecasted cash flows alongside the selection and application of appropriate assumptions including the impact Covid-19 has had on those assumptions. Changes to long term forecasted cash flows and/or the selection and application of different assumptions may result in a materially different valuation for the underlying investment portfolio which in turn would impact the valuation of the Company's investments at fair value through profit or loss.	***Our audit procedures included the following (continued):*** ***Benchmarking valuation assumptions:*** With support from our KPMG valuation specialist we assessed and challenged the appropriateness of the Company's valuation assumptions including the discount rate, power price forecasts, other macro-economic assumptions applied, and the impact Covid-19 has had on those assumptions, by: - assessing the appropriateness of the valuation methodology applied by the Investment Manager; - benchmarking against independent market data and relevant peer group companies, and - using our KPMG valuation specialist's experience in valuing similar investments. ***Assessing transparency:*** We considered the appropriateness of the Company's investment valuation policies and the adequacy of the Company's disclosures in relation to the use of estimates and judgements in arriving at fair value. We assessed whether the disclosures around the sensitivities to changes in key assumptions reflect the risks inherent in the valuation of the underlying investment portfolio including the impact of Covid-19.

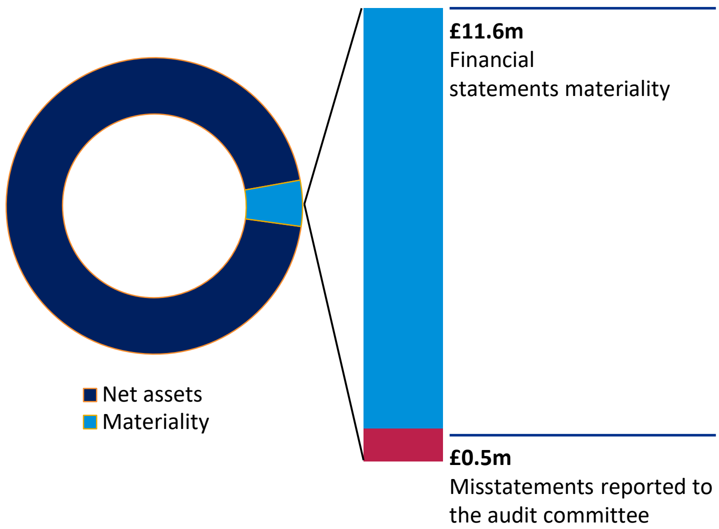
Our application of materiality and an overview of the scope of our audit

Materiality for the financial statements as a whole was set at £11.6m, determined with reference to a benchmark of net assets of £580.7m, of which it represents approximately 2% (2020: 2%).

In line with our audit methodology, our procedures on individual account balances and disclosures were performed to a lower threshold, performance materiality, so as to reduce to an acceptable level the risk that individually immaterial misstatements in individual account balances add up to a material amount across the financial statements as a whole. Performance materiality for the Company was set at 75% (2020: 75%) of materiality for the financial statements as a whole, which equates to £8.7m. We applied this percentage in our determination of performance materiality because we did not identify any factors indicating an elevated level of risk.

We reported to the Audit Committee any corrected or uncorrected identified misstatements exceeding £0.5m, in addition to other identified misstatements that warranted reporting on qualitative grounds.

Our audit of the Company was undertaken to the materiality level specified above, which has informed our identification of significant risks of material misstatement and the associated audit procedures performed in those areas as detailed above.



Going concern

The directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the Company or to cease its operations, and as they have concluded that the Company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over its ability to continue as a going concern for at least a year from the date of approval of the financial statements (the "going concern period").

In our evaluation of the directors' conclusions, we considered the inherent risks to the Company's business model and analysed how those risks might affect the Company's financial resources or ability to continue operations over the going concern period. The risks that we considered most likely to affect the Company's financial resources or ability to continue operations over this period were:

- the availability of capital to meet operating costs and other financial commitments; and
- the ability of the Company's subsidiaries to successfully refinance or repay debt and to comply with debt covenants.

We considered whether these risks could plausibly affect the liquidity in the going concern period by comparing severe, but plausible downside scenarios that could arise from these risks against the level of available financial resources indicated by the Company's financial forecasts.

We considered whether the going concern disclosure in Note 2(c) to the financial statements gives a full and accurate description of the directors' assessment of going concern.

Our conclusions based on this work:

- we consider that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate;
- we have not identified, and concur with the directors' assessment that there is not, a material uncertainty related to events or conditions that, individually or collectively, may cast significant doubt on the Company's ability to continue as a going concern for the going concern period; and
- we have nothing material to add or draw attention to in relation to the directors' statement in the notes to the financial statements on the use of the going concern basis of accounting with no material uncertainties that may cast significant doubt over the Company's use of that basis for the going concern period, and that statement is materially consistent with the financial statements and our audit knowledge.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the above conclusions are not a guarantee that the Company will continue in operation.

Fraud and breaches of laws and regulations – ability to detect

Identifying and responding to risks of material misstatement due to fraud

To identify risks of material misstatement due to fraud ("fraud risks") we assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud. Our risk assessment procedures included:

- enquiring of management as to the Company's policies and procedures to prevent and detect fraud as well as enquiring whether management have knowledge of any actual, suspected or alleged fraud;
- reading minutes of meetings of those charged with governance; and
- using analytical procedures to identify any unusual or unexpected relationships.

As required by auditing standards, and taking into account possible incentives or pressures to misstate performance and our overall knowledge of the control environment, we perform procedures to address the risk of management override of controls, in particular the risk that management may be in a position to make inappropriate accounting entries, and the risk of bias in accounting estimates such as valuation of unquoted investments. On this audit we do not believe there is a fraud risk related to revenue recognition because the Company's revenue streams are simple in nature with respect to accounting policy choice, and are easily verifiable to external data sources or agreements with little or no requirement for estimation from management. We did not identify any additional fraud risks.

We performed procedures including:

- identifying journal entries and other adjustments to test based on risk criteria and comparing any identified entries to supporting documentation;
- incorporating an element of unpredictability in our audit procedures; and
- assessing significant accounting estimates for bias.

Further detail in respect of valuation of unquoted investments is set out in the key audit matter section of in this report.

Identifying and responding to risks of material misstatement due to non-compliance with laws and regulations

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our sector experience and through discussion with management (as required by auditing standards), and from inspection of the Company's regulatory and legal correspondence, if any, and discussed with management the policies and procedures regarding compliance with laws and regulations. As the Company is regulated, our assessment of risks involved gaining an understanding of the control environment including the entity's procedures for complying with regulatory requirements.

The Company is subject to laws and regulations that directly affect the financial statements including financial reporting legislation and taxation legislation and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

The Company is subject to other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation or impacts on the Company's ability to operate. We identified financial services regulation as being the area most likely to have such an effect, recognising the regulated nature of the Company's activities and its legal form. Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of management and inspection of regulatory and legal correspondence, if any. Therefore if a breach of operational regulations is not disclosed to us or evident from relevant correspondence, an audit will not detect that breach.

Context of the ability of the audit to detect fraud or breaches of law or regulation

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards.

For example, the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it.

In addition, as with any audit, there remains a higher risk of non-detection of fraud, as this may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Our audit procedures are designed to detect material misstatement. We are not responsible for preventing non-compliance or fraud and cannot be expected to detect non-compliance with all laws and regulations.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report but does not include the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information 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.

Disclosures of emerging and principal risks and longer term viability

We are required to perform procedures to identify whether there is a material inconsistency between the directors' disclosures in respect of emerging and principal risks and the viability statement, and the financial statements and our audit knowledge. We have nothing material to add or draw attention to in relation to:

- the directors' confirmation within the viability statement (page 51 and 52) that they have carried out a robust assessment of the emerging and principal risks facing the Company, including those that would threaten its business model, future performance, solvency or liquidity;
- the disclosures describing these emerging and principal risks and explaining how they are being managed or mitigated; and
- the directors' explanation in the viability statement (page 51 and 52) as to how they have assessed the prospects of the Company, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

We are also required to review the viability statement, set out on pages 51 and 52 under the Listing Rules. Based on the above procedures, we have concluded that the above disclosures are materially consistent with the financial statements and our audit knowledge.

Corporate governance disclosures

We are required to perform procedures to identify whether there is a material inconsistency between the directors' corporate governance disclosures and the financial statements and our audit knowledge.

Based on those procedures, we have concluded that each of the following is materially consistent with the financial statements and our audit knowledge:

- the directors' statement that they consider that the annual report and financial statements taken as a whole is fair, balanced and understandable, and provides the information necessary for shareholders to assess the Company's position and performance, business model and strategy;
- the section of the annual report describing the work of the audit committee, including the significant issues that the audit committee considered in relation to the financial statements, and how these issues were addressed; and
- the section of the annual report that describes the review of the effectiveness of the Company's risk management and internal control systems.

We are required to review the part of Corporate Governance Statement relating to the Company's compliance with the provisions of the UK Corporate Governance Code specified by the Listing Rules for our review. We have nothing to report in this respect.

We have nothing to report on other matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies (Guernsey) Law, 2008 requires us to report to you if, in our opinion:

- the Company has not kept proper accounting records; or
- the financial statements are not in agreement with the accounting records; or
- we have not received all the information and explanations, which to the best of our knowledge and belief are necessary for the purpose of our audit.

Respective responsibilities

Directors' responsibilities

As explained more fully in their statement set out on page 74, the directors are responsible for: the preparation of the financial statements including being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

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 our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) 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 the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

The purpose of this report and restrictions on its use by persons other than the Company's members as a body

This report is made solely to the Company's members, as a body, in accordance with section 262 of the Companies (Guernsey) Law, 2008. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Dermot Dempsey.

Dermot Dempsey

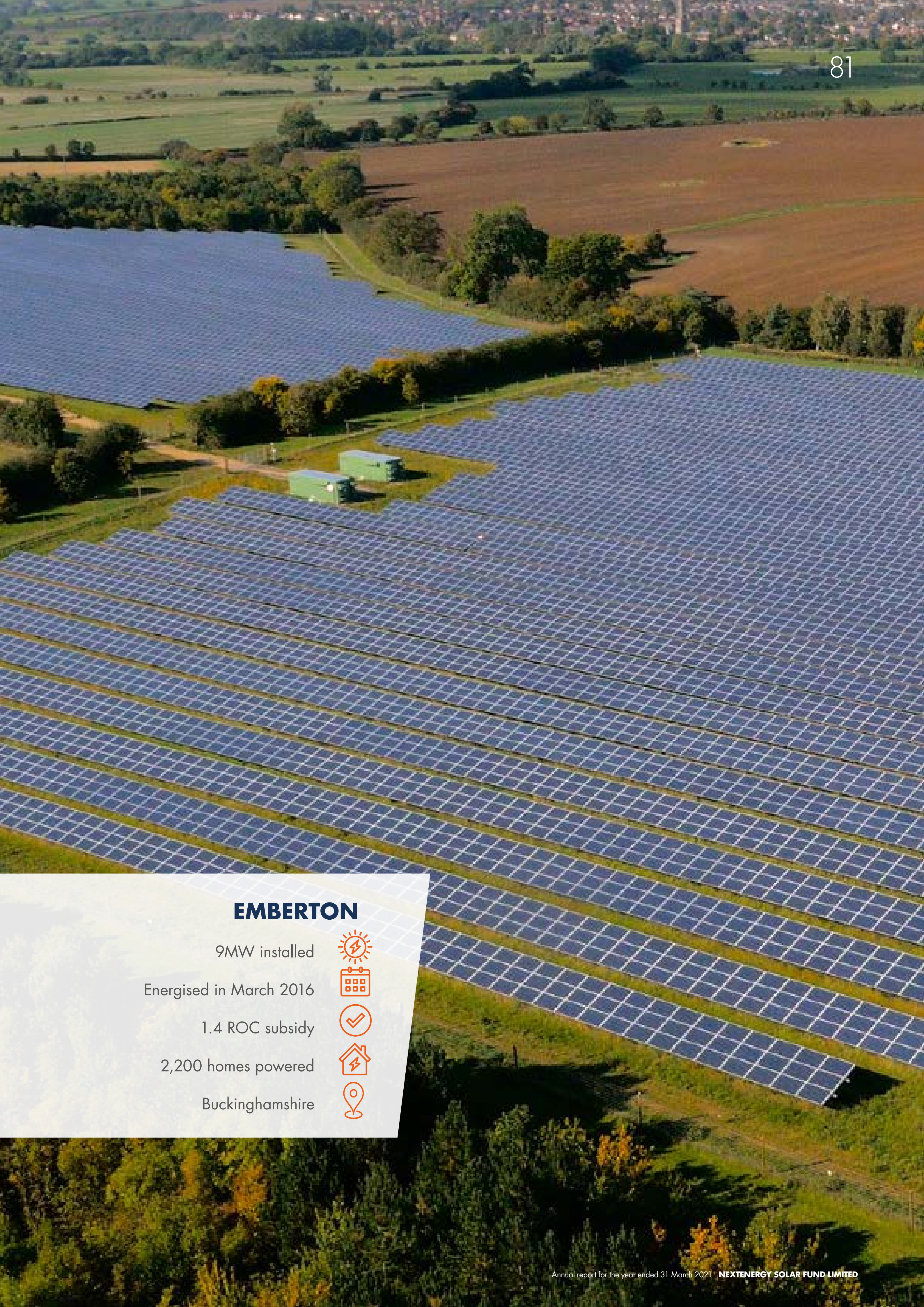
For and on behalf of KPMG Channel Islands Limited

Chartered Accountants and Recognised Auditors

Guernsey

16 June 2021

KPMG



EMBERTON

9MW installed

Energised in March 2016

1.4 ROC subsidy

2,200 homes powered

Buckinghamshire

Financial Statements

Statement of Comprehensive Income

For the year ended 31 March 2021

	Notes	2021 £'000	2020 £'000
Income			
Income comprises of:			
Interest income		12,000	9,573
Investment income		38,868	42,934
Administrative services income		9,128	8,685
Net changes in fair value of investments	17	(3,421)	(75,714)
Total net income/(loss)		56,575	(14,522)
Expenditure			
Preference share dividends		9,526	7,789
Management fees	5	5,157	5,629
Legal and professional fees		716	897
Directors' fees	7	253	224
Administration fees	6	237	274
Other expenses	9	142	112
Audit fees	8	110	99
Charitable donation	10	80	50
Regulatory fees		75	30
Insurance		55	25
Total expenses		16,351	15,129
Profit/(loss) and comprehensive income/(loss) for the year		40,224	(29,651)
Earnings per ordinary share – basic	14	6.87p	(5.09p)
Earnings per ordinary share – diluted	14	6.32p	(5.09p)

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 audited financial statements.

Statement of Financial Position

As at 31 March 2021

	Notes	2021 £'000	2020 £'000
Non-current assets			
Investments	17	769,644	753,560
Total non-current assets		769,644	753,560
Current assets			
Cash and cash equivalents		10,809	25,128
Trade and other receivables	11	22,211	23,992
Total current assets		33,020	49,120
Total assets		802,664	802,680
Current liabilities			
Trade and other payables	12	(23,953)	(26,270)
Total current liabilities		(23,953)	(26,270)
Non-current liabilities			
Preference shares	23	(197,920)	(197,781)
Total non-current liabilities		(197,920)	(197,781)
Net assets		580,791	578,629
Equity			
Share capital and premium	13	605,938	602,989
Retained earnings		(25,147)	(24,360)
Equity attributable to ordinary shareholders		580,791	578,629
Total equity		580,791	578,629
Net assets per ordinary share	16	98.9p	99.0p

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

The audited financial statements were approved and authorised for issue by the Board of Directors on 16 June 2021 and signed on its behalf by:

Kevin Lyon,
Chairman

Patrick Firth,
Director

Statement of Changes in Equity

For the year ended 31 March 2021

	Share capital and premium £'000	Retained earnings £'000	Total equity £'000
Ordinary shareholders' equity at 1 April 2019	600,029	45,022	645,051
Loss and comprehensive loss for the year	–	(29,651)	(29,651)
Scrip shares issued in lieu of dividends	2,960	–	2,960
Ordinary dividends declared	–	(39,731)	(39,731)
Ordinary shareholders' equity at 31 March 2020	602,989	(24,360)	578,629
Ordinary shareholders' equity at 1 April 2020	602,989	(24,360)	578,629
Profit and comprehensive income for the year	–	40,224	40,224
Scrip shares issued in lieu of dividends	2,949	–	2,949
Ordinary dividends declared	–	(41,011)	(41,011)
Ordinary shareholders' equity at 31 March 2021	605,938	(25,147)	580,791

Statement of Changes in Cash Flows

For the year ended 31 March 2021

	Notes	2021 £'000	2020 £'000
Cash flows from operating activities			
Profit/(loss) and comprehensive income/(loss) for the year		40,224	(29,651)
Adjustments for:			
Interest income receivable		(12,000)	(9,573)
Interest income received		12,000	9,573
Investment income receivable		(38,868)	(42,934)
Investment income received		41,164	59,914
Proceeds from HoldCos	17	9,546	–
Payments to HoldCos	17	(29,051)	(106,511)
Financing proceeds from HoldCos	17	35,200	–
Financing proceeds returned to HoldCos	17	(35,200)	–
Change in fair value of investments	17	3,421	75,714
Financial debt amortisation		139	109
Dividends paid on preference shares as finance costs		9,526	7,789
Operating cash flows before movements in working capital		36,101	(35,570)
Changes in working capital			
Movement in trade and other receivables		(514)	437
Movement in trade and other payables		(2,344)	(14,305)
Net cash generated from/(used in) operating activities		33,242	(49,438)
Cash flows from financing activities			
Net proceeds from preference shares	23	–	98,650
Dividends paid on preference shares		(9,499)	(6,598)
Dividends paid on ordinary shares		(38,062)	(36,771)
Net cash (used in)/generated from financing activities		(47,561)	55,281
Net movement in cash and cash equivalents during year		(14,319)	5,843
Cash and cash equivalents at the beginning of the year		25,128	19,285
Cash and cash equivalents at the end of the year		10,809	25,128

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

Notes to the Financial Statements

For the year ended 31 March 2021

1. General Information

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

The Company's ordinary shares are publicly traded on the London Stock Exchange under a premium listing. The Company seeks to provide ordinary shareholders with attractive risk-adjusted returns, principally in the form of regular dividends, by investing in a diversified portfolio of primarily UK and OECD based solar energy infrastructure assets. The Company currently makes its investments through HoldCos and SPVs which are directly or indirectly wholly owned by the Company.

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

The Investment Manager has appointed NextEnergy Capital Limited as its Investment Adviser pursuant to the Investment Advisory Agreement 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.

2. Summary of Significant Accounting Policies

a) Basis of preparation

The Financial Statements, which gives a true and fair view, have been prepared on a going concern basis in accordance with IFRS.

The Financial Statements have been prepared on 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.

Certain amounts relating to 2020 in the financial statements have been reclassified to conform to the presentation in the Company's latest audited financial statements for the year ended 31 March 2021.

b) Functional and presentation currency

The financial statements are presented in pounds sterling which is the Company's functional and presentation currency. Functional currency is the currency of the primary economic environment in which the Company operates. The Company's shares were issued in pounds sterling and the listing of the shares on the Main Market is in pounds sterling. The performance of the Company is measured and reported to investors in pounds sterling and dividends in the primarily UK-based assets are in pounds sterling. The Board considers the pound sterling as the currency that most faithfully represents the economic effects of the underlying transactions, events and conditions.

c) Going Concern

The Company owns a portfolio of solar energy infrastructure assets in the UK and Italy that are predominantly fully constructed, operational and generating renewable electricity. A significant proportion of the income from the Company's investments is fixed for a long period of time in accordance with the terms of the relevant ROC or FiT subsidy. The balance of the income has exposure to wholesale electricity prices, although the Investment Manager seeks to reduce this exposure through entering into short- or long-term power purchase agreements with fixed price mechanisms.

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

- maturity of debt facilities;
- future investment transactions;
- expenditure commitment; and
- forecast income and cash flows.

The NESF Group's cash balance as at 31 March 2021 was £11m, all of which was readily available. It also had immediately available but undrawn amounts under its debt facilities of a further £36m. The NESF Group had capital commitments totaling £9.5m at the year end. The majority of the NESF Group's revenues are derived from government subsidies. A significant part of the NESF Group's borrowings are on a non-recourse basis. The Company's portfolio is diversified by geography, components, plant size, subsidy schemes and revenue streams.

Notes to the Financial Statements continued

The Board is satisfied that the Company has sufficient financial resources available to be able to manage the Company's business effectively and pursue the Company's principal activities and investment objective. In particular, the Board is not currently aware of any material uncertainties in relation to the Company's ability to continue for a period of at least 12 months from the date of approval of this Annual Report. The Board is of the opinion, therefore, that the going concern basis adopted in the preparation of the Financial Statements is appropriate.

d) Basis of Non-Consolidation

The Company has set up/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 profit or loss rather than consolidate them. There are five holding companies (NextEnergy Solar Holdings Limited, NextEnergy Solar Holdings II Limited, NextEnergy Solar Holdings III Limited, NextEnergy Solar Holdings IV Limited and NextEnergy Solar Holdings V Limited, collectively the "HoldCos"). The HoldCos are also investment entities and, as required under IFRS 10, value their investments at Fair Value.

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

- obtains funds from one or more investors for the purpose of providing these investors with investment management services; and
- 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
- measures and evaluates 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:

- the Company is an investment company that invests funds obtained from multiple investors in a diversified portfolio of solar energy infrastructure assets and related infrastructure assets and has appointed the Investment Manager to manage the Company's investments;
- The Company's purpose is to invest funds for investment income and potential capital appreciation and will exit its investments at the end of their economic lives or when their planning permissions or leasehold land interests expire (unless it has repowered their sites) and may also exit investments earlier for reasons of portfolio balance or profit; and
- The Board evaluates the performance of the Company's investments on a fair value basis as part of the quarterly management accounts review and the Company values its investments on a fair value basis twice a year for inclusion in its annual and interim financial statements with the movement in the valuations taken to the Income Statement and, therefore, is measured within its earnings.

Taking these factors into account, the Directors are of the opinion that the Company has all the typical characteristics of an investment entity and meets the definition set out in IFRS 10.

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

e) 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 assets is not subject to any tax in Guernsey, although the HoldCos and SPVs are subject to tax in their country of incorporation.

f) Segmental Reporting

IFRS 8 Operating Segments requires a "management approach" under which segment information is presented on the same basis as that used for internal reporting purposes.

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 energy infrastructure assets via its HoldCos and SPVs. Therefore, the financial information used by the Chief Operating Decision Maker to allocate resources and manage the Company presents the business as a single segment.

g) Dividends

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

h) Income

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

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

Notes to the Financial Statements continued

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

Finance income comprises interest earned on cash held on deposit. Finance income is recognised in the Statement of Comprehensive Income within income on an accruals basis.

i) Expenses

All expenses are accounted for on an accruals basis.

j) 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.

k) 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.

l) Financial Instruments

Classification

The Company classifies its investments based on both the Company's business model for managing these financial assets and the contractual cash flow characteristics of the financial assets. The portfolio of financial assets is managed and performance is evaluated on a fair value basis. The Company is primarily focused on fair value information and uses that information to assess the assets' performance and to make decisions. The Company has not taken the option to designate irrevocably any equity securities at fair value through other comprehensive income.

Recognition, Derecognition and Measurement

Purchases and sales of investments are recognised on the trade date, being the date on which the Company commits to purchase or sell the investment. Financial assets at fair value through profit or loss are initially recognised at fair value. Transaction costs are expensed as incurred in the Statement of Comprehensive Income.

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

Subsequent to initial recognition, all financial assets at fair value through profit or loss are measured at fair value. Gains and losses arising from changes in the fair value of investments are presented in the Statement of Comprehensive Income within "Net changes in fair value of investments" in the period in which they arise.

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

Fair Value Estimation

The fair value of financial assets that are not traded on an active market is determined using valuation techniques. The Company's investments have been valued on a look through basis based on the discounted cash flows of the solar assets and the residual value of net assets at the HoldCos level. These valuations are reviewed regularly by the Investment Manager who reports to the Board on a periodic basis. The Board considers the appropriateness of the valuation model and inputs, as well as the valuation result.

Fair value is the price that would be received from a 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 other valuation techniques. 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.

Notes to the Financial Statements continued

m) Ordinary 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. Dividends paid on the ordinary shares are recognised in the Statement of Changes in Equity.

n) Preference Shares

In accordance with International Accounting Standard 32, preference shares are classified as liabilities and are held at amortised cost. Dividends paid on the preference shares are recognised in the Statement of Comprehensive Income as an interest expense.

o) Trade and Other Receivables

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

p) Offsetting Financial Instruments

Financial assets and liabilities are offset and the net amount reported in the Statement of Financial Position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the company or the counterparty.

3. New and Revised Standards

a) New and Revised IFRSs Adopted by the Company

The Directors have assessed all new standards and amendments to standards and interpretations which are effective for annual periods commencing on or after 1 April 2020 and noted no material impact on the Company.

b) New and revised IFRSs in Issue but not yet Effective

The Directors have considered new standards and amendments to standards and interpretations in issue and effective for annual periods commencing after 1 April 2021 and do not expect that their adoption will result in 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 has appointed the Investment Manager to produce investment valuations based on projected future cash flows. 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 Board did engage a third party review of the valuation process during the year.

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 £769.6m (2020: £753.6m) and consist of 94 (2020: 90) investments in solar PV plants (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 assets (except for those solar assets not yet operational) and the residual value of net assets at the HoldCos level.

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 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 on a periodic basis. The Board considers the appropriateness of the valuation model and inputs, as well as the valuation result.

Notes to the Financial Statements continued

Information about the unobservable inputs used at 31 March 2021 in measuring financial instruments categorised as Level 3 in the fair value hierarchy and their sensitivities are disclosed in note 20. Unlisted investments reconcile to the "Total investments at fair value" in the table in note 17.

b) Significant Judgement: Consolidation of Entities

The Company, under the investment entity exemption rule, holds its investments at fair value. The Company meets the definition of an investment entity per IFRS 10 as detailed in note 2d).

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 17.

The Company and the HoldCos operate as an integrated structure whereby the Company invests solely in the HoldCos. Under IFRS 10, there is a requirement for the Board to assess whether the HoldCos are themselves investment entities. The Board has performed this assessment and concluded that each of the HoldCos is an investment entity for the following reasons:

- the HoldCos have obtained funds for the purpose of investing in equity or other similar interests in multiple investments and providing the Company (and its investors) with investment income; and
- the performance of investments made through the HoldCos are measured and evaluated on a fair value basis.

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

5. Management Fees

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

- 1% of NAV up to £200m;
- 0.9% of NAV above £200m and up to and including £300m; and
- 0.8% of NAV above £300m.

For the year ended 31 March 2021 the Company incurred £5.2m in management fees, of which £nil was outstanding at 31 March 2021. (2020: £5.6m in management fees of which nil was outstanding at 31 March 2020).

6. Administration Fees

Under an Administration Agreement, for the year ended 31 March 2021 the Administrator was entitled to receive a minimum annual fee, accruing daily and calculated on a sliding scale, as follows:

- 0.06% of NAV up to £150m;
- 0.03% of NAV above £150m and up to and including £200m; and
- 0.025% of NAV above £200m.

Pursuant to an amendment to the Administration Agreement, the administration fee was changed to a fixed fee of £220k per annum with effect from 1 October 2020. With effect from 1 January 2022, the fixed fee will increase annually in line with the annual increase in Guernsey RPI.

For periods up to 31 March 2021, the Administrator was also entitled to additional fees for attendance at ad hoc Board and Board Committee meetings.

For the year ended 31 March 2021 the Administrator was entitled to administration fees of £237k (2020: £274k), of which £57k was outstanding at 31 March 2021 (2020: £70k).

The fee is payable quarterly in arrears.

7. Directors' Fees

The Directors are all non-executive and their remuneration is solely in the form of fees. The Directors' fees for the year were £253k (2020: £224k), of which £nil was outstanding at 31 March 2021 (2020: £nil).

Notes to the Financial Statements continued

8. Audit Fees

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

	31 March 2021 £'000	31 March 2020 £'000
Fees payable to the auditor for the audit of the Company	80	75
Additional audit fee and disbursements for prior year	30	24
Total	110	99

9. Other Expenses

	31 March 2021 £'000	31 March 2020 £'000
Amortisation expense	139	109
Sundry expenses	2	2
Director's expenses	1	1
Total	142	112

10. Charitable Donation

During the year ended 31 March 2021, the Company made a charitable donation of £80k to the NextEnergy Foundation (2020: £50k). Information on the NextEnergy Foundation and how it used the donation can be found on page 45 of the 2021 Annual Report, which, can also be found on our website (nextenergysolarfund.com).

11. Trade and Other Receivables

	31 March 2021 £'000	31 March 2020 £'000
Administrative service fee income receivable	759	252
Prepayments	29	22
Due from HoldCos	21,423	23,718
Total trade and other receivables	22,211	23,992

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

Notes to the Financial Statements continued

12. Trade and Other Payables

	31 March 2021 £'000	31 March 2020 £'000
Other payables	142	184
Dividends payable	–	6
Preference dividends payable	2,388	2,362
Due to HoldCos	21,423	23,718
Total trade and other payables	23,953	26,270

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

13. Share Capital and Reserves

a) Ordinary shares

The share capital of the Company comprises solely of ordinary shares of no par value and preference shares of no par value.

Ordinary shares issuance	Number of ordinary shares	Gross amount raised £'000	Issue costs £'000	Share premium £'000
Total issued at 31 March 2020	584,205,931	610,454	(7,465)	602,989
Scrip Dividend - 30 June 2020	729,115	786	–	786
Scrip Dividend - 30 September 2020	809,483	855	–	855
Scrip Dividend - 31 December 2020	1,046,866	1,110	–	1,110
Scrip Dividend - 31 March 2021	196,283	198	–	198
Total issued at 31 March 2021	586,987,678	613,403	(7,465)	605,938

All the holders of the ordinary shares are entitled to receive dividends as declared from time to time. At any general meeting of the Company, each ordinary shareholder will have, on a show of hands, one vote and, on a poll, one vote in respect of each ordinary share held.

b) Preference shares

In accordance with International Accounting Standard 32, the preference shares are classified as liabilities. Details of the preference shares can be found in note 23a).

c) Retained reserves

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

Under Guernsey law, the Company can pay dividends in excess of its retained earnings provided it satisfies the solvency test prescribed by the Companies (Guernsey) Law, 2008. The solvency test considers whether the Company is able to pay its debts when they fall due, and whether the value of the Company's assets is greater than its liabilities. The Company satisfied the solvency test in respect of all dividends declared or paid in the year.

Notes to the Financial Statements continued

14. Earnings per Ordinary Share

a) Basic

	31 March 2021	31 March 2020
Profit/(loss)and comprehensive income/(loss)for the year (£'000)	40,224	(29,651)
Basic number of issued ordinary shares	585,423,190	582,993,198
Earnings per share basic	6.87p	(5.09p)

b) Diluted

From 1 April 2036 the preference shares have the right to convert, based on 100p per preference share and the NAV per ordinary share at the time of conversion, into new ordinary shares or a new class of unlisted B shares with dividend and capital rights ranking pari passu with the ordinary shares.

	31 March 2021	31 March 2020
Profit/(loss) and comprehensive income/(loss) for the year (£'000)	40,224	(29,651)
Plus: preference share dividends paid during the year (£'000)	9,526	7,789
Profit/(loss)for the year attributable to ordinary shareholders (£'000)	49,750	(21,862)
Basic weighted average number of issued ordinary shares	585,423,190	582,993,198
Plus: weighted number of ordinary shares issuable on any conversion of preference shares, based on the NAV per ordinary share as at the year end	202,020,202	147,745,278
Adjusted weighted average number of ordinary shares	787,443,392	730,738,476
Earnings per share diluted	6.32p	(5.09p)[1]

1 The conversion to ordinary shares is only treated as dilutive when their conversion would decrease earnings per share or increase loss per share from continuing operations. The 2020 diluted earnings per share of (5.09p) reflects an update to the previously reported amount of (2.99p).

15. Ordinary Share Dividends

a) Paid During the year

	31 March 2021 £'000	31 March 2021 Pence per share	31 March 2020 £'000	31 March 2020 Pence per share
Quarter 1	10,034	1.7175	9,671	1.6625
Quarter 2	10,310	1.7625	10,003	1.7175
Quarter 3	10,324	1.7625	10,023	1.7175
Quarter 4	10,343	1.7625	10,034	1.7175
Total	41,011	7.005	39,731	6.8150

Notes to the Financial Statements continued

b) Declared in Respect of the year

	31 March 2021 £'000	31 March 2021 Pence per share	31 March 2020 £'000	31 March 2020 Pence per share
Quarter 1	10,310	1.7625	10,003	1.7175
Quarter 2	10,324	1.7625	10,023	1.7175
Quarter 3	10,343	1.7625	10,034	1.7175
Quarter 4	10,346	1.7625	10,034	1.7175
Total	41,323	7.0500	40,094	6.8700

16. Net Assets per Ordinary Share

	31 March 2021	31 March 2020
Ordinary shareholders' equity (£'000)	580,791	578,629
Number of issued ordinary shares	586,987,678	584,205,931
Net assets per ordinary share	98.9p	99.0p

17. Investments at Fair Value Through Profit or Loss

The Company owns its portfolio of solar assets through its investments in the HoldCos. The Company's investments comprise its portfolio of solar assets and the residual net assets of the HoldCos. As explained in note 4a), all of the Company's investments are held at fair value through profit or loss and classified as Level 3 in the fair value hierarchy. There were no movements between the hierarchy Levels during the year ended 31 March 2021 (2020: none).

The Company's total investments at fair value are recorded under "Non-current assets" in the Statement of Financial Position.

	31 March 2021 £'000	31 March 2020 £'000
Brought forward cost of investments	795,989	689,478
Investment proceeds from HoldCos	(9,546)	–
Investment payments to HoldCos	29,051	106,511
Additions - acquisition of Eurobonds[1]	–	125,000
Disposal - de-recognition of loans[1]	–	(125,000)
Carried forward cost of investments	815,494	795,989
Brought forward unrealised (losses)/gains on valuation	(42,429)	33,285
Movement in unrealised (losses)/gains on valuation	(3,421)	(75,714)
Carried forward unrealised losses on valuation	(45,850)	(42,429)
Total investments at fair value	769,644	753,560

[1] Non-cash transactions: On 18 September 2019, NESH III issued Eurobonds listed on The International Stock Exchange totaling £125m. The Eurobonds were put in place to ensure optimum tax planning within the Company and replaced certain debt facilities between the Company and NESH III which were repaid.

To facilitate the acquisition of the Camden portfolio, £35.2m was drawn down at subsidiary level, remitted to the Company before being returned to a subsidiary.

Notes to the Financial Statements continued

The total change in the value of the investments in the HoldCos is recorded through profit and loss in the Statement of Comprehensive Income. Information about the principal unobservable inputs used in valuing the Company's investments and their sensitivities is included in note 19.

18. Subsidiaries

The Company holds investments through subsidiary companies (the HoldCos) which have not been consolidated as a result of the adoption of IFRS 10: Investment entities exemption to consolidation. As stated in note 4c), the HoldCos are incorporated in the UK and 100% directly owned. There are no cross guarantees amongst Group entities. Below is the legal entity name for the SPVs, all owned 100% at 31 March 2021 directly or indirectly through the HoldCos listed below.

Name	Country of incorporation	Name	Country of incorporation
NextEnergy Solar Holdings Limited	UK		
BL Solar 2 Limited	UK	North Farm Solar Park Limited	UK
Bowerhouse Solar Limited	UK	Push Energy (Birch) Limited	UK
Ellough Solar 2 Limited	UK	Push Energy (Boxted Airfield) Limited	UK
Glebe Farm SPV Limited	UK	Push Energy (Croydon) Limited	UK
Glorious Energy Limited	UK	Push Energy (Decoy) Limited	UK
Greenfields (A) Limited	UK	Push Energy (Hall Farm) LimitedPush	UK
NESF-Ellough Ltd	UK	Energy (Langenhoe) LimitedSSB	UK
Nextpower Ellough LLP	UK	Condover Limited (Condover)	UK
Nextpower Gover Farm Limited	UK	ST Solarinvest Devon 1 Limited	UK
Nextpower Higher Hatherleigh	UK	Sunglow Power Limited	UK
Nextpower Shacks Barn Ltd	UK	Wellingborough Solar Limited	UK
NextEnergy Solar Holdings II Limited	UK		
ESF Llwyndu Limited	UK	Trowbridge PV Ltd	UK
NextEnergy Solar Holdings III Limited	UK		
Balhearty Solar Limited	UK	Burcroft Solar Parks Ltd	UK
Ballygarvey Solar Ltd	UK	Burrowton Farm Solar Park Ltd	UK
BESS Pierces Ltd	UK	Chilton Cantello Solar Park Ltd	UK
Birch Solar Farm CIC	UK	Crossways Solar Park Ltd	UK
Blenches Mill Farm Solar Park Ltd	UK	Empyreal Energy Limited	UK
Brafield Solar Limited	UK	Fiskerton Limited	UK
Francis Lane Solar Limited	UK	Nextpower SPV 10 Ltd	UK
Gourton Hall Solar Limited	UK	Nextpower Water Projects Ltd	UK
Greenfields (T) Limited	UK	NextZest Ltd	UK
Helios Solar 1 Limited	UK	PF Solar Limited	UK

Notes to the Financial Statements continued

Name	Country of incorporation	Name	Country of incorporation
Helios Solar 2 Limited	UK	Renewable Energy HoldCo Ltd	UK
Hook Valley Farm Solar Park Ltd	UK	RRAM (Portfolio 2) Ltd	UK
Knockworthy Solar Park Ltd	UK	RRAM (Portfolio One) Ltd	UK
Lark Energy Bilsthorpe Ltd	UK	RRAM Energy Limited	UK
Le Solar 51 Limited	UK	Saundercroft Farm Solar Park Ltd	UK
Little Irchester Solar Limited	UK	SL Solar Services Ltd	UK
Little Staughton Airfield Solar Limited	UK	Sywell Solar Limited	UK
Marham Waterworks	UK	Sutterton Resevoir	UK
Micro Renewables Domestic Ltd	UK	Tau Solar Limited	UK
Micro Renewables Ltd	UK	Temple Normanton Solar Limited	UK
Moss Farm Solar Limited	UK	TGC Solar Radbrook Ltd	UK
NESH 3 Portfolio A Limited	UK	The Grange	UK
Nextpower Bosworth Ltd	UK	Thornborough Solar Limited	UK
Nextpower Grange	UK	Nextpower South Lowfields	UK
Nextpower Higher Farm Ltd	UK	Thurlestone-Leicester Solar Limited	UK
NextPower High Garrett Ltd	UK	UK Solar (Fiskerton) LLP	UK
Nextpower Hops Energy	UK	Warmingham Solar Limited	UK
Nextpower Southlowfield	UK	Wheb European Solar (UK) 2 Ltd	UK
Nextpower SPV 4 Ltd	UK	Wheb European Solar (UK) 3 Ltd	UK
Nextpower SPV 6 Ltd	UK	Whitley Solar Park (Ashcott Farm) Ltd	UK
Pierces Solar Limited	UK	Wickfield Solar Ltd	UK
Raglington Farm Solar Park Ltd	UK	Wyld Meadow Farm	UK
NextEnergy Solar Holdings IV Limited	UK	Emberton Solar Park Limited	UK
Berwick Solar Park Limited	UK	Great Wilbraham Solar Park Limited	UK
Bottom Plain Solar Park Limited	UK	Nextpower Radius Limited	UK
Branston Solar Park Limited	UK		

Notes to the Financial Statements continued

Name	Country of incorporation	Name	Country of incorporation
NextEnergy Solar Holdings V Limited	UK		
Agrosei S.r.l	Italy	Starquattro S.r.l	Italy
Fotostar 6 S.r.l	Italy	SunEdison Med. 6 S.r.l	Italy
Macchia Rotonda Solar S.r.l	Italy		
NextEnergy Solar Holdings VI Limited	UK		
Bowden Lane Solar Park Ltd	UK	Green End Renewables Limited	UK
Fenland Renewables Limited	UK	Tower Hill Farm Renewables Limited	UK

19. Fair Value of Investment in Unconsolidated Subsidiaries

a) Valuation process

The valuation process is described in note 4a).

The Directors and the Investment Manager consider that the discounted cash flow methodology used in deriving the fair value of investments in operating solar plants is in accordance with the fair value requirements of IFRS 13 and that the valuation methodology used, including the key estimates and assumptions applied, is appropriate.

Investments in assets that are not yet operational are also held at fair value, where the cost of the investment is used as an appropriate approximation of fair value. These investments are not included in the sensitivity analyses in note 19b).

b) Sensitivity Analyses of Changes in Significant Unobservable Inputs to the Discounted Cash Flow Calculation

Most of the Company's investments are valued using the discounted cash flow methodology. Information on this methodology is included in note 4a). The Directors consider the following to be significant unobservable inputs to the discounted cash flows calculation on a look through basis.

Discount rates

Discount rates used in the valuation of the Company's investments represent the Investment Adviser's and Board's assessment of the rate of return in the market for assets with similar characteristics and risk profile.

	31 March 2021	31 March 2020
Weighted average discount rate	6.3%	6.8%
Range of discount rates (unlevered to levered)	5.75% to 7.25%	6.25% to 7.75%
Premium applied to cash flows earned 30 years after grid connection date	1.0%	1.0%

Notes to the Financial Statements continued

The table below shows the sensitivity of the portfolio valuation to a change to the weighted average discount rate by plus or minus 0.5%, with all other variables held constant.

Discount rate sensitivity	+0.5% change	Investments	–0.5% change
31 March 2021			
Directors' valuation	(£20.6m)	£769.6m	£22.3m
Directors' valuation – percentage movement	(3.4%)		3.7%
Change in NAV per ordinary share	(3.5p)		3.8p
31 March 2020			
Directors' valuation	(£18.3m)	£753.6m	£19.7m
Directors' valuation – percentage movement	(3.3%)		3.5%
Change in NAV per ordinary share	(3.1p)		3.4p

Power price

As at 31 March 2021, estimates implied an average rate of growth of UK electricity prices (2021-2041) of approximately 0.1% (2020: 1%) in real terms and a long-term inflation rate of 3.0% (2020: 3.0%).

The impact of Covid-19 on 2020 power prices was seen to reverse during 2021 and the blended average of the "central case" scenarios has been applied to the valuation.

The table below shows the sensitivity of the portfolio valuation to a sustained decrease or increase in the power price by minus or plus 10% on the valuation, with all other variables held constant.

Power price sensitivity	–10% change	Investments	+10% change
31 March 2021			
Directors' valuation	(£42.2m)	£769.6m	£40.9m
Directors' valuation – percentage movement	(6.9%)		6.7%
Change in NAV per ordinary share	(7.2p)		7.0p
31 March 2020			
Directors' valuation	(£40.7m)	£753.6m	£39.8m
Directors' valuation – percentage movement	(7.3%)		7.1%
Change in NAV per ordinary share	(7.0p)		6.8p

Notes to the Financial Statements continued

Energy generation

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

Energy generation sensitivity	-5% underperformance	Investments	+5% outperformance
31 March 2021			
Directors' valuation	(£40.4m)	£769.6m	£39.6m
Directors' valuation – percentage movement	(6.6%)		6.5%
Change in NAV per ordinary share	(6.9p)		6.8p
31 March 2020			
Directors' valuation	(£40.7m)	£753.6m	£39.8m
Directors' valuation – percentage movement	(7.4%)		7.2%
Change in NAV per ordinary share	(7.0p)		6.8p

Inflation rates

The portfolio valuation assumes long-term inflation of 3.0% (2020: 3.0%) p.a. for investments (based on UK RPI).

The table below shows the sensitivity of the portfolio valuation to a change to the inflation rate by minus or plus 0.5%, with all other variables held constant.

Inflation rate sensitivity	+0.5% change	Investments	-0.5% change
31 March 2021			
Directors' valuation	(£30.6m)	£769.6m	£28.8m
Directors' valuation – percentage movement	(4.7%)		5.0%
Change in NAV per ordinary share	(4.9p)		5.3p
31 March 2020			
Directors' valuation	(£26.4m)	£753.6m	£28.2m
Directors' valuation – percentage movement	(4.7%)		5.1%
Change in NAV per ordinary share	(4.5p)		4.8p

Notes to the Financial Statements continued

Operating costs

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

Operating costs sensitivity	+10% change	Investments	-10% change
31 March 2021			
Directors' valuation	(£11.9m)	£769.6m	£11.8m
Directors' valuation – percentage movement	(2.0%)		1.9%
Change in NAV per ordinary share	(2.0p)		2.0p
31 March 2020			
Directors' valuation	(£12.3m)	£753.6m	£11.7m
Directors' valuation – percentage movement	(2.2%)		2.1%
Change in NAV per ordinary share	(2.1p)		2.0p

Tax rates

The UK corporation tax rate used in the portfolio valuation is 19% until 2023 and 25% thereafter (2020: 19%), in accordance with the latest UK Budget announcements.

20. Non-investment Financial Assets and Liabilities

Cash and cash equivalents are Level 1 items in the fair value hierarchy.

Current assets and current liabilities are Level 2 items in the fair value hierarchy, with their carrying value being approximates for their fair values as these are short-term items.

The preference shares are held at amortised cost using the effective interest method and are measured at gross proceeds net of transaction costs incurred, as at 31 March 2021 they are held as £197.9m (2020: £197.8m). The carrying value of the preference shares approximate their fair value as at 31 March 2021. The transaction costs are amortised over the expected life of the preference shares to 2036.

21. Capital Management

a) Capital structure

The NESF Group, which comprises the Company and its unconsolidated subsidiaries (being the HoldCos and SPVs), manages its capital to ensure that it will be able to continue as a going concern whilst maximising the return to ordinary shareholders through the optimisation of the debt and equity balances. The NESF Group's principal use of cash has been to fund investments in accordance with the Company's Investment Policy as well as ongoing operational expenses.

The capital structure of the Company consists entirely of equity (comprising issued ordinary share capital and retained earnings) and preference share capital (which, for accounting purposes, are treated as a liability). The capital structure of each of the Company's subsidiaries consists entirely of equity or a combination of equity and debt, which may be short or long-term. The Board, with the assistance of the Investment Adviser, monitors and reviews the NESF Group's capital structure on an ongoing basis.

b) Debt

The Company's Investment Adviser reviews the debt structure of the Company and its subsidiaries on an ongoing basis. The Company and its subsidiaries use leverage for financing the acquisition of solar investments and working capital purposes. In accordance with the Company's Investment Policy, the NESF Group may employ leverage, provided that it does not exceed (at the time the relevant arrangement is entered into) 50% of GAV. For this purpose, leverage includes all short and long-term debt raised by the Company or any of its HoldCos or SPVs, as well as the aggregate subscription monies paid in respect of all preference shares in issue and any unpaid dividends due in respect of the preference shares.

As at 31 March 2021, the Company had £200m of preference shares in issue (2020: £200m) and no financial debt outstanding and the HoldCos had £246.3m in long-term debt and revolving credit facilities outstanding (2020: £214.3m) (see note 23b), representing a gearing level of 43% (2020: 42%).

Notes to the Financial Statements continued

22. Financial Risk Management Objectives

The Board, with the assistance of the Investment Manager and Investment Adviser, monitors and manages the financial risks relating to the operations of the NESF Group through an internal risk map and the Investment Manager's reports. These risks include capital risk, market risk (including price risk, power price risk, currency risk and interest rate risk), credit risk and liquidity risk. The objective of the risk management programme is to minimise the potential adverse effects on the financial performance of the NESF Group.

For the Company and its subsidiaries, financial risks are managed by the Investment Manager and Investment Adviser, which operate within Board-approved policies. The various types of financial risk which affect the Company, its subsidiaries or both are managed as described below. Risks that affect the Company's unconsolidated subsidiaries may affect in turn the fair value of investments held by the Company

a) Capital risk (Company only)

The Company has put in place a financing structure that enables it to manage its capital effectively. The Company's capital structure comprises equity (issued ordinary share capital and retained earnings) and preference share capital. As at 31 March 2021 the Company had no recourse financial debt, although the Company is a guarantor for two financing and hedging facilities of its subsidiaries (see note 25).

b) Market Price Risk (Company and subsidiaries)

Market price risk is the risk that the fair value of future cash flows of a financial instrument held by the Company, through its subsidiaries, will fluctuate because of changes in market prices. Changes in market prices will affect the discount rate applied to the expected future cash flows from the Company's investments and, therefore, the fair value of those investments. The impact of changes in the discount rate is considered in note 19b).

Power price risk (Company and subsidiaries)

The wholesale market price of electricity is volatile and is affected by multiple factors, including demand for electricity, the generation across the entire grid and government subsidies, as well as fluctuations in the market prices of fuel commodities and foreign exchange. Whilst some of the Company's investments benefit from subsidies and short-term PPA hedges that fix prices, other revenue streams are not hedged and subject to wholesale electricity prices.

A decrease in economic activity in the UK or Italy, as during the Covid-19 period, could result in a decrease in demand for electricity in the market. Short-term and seasonal fluctuations in electricity demand could also impact the price at which the subsidiaries can sell electricity. Supply of electricity can be affected by new entrants to the wholesale power market.

The Investment Adviser monitors these factors and hedges the price at which the subsidiaries sell electricity as necessary.

Currency risk (Company and NESH V)

Foreign currency risk, as defined in IFRS 7, arises as the values of recognised monetary assets and monetary liabilities denominated in other currencies fluctuate due to changes in foreign exchange rates. The Company has no direct exposure to currency risk as all its assets and liabilities are in pounds sterling, the Company's functional and presentational currency. A substantial majority of the cash flows from the Company's solar assets in Italy to NESH V are hedged and so the cash flows to the Company from that HoldCo are exposed to limited currency risk and therefore the currency risk on the value of the assets is not considered to be significant.

Interest rate risk (Company and subsidiaries)

The Company is indirectly exposed to interest rate risk from the credit facilities of the HoldCos, as at 31 March 2021 of the £246.3m (2020: £214.3m) credit facilities outstanding, £119.6m (2020: £123.2m} had fixed interest rates and the remaining £126.7m (2020: £91.1m) 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 £72.6m (2020: £72.6m). The counterparties to these swaps are all Investment grade financial institutions. The remaining £54.1m (2020: £18.5m) had floating rates which are not hedged and are not considered by the Directors to be significant.

c) Credit risk (Company and subsidiaries)

Credit risk is the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Company or the subsidiary that is a party to the contract. Credit risk arises from cash and cash equivalents and derivative financial instruments, as well as credit exposures to customers.

The Company and its subsidiaries mitigate their risk of cash and derivative transactions by only transacting with major international financial institutions with high credit ratings assigned by international credit rating agencies. At the investment level, the credit risk relating to significant counterparties is reviewed on a regular basis, in conjunction with monitoring the credit ratings issued by recognised credit rating agencies, and potential adjustments to the discount rate are considered to recognise changes to credit risk where applicable. The Directors believe that the NESF Group is not significantly exposed to the risk that the customers of its investments do not fulfil their payment obligations because of the NESF Group's policy to invest in jurisdictions and with customers with satisfactory credit ratings.

Notes to the Financial Statements continued

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

	31 March 2021 £'000	31 March 2020 £'000
Cash and cash equivalents	10,809	25,128
Trade and other receivables	22,211	23,992
Debt investments	300,000	300,000
Total	333,020	349,120

Debt investments relate to Eurobonds which have been valued at fair value as part of the Company's investments as disclosed in note 17. No collateral is received from NESH III or NESH V in relation to the Eurobonds. The credit quality of these investments is based on the financial performance of NESH III and NESH V as well as the underlying investments they own. The risk of default is deemed low and the principal repayments and interest payments are expected to be made in accordance with the agreed terms and conditions.

The Company does not have any significant credit risk exposure to any single counterparty in relation to trade and other receivables. In respect of the Company's subsidiaries, ongoing credit evaluation is performed on the financial condition of accounts receivable. As 31 March 2021, the probability of default of the Company's subsidiaries was considered low and so no allowance has been recognised based on 12-month expected credit loss as any impairment would be insignificant to the subsidiary (2020: none). The Investment Adviser has sufficient oversight of the subsidiary's receivables to assess the probability of default.

Details of the Company's cash and cash equivalent balances at the year end are set out in the table below.

	Credit rating Standard & Poor's	Cash £'000
31 March 2021		
Barclays Bank PLC	Long - A Short - A/A-1	5,809
Northern Trust	Long - AA- Short - A-1+	5,000
31 March 2020		
Barclays Bank PLC	Long - A Short - A-1	25,128

Notes to the Financial Statements continued

d) Liquidity risk (Company and subsidiaries)

Liquidity risk is the risk that the NESF Group will not be able to meet its financial obligations as they fall due as a result of the maturity of assets and liabilities not matching. The Board has established an appropriate liquidity risk management framework for the management of the NESF Group's short-, medium- and long-term funding and liquidity management requirements. The Company and its subsidiaries manage liquidity risk by monitoring forecast and actual cash flows and matching the maturity profiles of assets and liabilities and maintaining sufficient cash balances to meet their operating needs.

The following table 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.

	Carrying amount £'000	Up to 3 months £'000	3 to 12 months £'000	Greater than 12 months £'000
31 March 2021				
Assets				
Cash and cash equivalents	10,809	10,809	–	–
Trade and other receivables	22,211	22,211	–	–
Liabilities				
Contractual preference shares repayment and dividends payable[1]	(192,896)	(2,388)	–	(342,508)
Trade and other payables	(23,953)	(23,953)	–	–
31 March 2020				
Assets				
Cash and cash equivalents	25,128	25,128	–	–
Trade and other receivables	23,992	274	–	23,718
Liabilities				
Contractual preference shares repayment and dividends payable[1]	(202,368)	(2,368)	–	(352,000)
Trade and other payables	(23,902)	(184)	–	(23,718)

1 Assumes no conversion of preference shares in 2036.

Notes to the Financial Statements continued

23. Preference Shares and Revolving Credit and Debt Facilities

a) Preference shares

On each of 12 November 2018 and 12 August 2019, the Company issued 100,000,000 preference shares at a price of 100p per preference share. The preference shares pay a preferred dividend of 4.75% p.a. until March 2036, after which they have the right to convert, based on 100p per preference share and the NAV per ordinary share at the time of conversion, into new ordinary shares or a new class of unlisted B shares with dividend and capital rights ranking pari passu with the ordinary shares. The preference shares do not confer any voting rights, except in limited circumstances.

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

	Opening £'000	Amortisation £'000	Carry Amount £'000
31 March 2021			
Preference shares	197,781	139	197,920
31 March 2020			
Preference shares[1]	99,022	109	197,781

1 Additional £100m preference shares issued within the financial year ended 31 March 2020.

b) Revolving credit and debt facilities

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

In January 2017, NESH closed a syndicated loan with MIDIS, NAB and CBA for £157.5m ("Project Apollo") to refinance its revolving credit facility. As part of the facility agreement, the lenders provide an additional Debt Service Reserve Facility of £7.5m and hold a charge over the assets of NESH. As at 31 March 2021, the nominal outstanding amount was £150.3m (2020: £150.8m).

In July 2015, NESH II agreed a loan with NIBC for £22.7m. In July 2016, £1.0m was repaid and in March 2018, the remaining balance was repaid. At the same time as the repayment the short-term facility was converted into a new £20.0m in revolving credit facility. As at 31 March 2021, the outstanding amount was £nil (2020: £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 IV. As at 31 March 2021, the outstanding amount was £48.7m (2020: £51.3m).

In July 2018, NESH IV closed a RCF with Santander for £40.0m which was subsequently fully drawn down. In January 2019, the facility was increased to a total commitment of £70.0m with a subsequent £30.0m drawdown. In August 2019, £56.0m was repaid. In February 2021 £35.2m was drawn down. As at 31 March 2021, the nominal outstanding amount was £54.1m (2020: £18.5m).

Notes to the Financial Statements continued

24. Reconciliation of Financing Activities

	Opening £'000	Cash flows £'000	Net income allocation £'000	Non-cash flows £'000	Carry Amount £'000
31 March 2021					
Share capital and premium	602,989	–	–	2,949	605,938
Preference shares[1]	197,781	–	–	139	197,920
Retained earnings	(24,360)	(38,062)	40,224	(2,949)	(25,147)
31 March 2020					
Share capital and premium	600,029	–	–	2,960	602,989
Preference shares[1]	99,022	98,650	–	109	197,781
Retained earnings	45,022	(36,771)	(29,651)	(2,960)	(24,360)

1 Additional £100m preference shares issued within the financial year ended 31 March 2020.

25. Commitments and Guarantees

The Company had parental guarantees in place with two financial institutions for its subsidiaries debt obligations and a currency hedge transaction executed through subsidiaries.

On 19 November 2018, the Company entered into a counter-indemnity deed with Banco Santander ("Santander") regarding borrowings by NextPower Radius Limited. Under the terms of the deed the Company may request Santander to issue a letter of credit for no more than €2,275,150. As at 31 March 2021, no letters of credit were in issue (2020: none).

On 1 December 2017, the Company provided a guarantee to Intesa Sanpaolo S.p.A. ("ISP") relating to derivative transactions made available to NESH V. The guarantee covers all present and future obligations of NESH V to ISP relating to the derivative transactions. As at 31 March 2021 the Company has no outstanding commitments related to this guarantee (2020: none).

Notes to the Financial Statements continued

26. Related Parties

The Investment Manager, the Investment Adviser and the Asset Manager are considered to be related parties in light of their responsibilities in implementing the investment strategy set by the Board of Directors and directing the activities of Group entities. All management fee transactions with the Investment Manager are disclosed in note 5.

There are no fee transactions between the Company and the Investment Adviser.

Under existing arrangements with the Asset Manager, each of the operating subsidiaries of the Company entered into an asset management agreement with the Asset Manager and each of the HoldCos entered into on accounting services agreement with the Asset Manager. The total value of recurring and one-off services paid to the Asset Manager by the subsidiaries during the year amounted to £6.2m (2020: £5.9m).

As announced on 14 May 2020, two subsidy-free projects under development, Strensham (40MW) and Llanwern (75MW), were sold to a subsidiary of NextPower Development Ltd for a combined value of £11.5m, resulting in NESF recovering all development costs incurred. The transaction resulted in a net IRR (after NESF's transaction costs) significantly in excess of NESF's annualised target return for UK assets. As announced on 23 March 2021, a further 16 development projects (not in construction or in operation) from its subsidy-free pipeline, were also sold to NextPower Development Ltd for a combined value of £5.6m. These two transactions constitute smaller related party transactions as set out in the FCA's Listing Rule 11.1.10R.

At 31 March 2021, £21.4m (2021: £23.7m) was owed to and from the subsidiaries in relation to their restructuring. £9.1m of administrative service fees were received from the subsidiaries during the year (2020: £8.7m), none of which was outstanding at 31 March 2021 (2020: £nil). During the year, dividends of £38.9m (2020: £42.9m) were received from the subsidiaries.

The Directors' fees for the year ended 31 March 2021 amounted to £253,000 (2020: £224,000).

27. Controlling Party

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

28. Events After the Balance Sheet Date

On 13 May 2021, the Directors approved a dividend of 1.7625 pence per ordinary share for the quarter ended 31 March 2021 to be paid on 30 June 2021 to ordinary shareholders on the register as at the close of business on 21 May 2021.

ANGLIAN WATER (SUTTERTON RESERVOIR)

- 0.4MW installed
- Energised in March 2021
- 25 year (inflation linked) fixed price PPA
- 120 homes powered annually
- Lincolnshire, UK

Alternative Performance Measures ("APMs")

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

Asset Management Alpha

Asset Management Alpha measures the operating performance of the portfolio. It is the performance of the portfolio relative to budget due to effective management and excludes the effect of variation in solar irradiation.

	31 March 2021 %	31 March 2020 %
Delta of generation vs. budget (A)	6.2	4.7
Delta of irradiation vs. budget (B)	5.5	4.0
Asset Management Alpha (A – B)	0.7	0.7

Invested Capital

Invested capital measures the capital deployed into solar assets through the HoldCos and SPVs to generate investment returns for shareholders.

	31 March 2021 £'000	31 March 2020 £'000
Invested capital	998,809	949,831

Total Gearing

Total Gearing measures the aggregate of the NESF Group's financial debt and fair value of the preference shares relative to GAV.

	31 March 2021 £'000	31 March 2020 £'000
NESF Group's outstanding financial debt (A)	246,300	214,299
Preference shares as per Statement of Financial Position (B)	197,920	197,781
Net assets as per Statement of Financial Position (C)	580,791	578,629
Total Gearing ((A + B) / (A + B + C)), expressed as a percentage)	43.3%	41.6%

Financial Debt Gearing

Financial debt gearing measures the aggregate of the NESF Group's financial debt relative to GAV.

	31 March 2021 £'000	31 March 2020 £'000
NESF Group's outstanding financial debt (A)	246,300	214,299
Preference shares as per Statement of Financial Position (B)	197,920	197,781
Net assets as per Statement of Financial Position (C)	580,791	578,629
Financial debt gearing ((A) / (A + B + C) , expressed as a percentage)	24.0%	21.6%

Alternative Performance Measures continued

Cash Income

Cash income measures of the cash generated from the Company's operations.

	31 March 2021 £'000	31 March 2020 £'000
Income as per Statement of Comprehensive Income (A)	59,996	61,192
Trade and other receivables – administrative service fee income accrual at beginning of year as per note 11 to Interim Financial Statements (B)	252	249
Trade and other receivables – administrative service fee income accrual at end of year as per note 11 to Interim Financial Statements (C)	758	252
Cash income (A + B – C)	59,490	61,189

Cash Dividend Cover (Pre-scrip Dividends)

Cash dividend cover (pre-scrip dividends) measures the cash available to pay ordinary share dividends, treating all scrip dividends as if they had been paid as cash dividends.

	31 March 2021 £'000	31 March 2020 £'000
Cash Income as per the table above (A)	59,490	61,189
Total expenses as per Statement of Comprehensive Income (B)	16,351	15,129
Pre-scrip ordinary dividends paid as per Statement of Changes in Equity (C)	41,011	39,731
Cash dividend cover (pre-scrip dividends) ((A – B) / C)	1.1x	1.2x

Dividend Yield

Dividend yield is a measure of the return to the ordinary shareholders.

	31 March 2021 Pence	31 March 2020 Pence
Dividend per ordinary share (A)	7.05	6.87
Ordinary share price at end of year (B)	99.6	101.5
Dividend yield (A / B, expressed as a percentage)	7.1%	6.8%

NAV per Ordinary Share

NAV per ordinary share is a measure of the value of one ordinary share.

	31 March 2021 Pence	31 March 2020 Pence
Net assets as per Statement of Financial Position (£,000) (A)	580,791	578,629
Number of ordinary shares in issue at year end (B)	586,987,678	584,205,931
NAV per ordinary share ((A / B) x 1,000)	98.9p	99.0p

Alternative Performance Measures continued

NAV Total Return per Ordinary Share

NAV total return per ordinary share is a measure of the overall financial performance of the Company and measures the combined effect of dividends paid together with the rise or fall in the NAV.

	31 March 2021 Pence	31 March 2020 Pence
Basic NAV per ordinary share at year end as per Statement of Financial Position (A)	98.9	99.0
Annual dividend per ordinary share declared in respect of year (B)	7.05	6.87
Basic NAV per ordinary share at beginning of year as per Statement of Financial Position (C)	99.0	110.9
NAV total return per ordinary share ((A + B – C) / C, expressed as a percentage)	7.0%	(4.5%)

Ordinary Shareholder Total Return

Ordinary shareholder total return is a measure of the overall performance of the ordinary shares and measures the combined effect of dividends paid together with the rise or fall in the share price.

	31 March 2021 Pence	31 March 2020 Pence
Ordinary share price at year end (A)	99.6	101.5
Annual dividend per ordinary share declared/paid in respect of year (B)	7.05	6.87
Ordinary share price at beginning of year (C)	101.5	117.5
Ordinary shareholder total return per share ((A + B – C) / C, expressed as a percentage)	5.1%	(7.8%)

Premium to NAV per Ordinary Share

Premium to NAV per ordinary share is a measure of the performance of the ordinary share price relative to the NAV per ordinary share.

	31 March 2021 Pence	31 March 2020 Pence
Ordinary share price at year end (A)	99.6	101.5
NAV per ordinary share at year end as per Statement of Financial Position (B)	98.9	99.0
Premium to NAV per Ordinary Share ((A – B) / B, expressed as a percentage)	0.7%	2.5%

Alternative Performance Measures continued

Ongoing Charges Ratio

Ongoing charges ratio measures the Company's recurring operating costs (excluding costs incurred by the HoldCos and SPVs, interest costs, preference share dividends and taxation) as a percentage of the average of the net assets at the end of each of the last four consecutive quarters ending at the year end.

	31 March 2021 £'000	31 March 2020 £'000
Total expenses as per Statement of Comprehensive Income (A)	16,351	15,129
Preference share dividends as per Statement of Comprehensive Income (B)	9,526	7,789
Non-recurring expenses (C)	253	264
Average of quarterly net assets (D)	582,823	643,236
Ongoing charges ratio ((A – B – C) / D, expressed as a percentage)	1.1%	1.1%

General Shareholder Information

Alternative Investment Fund Management Directive ("AIFMD")

The AIFMD aims to harmonise the regulation of Alternative Investment Fund Managers ("AIFMs") and imposes obligations on managers who manage or market Alternative Investment Funds ("AIFs") in the EU or who market shares in such funds to EU investors.

The Company is a non-EU AIF and has appointed NextEnergy Capital IM Limited as its non-EU AIFM. The Company's marketing activities in the UK and the EU are subject to regulation under the AIFMD and any applicable national private placement regimes ("NPPRs"). NPPRs provide a mechanism to market non- EU AIFs that are not allowed to be marketed under the AIFMD domestic marketing regimes. The Board uses NPPRs to market the Company, specifically in the UK, the Republic of Ireland, the Netherlands and Sweden.

In accordance with the AIFMD, information in relation to the Company's leverage and remuneration of the Investment Manager, as the Company's AIFM, are required to be made available to investors. These disclosures, including those on the AIFM's remuneration policy, are available on request from the Investment Manager.

Packaged Retail and Insurance-Based Investment Products ("PRIIPs") Regulation/Key Information Document ("KID")

The PRIIPs Regulation aims to ensure retail investors are provided with transparent and consistent information across different types of financial products.

The Company is a PRIIP. The PRIIPs Regulation requires the Investment Manager to publish a KID in respect of the Company that includes standardised illustrations of theoretical risk and returns. The KID is available on the Company's website under Investor Relations (www.nextenergysolarfund.com).

The Company is not responsible for the information contained in the KID and investors should note that the procedures for calculating the risks, costs and potential returns are prescribed by law. The figures in the KID may not reflect the expected returns for the Company and anticipated performance returns cannot be guaranteed.

Foreign Account Tax Compliance Act ("FATCA")/ OECD Common Reporting Standard ("CRS")

FATCA is a United States federal law enacted in 2010, the intent of which is to enforce the requirement for United States persons (including those living outside the US) to file yearly reports on their non-US financial accounts. Developed and approved by the OECD in 2014, the CRS is a global standard for the automatic exchange of financial account information between governments around the world to help fight against tax evasion and protect the integrity of systems.

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

Markets in Financial Instruments Directive II ("MiFID II") Status

MiFID II requires retail investors in complex products to be assessed for "knowledge and understanding" by distributing firms if they are buying them without advice.

The Company's ordinary shares are considered as "non-complex" in accordance with MiFID II.

Retail Distribution of the Company's Shares Via Financial Advisers and Other Third-Party Promoters

The FCA's rules restrict the promotion of investment products classified as "non-mainstream pooled investment products" to retail investors. The restrictions do not apply to ordinary shares in a UK investment trust or non-UK investment company which would qualify for approval as an investment trust under section 1158 of the Corporation Tax Act 2010 if resident and listed in the UK.

The Board has been advised that the Company would qualify as an investment trust if it was resident in the UK. Accordingly, the promotion and distribution of the Company's ordinary shares are not subject to the FCA's restrictions referred to above.

The Company currently conducts its affairs so that its ordinary shares can be recommended by financial advisers to retail investors and intends to continue to do so for the foreseeable future.

ISA Status

NESF's ordinary shares are eligible for stocks and shares ISAs.

The Company intends to continue to manage its affairs so that its ordinary shares qualify as an eligible investment for a stocks and shares ISA.

Net Asset Value per Ordinary Share

The NAV per ordinary share is calculated on a quarterly basis and published through a stock exchange announcement.

Scrip Dividends

The Company offers a scrip dividend alternative to shareholders. For further information, please see the scrip dividend alternative circular for the year ending 31 March 2021, which is available under "Publications" in the Investor Relations section of the Company's website (nextenergysolarfund.com).

Additional Information

Copies of the Company's Annual and Interim Reports, quarterly factsheets and stock exchange announcements, together with information on the Company's ordinary share price, NAV per ordinary share, historic ordinary share and NAV performance, together with further information, is available on the Company's website (nextenergysolarfund.com).

General Shareholder Information continued

Financial Calendar for Year Ending 31 March 2022

Intermin results announced	November 2021
Annual results announced	June 2022
Annual General Meeting	August 2022

Interim dividends

In the absence of unforeseen circumstances, the Directors expect to declare and pay the following interim dividends per ordinary share in respect of the financial year ending 31 March 2022.

Dividend	Announcement date	Ex-dividend date	Payment date	Amount
1st	13 Aug 21	20 Aug 21	30 Sep 21	1.79p
2nd	12 Nov 21	19 Nov 21	31 Dec 21	1.79p
3rd	11 Feb 22	18 Feb 22	31 Mar 22	1.79p
4th	13 May 22	20 May 22	30 June 22	1.79p

Cautionary Statement

This Annual Report and the Company's website may contain certain "forward-looking statements" with respect to the Company's financial condition, results of its operations and business, and certain plans, strategies, objectives, goals and expectations with respect to these items and the markets in which the Company invests. Forward-looking statements are sometimes, but not always, identified by their use of a date in the future or such words as "aims", "anticipates", "believes", "estimates", "expects", "intends", "targets", "objective", "could", "may", "should", "will" or "would" or, in each case, their negative or other variations or comparable terminology.

Forward-looking statements are not guarantees of future performance. By their very nature forward-looking statements are inherently unpredictable, speculative and involve risk and uncertainty because they relate to events and depend on circumstances that will occur in the future. Many of these assumptions, risks and uncertainties relate to factors that are beyond the Company's ability to control or estimate precisely. There are a number of such factors that could cause the Company's actual investment performance, results of operations, financial condition, liquidity, dividend policy and financing strategy to differ materially from those expressed or implied by these forward-looking statements. These factors include, but are not limited to: changes in the economies and markets in which the Company operates; changes in the legal, regulatory and competition frameworks in which the Company operates; changes in the markets from which the Company raises finance; the impact of legal or other proceedings against or which affect the Company; changes in accounting practices and interpretation of accounting standards under IFRS; and changes in power prices and interest and exchange rates.

Any forward-looking statements made in this Annual Report or the Company's website, or made subsequently, which are attributable to the Company, or persons acting on its behalf (including the Investment Manager and Investment Adviser), are expressly qualified in their entirety by the factors referred to above. Each forward-looking statement speaks only as of the date it is made. Except as required by its legal or statutory obligations, the Company does not intend to update any forward-looking statements.

Nothing in this Annual Report or the Company's website should be construed as a profit forecast or an invitation to deal in the securities of the Company.

Glossary and Definitions

Administrator	Apex Funds and Corporate Services (Guernsey) Limited
AGM	Annual General Meeting
AIC	The Association of Investment Companies
AIC Code	The AIC Code of Corporate Governance (February 2019)
AIFM	Alternative Investment Fund Manager for the purpose of the EU's Alternative Investment Fund Management Directive
Asset Management Alpha	The difference between (i) the delta of generation vs. budget and (ii) the delta of irradiation vs. budget
Apollo portfolio	21 UK solar plants held within NESH (see the Operating Portfolio – Overview on pages 32 and 33 for further details)
Asset Manager or **WiseEnergy**	WiseEnergy (Great Britain) Limited and WiseEnergy Italia Srl
Brexit	The withdrawal of the United Kingdom from the European Union
Cash dividend cover	The ratio of the Company's cash income to dividends paid or payable in respect of the financial period/year
CBA	Commonwealth Bank of Australia
Company or **NESF**	NextEnergy Solar Fund Limited
Consultants	The three independent market forecasters used by the Company
CO_2e or **carbon dioxide equivalent**	A term for describing different greenhouse gases in a common unit. For any quantity and type of greenhouse gas, CO_2e signifies the amount of CO_2 which would have the equivalent global warming impact
DNO	Distribution Network Operators
EBITDA	Earnings before interest, tax, depreciation and amortisation
Embedded benefits	Supplier costs that are reduced or avoided via contracting with small-scale generation connected at the distribution network level instead of the national transmission system
EPC	Engineering, Procurement and Construction
ESG	Environmental, Social and Governance
FCA	Financial Conduct Authority
FiT	Feed-in-Tariff schemes are financial mechanisms by which the UK Government incentivised the deployment of small-scale renewable energy generation and the Italian Government incentivised the deployment of large-scale renewable energy generation) by requiring participating licensed electricity suppliers to make payments on both generation and export from eligible installations
GAV	Gross asset value, being the aggregate of the net asset value of the ordinary shares, the fair value of the preference shares and the amount of NESF Group debt outstanding
GW	A unit of power equal to 1,000 MW
GWh	GW hour, being a measure of electricity generated per hour
HoldCos	Intermediate holding companies used by the Company as pass-through vehicles to invest in underlying solar energy infrastructure assets, currently being NESH, NESH II, NESH III, NESH IV, NESH V and NESH VI

Glossary and Definitions continued

IFRS	International Financial Reporting Standards
Investment Adviser or **NEC**	NextEnergy Capital Limited
Investment Manager	NextEnergy Capital IM Limited
IPO	Initial Public Offering
IRR	Internal Rate of Return
KPMG	KPMG Channel Islands Limited, independent auditor to the Company
KWh	Kilowatt hour, being a measure of electricity generated per hour
LIBOR	London Interbank Offered Rate
MIDIS	Macquarie Infrastructure Debt Investment Solutions
MW	A Megawatt is unit of power equal to one million watts and is used as a measure of the output of a power plant
MWh	MW hour, being a measure of electricity generated per hour
NAB	National Australia Bank
Net assets or **NAV**	Net asset value
NAV total return	The actual rate of return from dividends paid and any increase or reduction in the NAV per ordinary share over a given period of time
NEC or **NEC Group**	The NextEnergy Capital group of companies, including the Investment Manager, Investment Adviser and Asset Manager
NESF Group	The Company, HoldCos and SPVs
NESH	NextEnergy Solar Holding Limited
NESH II	NextEnergy Solar Holding II Limited
NESH III	NextEnergy Solar Holding III Limited
NESH IV	NextEnergy Solar Holding IV Limited
NESH V	NextEnergy Solar Holding V Limited
NESH VI	NextEnergy Solar Holding VI Limited
NIROC	Like the ROCs in Great Britain, the Northern Ireland Renewable Obligation Certificate scheme obliges electricity suppliers to produce a certain number of NIROCs for each MWh of electricity which they supply to their customers in Northern Ireland or to pay a buy-out fee that is proportionate to any shortfall in the number of NIROCs being so presented
O&M	Operations and Maintenance
OECD	Organisation for Economic Co-operation and Development
OFGEM	Office of Gas and Electricity Markets
Ongoing charges ratio	The regular, recurring annual costs of running the Company (excluding the costs of acquisition or disposal of investments, financing charges and gains or losses arising on investments), expressed as a percentage of average net assets, calculated in accordance with the AIC's methodology

Glossary and Definitions continued

Ordinary shareholder total return	The actual rate of return from dividends paid and any increase or reduction in the ordinary share price over a given period of time
Ordinary shares	The issued ordinary share capital of the Company
Performance ratio	Describes the relationship between the actual and theoretical energy outputs of a solar plant (expressed as a percentage)
PPA	Power purchase agreement
Premium/discount to NAV	The amount, expressed as a percentage, by which the Company's ordinary shares trade above or below the NAV per ordinary share
Preference shares	The issued preference share capital of the Company
PV	Photovoltaic
Radius portfolio	Five UK solar plants held within NESH IV (see the Operating Portfolio – Overview on pages 32 and 33 for further details)
ROC	Renewable Obligation Certificates (the Renewable Obligation scheme is the financial mechanism by which the UK Government incentivised the deployment of large-scale renewable electricity generation by placing a mandatory requirement on licensed UK electricity suppliers to source a specified and annually increasing proportion of the electricity they supply to customers from eligible renewable sources or pay a penalty)
ROC recycle	The payment received by generators from the redistribution of the buy-out fund (payments are made into the buy-out fund when suppliers do not have sufficient ROCs or NIROCs to cover their obligation)
RPI	Retail Price Index
RRAM portfolio	10 UK solar plants held in NESH III (see the Operating Portfolio – Overview on pages 32 and 33 for further details)
Scrip shares	Ordinary shares issued pursuant to the Company's scrip dividend alternative
SDG	The Sustainable Development Goals are a set of ambitious global developmental targets adopted by the United Nations Member States in 2015 to be achieved by 2030 and seek to address the global challenges we face through the promotion of development as a balance of social, economic, and environmental sustainability
Solis portfolio	Eight Italian solar plants held within NESH V (see the Operating Portfolio – Overview on pages 32 and 33 for further details)
SPVs	Special purpose vehicles that hold the Company's investment portfolio of underlying solar energy infrastructure assets
Thirteen Kings portfolio	13 plants held in NESH III (see the Operating Portfolio – Overview on pages 32 and 33 for further details)
Treasury shares	Ordinary shares which are bought back by the Company, reducing the number of outstanding shares on the open market, and held by the Company for resale at a future date
Wholesale revenue	Revenue from energy sold in the wholesale power market which is not connected with subsidy schemes or PPAs

Corporate Information

The Company

NextEnergy Solar Fund Limited

Registered Office:
1 Royal Plaza
Royal Avenue
St Peter Port
Guernsey GY1 2HL
Registered no.: 57739
LEI: 213800ZPHCBDDSQH5447
Ordinary Share ISIN: GG00BJ0JVY01
Ordinary Share SEDOL: BJ0JVY0
London Stock Exchange Ticker: NESF
Website: www.nextenergysolarfund.com

Directors

Kevin Lyon, Chairman
Vic Holmes, Senior Independent Director
Patrick Firth
Joanne Peacegood
(All non-executive and independent)

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 W1S 3PR

Company Secretary and Administrator

Apex Funds and Corporate Services (Guernsey) Limited
1 Royal Plaza
Royal Avenue
St Peter Port
Guernsey GY1 2HL

Independent Auditor

KPMG Channel Islands Limited
Glategny Court
Glategny Esplanade
St Peter Port
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Registrar

Link Market Services (Guernsey) Ltd
Mont Crevelt House
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As to Guernsey Law

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Sponsor and Joint Broker

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Financial Adviser and Joint Broker

Cenkos Securities plc
6, 7, 8 Tokenhouse Yard
London EC2R 7AS

Media and Public Relations Adviser

Camarco
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Principal Bankers

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Perivan 260918

NEXTENERGY
SOLAR FUND