Generating a more sustainable future

Annual Report
for the year ended 31 March 2022

Our Objectives

Investment Objective

To provide ordinary shareholders with attractive risk-adjusted returns, principally in the form of regular dividends, through a diversified portfolio of solar energy infrastructure assets and complementary technologies, such as energy storage.

Strategic Objectives

Investment

- Expand and strengthen the portfolio in line with the Company's Investment Policy.
- Enhance growth and diversification through the introduction of energy storage and international solar assets.

Operational

- Consistently achieve operational outperformance of the portfolio attributable to active asset management.
- Pursue continuous improvement in the management of operating costs associated with the portfolio.

Environmental

- Contribute towards a net zero sustainable future and help mitigate climate change.
- Enhance local biodiversity for the surrounding areas where we operate.

Social

- Provide a positive social impact.
- Continue to actively engage with and support the communities located close to our solar assets.

Governance

- 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.

Performance Highlights

Financial Highlights[1]

NAV per ordinary share as at 31 March 2022
113.5p
(31 March 2021: 98.9p)

Ordinary shareholders' NAV as at 31 March 2022
£668.5m
(31 March 2021: £580.8m)

Financial debt gearing as at 31 March 2022[2]
25%
(31 March 2021: 24%)

Total dividend per ordinary share for the year ended 31 March 2022
7.16p
(31 March 2021: 7.05p)

Cash dividend cover (pre-scrip dividends) for the year ended 31 March 2022
1.2x
(31 March 2021: 1.1x)

Total gearing as at 31 March 2022[3]
42%
(31 March 2021: 43%)

NAV total return per ordinary share for the year ended 31 March 2022
22.0%
(31 March 2021: 7.0%)

Ordinary Shareholder Total Return for the year ended 31 March 2022
11.0%
(31 March 2021: 5.1%)

Ordinary shareholder annualised total return since IPO
6.7%
(31 March 2021: 6.1%)

Operational Highlights

Total capacity installed as at 31 March 2022[5]
865MW
(31 March 2021: 814MW)

Total electricity generation for the year ended 31 March 2022
773GWh
(31 March 2021: 738GWh)

Operating solar assets as at 31 March 2022[6]
99
(31 March 2021: 94)

Generation above budget for the year ended 31 March 2022
1.8%
(31 March 2021: 6.2%)

ESG Highlights

Tonnes of CO_2e emissions avoided p.a.[4]
328,700
(31 March 2021: 317,600)

UK homes powered for one year[4]
216,300
(31 March 2021: 195,000)

1 Refer to the Alternative Performance Measures on pages 114 – 117 for calculation basis
2 Financial debt gearing excludes the £200m preference shares
3 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
4 www.greeninvestmentgroup.com/green-impact/green-investment-handbook
5 Excluding share in private equity vehicle (NextPower III). Inclusion of NESF's 6.21% share of NextPower III on a look through equivalent basis would increase total capacity by 19.2MW to 884MW
6 Not including the $50m commitment into private equity vehicle (NextPower III)

Contents

NextEnergy Solar Fund Overview

A SOLAR POWER RENEWABLE ENERGY INVESTMENT COMPANY WITH A DIVERSIFIED HIGH-QUALITY PORTFOLIO, MANDATE FOR GROWTH AND A DIVERSE PIPELINE OF NEW OPPORTUNITIES

ATTRACTIVE YIELD, TARGETING A TOTAL DIVIDEND OF 7.52P PER ORDINARY SHARE IN RESPECT OF THE YEAR ENDING 31 MARCH 2023, PAYABLE QUARTERLY

MANAGED BY SOLAR SPECIALISTS:

- NEXTENERGY CAPITAL, INVESTMENT MANAGER
- WISEENERGY, ASSET MANAGER

BOTH LEADING MANAGERS IN THE SOLAR ENERGY INFRASTRUCTURE SECTOR

DIVERSIFIED PORTFOLIO:

- 99 OPERATING SOLAR ASSETS
- 1 INTERNATIONAL PRIVATE EQUITY SOLAR FUND INVESTMENT
- 2 EUROPEAN SOLAR CO-INVESTMENTS
- 250MW JOINT VENTURE PARTNERSHIP INTO UK STANDALONE ENERGY STORAGE

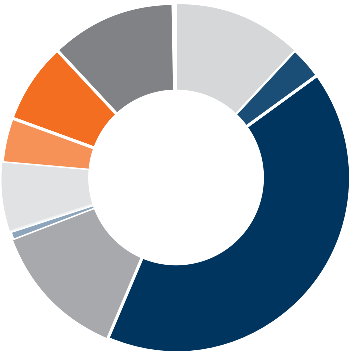
POWERING THE EQUIVALENT OF 216,300 UK HOMES (EQUIVALENT TO NEWCASTLE AND BRIGHTON) ANNUALLY WITH GREEN RENEWABLE ENERGY

CONTINUED ASSET OUTPERFORMANCE SINCE IPO

Snapshot of Our Diversified Portfolio

As at 31 March 2022

By Subsidy/PPA[1]



12.1%	1.2 ROCs
3.0%	1.3 ROCs
40.9%	1.4 ROCs
12.7%	1.6 ROCs
0.7%	2.0 ROCs
6.5%	FiTs UK
4.0%	FiTs Italy
0.1%	1.4 NIROCs
7.4%	Subsidy-free
11.7%	Long-term PPA

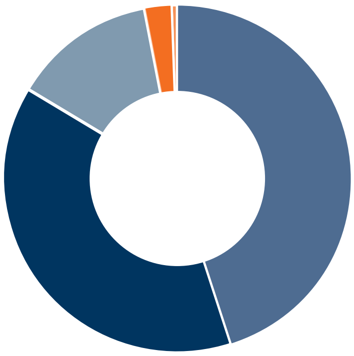
% of assets by MW capacity

By Installed Capacity[1]

57.6%	0-5 MWp
19.2%	6-10 MWp
23.2%	>10 MWp

% of assets

By Revenue Type[1]



45.1%	Fixed PPA
38.7%	ROCs
13.3%	FiTs (UK & Italy)
2.5%	Wholesale
0.1%	Embedded benefits
0.3%	Other

% of total revenue for the year ended 31 March 2022

By Inverter Manufacturer[1]

26.6%	SMA
20.7%	Huawei
17.0%	Power Electronics
8.1%	Emerson
6.4%	Schneider
5.6%	Gamesa
5.0%	ABB
3.9%	Power-One
6.7%	Other

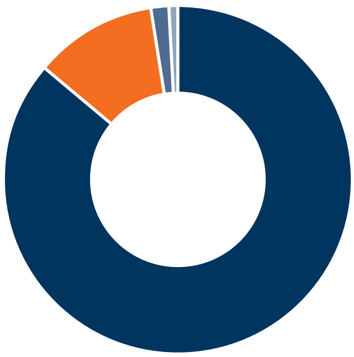
% of assets by MW capacity

By Solar Module Manufacturer[1]

20.4%	Hanwha Q Cells
19.6%	TRINA
10.8%	Yingli
8.3%	REC
7.5%	Jinko Solar
7.5%	LDK Solar
5.7%	Canadian Solar
4.1%	BYD
3.9%	Renesola
12.3%	Other

% of assets by MW capacity

By Location[1]



86.3%	UK
11.2%	Italy
1.7%	Other International (NextPower III)
0.8%	Spain

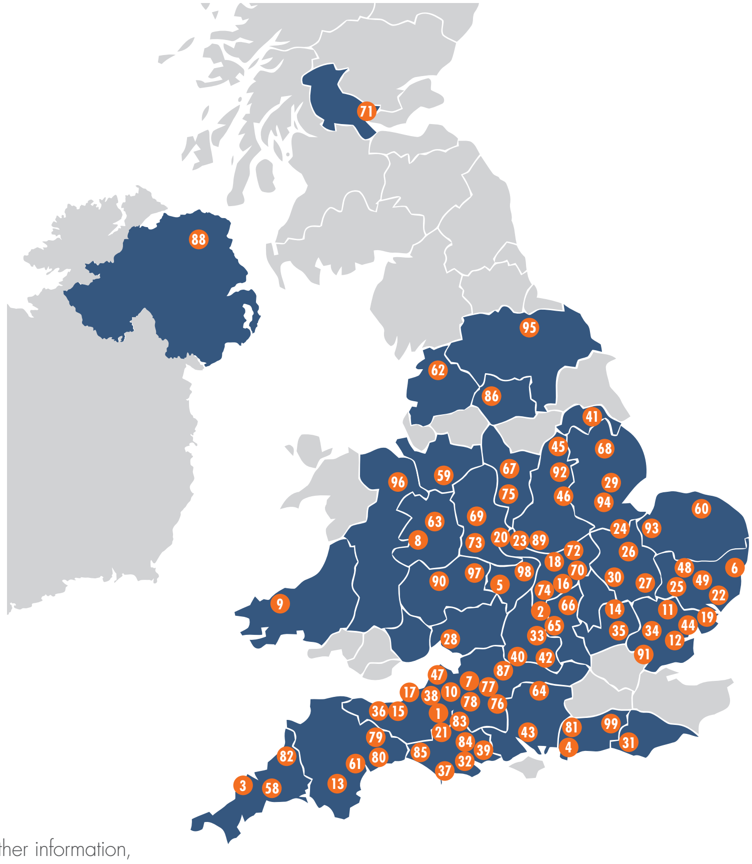
% of invested capital

[1] Figures are stated to the nearest 0.1% which may lead to rounding differences

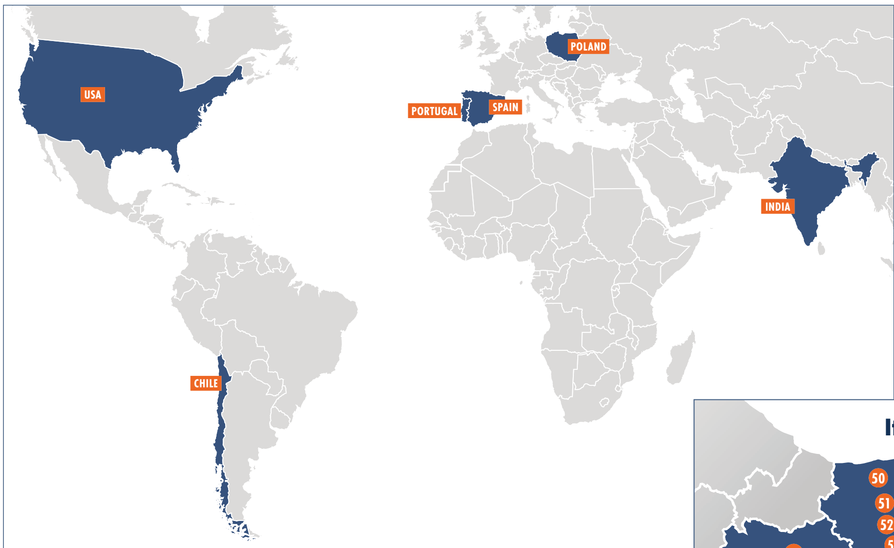
Snapshot of Our Diversified Operating Portfolio continued

By Location

United Kingdom



Operating assets – for further information, see pages 35 and 36.



International (NextPower III portfolio)

Italy (Solis portfolio)

[1] The NextPower III underlying portfolio is situated across the USA, Chile, Spain, India, Poland and Portugal

Why Invest in NextEnergy Solar Fund?

ABUNDANT CLEAN ENERGY SOURCE

- Enough solar energy hits the Earth in a single hour to power the energy needs of the entire human population for a year.
- Solar is the cheapest form of renewable energy generation and quickest to construct.

RELIABLE INVESTMENT WITH ATTRACTIVE GROWTH PROSPECTS

- Provides a regular attractive dividend for income seeking investors.
- Offers a natural hedge against inflation with a high proportion of regulated revenues linked to RPI.
- Large diversified operating portfolio with incremental growth prospects through the introduction of complementary technologies, such as Energy Storage.

PROVEN AND STABLE TECHNOLOGY

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

COST-EFFECTIVE ELECTRICITY GENERATION

- Active portfolio management provides prudent cost of operation, maintenance and replacement of assets.
- Solar technology has benefited from a significant reduction in costs, falling over 90% in the last ten years. Subsidy-free solar assets are economically competitive 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.
- Investment in solar provides significant biodiversity benefits to the local surrounding areas.

SCAN ME

Strategic Report

Chairman's Statement

"The twelve months to 31 March 2022 marked the second year of living with COVID-19, alongside macroeconomic and geopolitical uncertainty, and rising inflation. Despite these challenges, NESF has generated a steady revenue stream and provided our investors with a reliable attractive dividend, with the Company's portfolio performing strongly throughout the year.

NESF made its first international solar co-investments in Spain and Portugal, its first material investment into the battery storage sector, as well as committing $50m into Next Power III, a private equity infrastructure solar fund investment.

NESF managed to weather the turbulence that the past year has thrown at us and capitalise on rising power prices, with ordinary shareholders' NAV at £668.5m compared to 2021's figure of £580.8m, a significant uplift.

I would like to take a moment to thank everyone who has continued to support NESF over the last year, employees and shareholders alike. The Board and I firmly believe that NESF is well positioned due to NESF's proactive hedging strategy and our significant footprint in the solar sector. Thank you."

Kevin Lyon,
Chairman

I am pleased to present the eighth Annual Report for NextEnergy Solar Fund Limited (the "Company" or "NESF") for the year ended 31 March 2022.

The year under review has witnessed sustained global economic challenges associated with the Covid-19 pandemic and, most recently, the conflict in Ukraine and its global impact on energy prices. The Board would like to extend their deepest sympathies to all those impacted by the conflict.

Towards the end of 2021, power prices reached record high levels across both the UK and Europe, as countries recovered from prolonged periods of economic restrictions as a result of multiple lockdowns, alongside global gas shortages. In the first quarter of 2022, geopolitical events resulting from the conflict in Ukraine added additional pressure on oil and gas supplies, creating further volatility, resulting in sustained increases in power prices in Europe and the UK. High power prices are forecast to continue in the short to medium-term and are a driving factor in the current high inflationary environment.

For the year, the Ordinary Shareholder Total Return was 11.0% (31 March 2021:5.1%) and the ordinary share Net Asset Value ("NAV") total return was 22.0% (31 March 2021: 7.0%). During March 2022, NESF's share price began recovering towards pre-pandemic levels. The share price recovery continued post the year end, with the share price reaching 107.2p as at 23 June 2022 (up from 103.4p on 31 March 2022).

The Company continues to present investors, both current and new, with an attractive opportunity to invest, particularly as the Company strategically positions itself for the next stage of technological and geographic growth. The Company also offers investors inflation-linked protection, as a large proportion of revenues are linked to Retail Price Index ("RPI") via government subsidies.

Furthermore, NESF continues to play a part in tackling global climate change and enhancing local biodiversity, as well as helping reduce the use of hydrocarbons in generating electricity in the UK and further afield.

NESF's portfolio has demonstrated robust performance over the year. Since IPO, the portfolio has continued to outperform budgeted generation, whilst ensuring power price volatility is managed through NESF's electricity sales hedging strategy. This strategy also gives the Company high certainty of future revenues due to power price hedges already in place. It also allows NESF to both reduce risk and take advantage of temporary higher forward power prices, which is currently the case.

Results and Key Events

The Company has made substantial progress towards its growth goals whilst continuing to offer financial stability during the financial year. NextEnergy Capital Limited (the "Investment Adviser"), continues to provide dedicated support to the Company. During the year ended 31 March 2022, the Company:

- Expanded into standalone battery storage through a 250MW Joint-Venture Partnership ("JVP") with EelPower;
- The JVP announced construction of its first standalone 50MW battery storage asset in Fife, Scotland;
- Committed $50m into its first private equity infrastructure solar fund, NextPower III L.P. ("NextPower III"); and
- Entered the Spanish solar market through its first co-investment alongside NextPower III.

Chairman's Statement continued

Since the end of the financial year, the Company has also:

- Announced a highly attractive target dividend for the financial year ending 31 March 2023, which is expected to be fully covered with an estimated dividend cover of between 1.3x – 1.5x;
- Introduced a co-located battery retrofit program, identifying potential sites across NESF's current 91 UK operating solar assets; and
- Entered the Portuguese solar market through its second co-investment alongside NextPower III.

Dividend Target:

NESF provides a regular attractive dividend for income seeking investors. For the financial year ended 31 March 2022, the Company declared a total dividend of 7.16p per ordinary share, with the dividend remaining covered throughout the year. The Company has a progressive annual dividend policy, and when appropriate, the Board considers increasing the target dividend paid to shareholders. To date the Board has increased the target dividend every year since the Company listed in 2014. The Board of NESF recently approved a target dividend of 7.52 pence per ordinary share for the year ending 31 March 2023, representing a 5.0% increase from the previous year. This increase is above the 4.1% calculated RPI rise forecast by HM Treasury for the 2022 calendar year.

The Company has achieved all its dividend targets whilst maintaining a covered dividend throughout the eight years and continues to target a covered dividend beyond this financial year.

Standalone Battery Storage:

In September 2021, NESF entered the standalone battery storage space by agreeing a £100m JVP, with Eelpower Limited, a leading battery storage specialist in the UK. The JVP signed its first acquisition during the period for a 50MW storage facility that is currently expected to be energised in 2022. The project is a ready-to-build standalone battery storage, located in Scotland, which will provide additional stability and flexibility to the grid. This investment has multiple revenue opportunities such as arbitrage trading (battery dispatch and re-optimisation using asset backed financial trades) and capacity markets. The JVP includes a framework for future acquisitions of up to 250MW, enabling the Company to invest in opportunities that offer complementary revenue streams to the existing portfolio of solar assets.

Private Equity Solar Infrastructure Fund Commitment:

In June 2021, NESF announced a commitment of US$50m to NextPower III, a NextEnergy Capital managed private equity Environmental, Social and Governance ("ESG") solar infrastructure fund that invests in solar assets globally (primarily in Organisation for Economic Co-operation and Development ("OECD") countries. NextPower III benefits from NextEnergy Capital's ability to source and secure solar assets that deliver attractive risk-adjusted target returns. This investment has enabled NESF to benefit from access to a geographically well diversified portfolio of operational, in construction and pre-construction solar assets spread across the United States, India, Poland, Chile, Spain and Portugal (on a look through equivalent basis, NESF owns 19.2MW of these operational assets as at 31 March 2022). The commitment also provides NESF with increased diversification across regulatory regimes, technology providers and offtake counterparties. NESF's Investment Manager, has agreed to rebate to NESF its full investment management fee relating to NESF's US$50m commitment to NextPower III, thereby providing a cost-effective investment from NESF's perspective, with the elimination of 'fees-on-fees' because of the commonality of the Investment Manager.

Co-Investments:

As a result of being an investor in NextPower III, NESF benefits from co-investment opportunities through direct stakes in solar photovoltaic ("PV") assets alongside large international institutional investors on a no fee, no carry basis. This is particularly beneficial as it provides NESF access to an attractive new pipeline of potential international assets not available to other market participants or investors. The Company announced its first co-investment in January 2022, a 24.5% stake for c.€11m in a Spanish 50MW solar project, Agenor Hive S.L.U ("Agenor"). Once energised in 2022, the co-investment will benefit from a 5-year Power Purchase Agreement ("PPA") covering approximately 70% of contracted revenues. Post the year end, in May 2022, the Company announced a second co-investment in Portugal, Santarém. The Company acquired a c.13% stake in the 210MW solar asset in Portugal for a consideration of €22.5m. Energisation of this project is expected to take place in 2023. Once energised, Santarém is expected to benefit from a long-term PPA for the sale of electricity which is currently being negotiated with a robust creditworthy counterparty. Co-investments with NextPower III have thus already amounted to a total of c.€33.5m alongside the Company's US$50m commitment to NextPower III.

Co-Located Battery Storage:

In April 2022, post the year end, NESF announced a new co-located battery storage retrofit program across the Company's 91 UK operating solar farms. As part of this program the first site for a co-located battery project was identified, extending the existing 11MW North Norfolk solar farm to include a 6MWh/12MWh battery system. Planning permission for the co-located battery system has been secured, with construction expected to commence on site later this year. An additional four potential locations for co-located battery storage systems have been identified to date and are being progressed into development stage.

Continued Growth in UK Solar:

In summer 2021, the Company energised South Lowfield, a 50MW solar asset located in North Yorkshire. The energisation represents a significant milestone for NESF's strategy of establishing a foothold in the long-term, high-credit UK corporate PPA market. The Camden portfolio, comprising The Grange (50MW) and South Lowfield (50MW), has a 15-year PPA in place covering c.75% of the electricity to be generated over the next 15 years. The PPA counterparty is AB InBev, the world's largest brewer. The portfolio also demonstrates the Company's ability to establish itself as a leader in this subsidy-free space.

Post the year end, the Company commenced construction of subsidy-free site Whitecross, a 36MW, utility solar asset, located in Lincolnshire. The original construction date of the asset was deferred from H2 2021 due to material volatility in the supply chain post Covid-19 which has since stabilised. The asset is now expected to be energised during Q1 2023 and will generate electricity for

Chairman's Statement continued

approximately 10,000 households' yearly electricity consumption with renewable power. Whitecross will join the Company's other three operating subsidy-free solar assets, Staughton (50MW), High Garret (8.4MW), and Hall Farm 2 (5.4MW), which together with Whitecross comprise c.100MW of NESF's 150MW target in subsidy-free solar capacity. The Company has also commenced with the grid connection works and construction mobilisation phase of Hatherden, a 50MW subsidy-free solar farm. Whitecross and Hatherden will complete the Company's 150MW subsidy-free solar allocation. The Company anticipates these assets to be energised early in 2023.

NAV and Operating Results

At the year end, the ordinary shareholders' NAV was £668.5m equivalent to 113.5p per ordinary share (2021: £580.8m, 98.9p per ordinary share).

The main contributors to changes in NAV over the 12 month period were a large increase in power price forecasts (+5.0p per ordinary share), power purchase agreements (+4.5p per ordinary share) and an upward revision in HM Treasury's short-term inflation forecasts (+6.1p per ordinary share).

Profit and comprehensive income for the year was £127.6m (2021: £40.2m) with earnings per ordinary share of 21.69p (2021: 6.87p). Cash dividend cover (pre-scrip dividends) was 1.2x (2021: 1.1x).

As at 31 March 2022, NESF had an annualised Ordinary Shareholder Total Return since IPO of 6.7% (31 March 2021: 6.1%) and an annualised NAV total return since IPO of 8.0% (31 March 2021: 6.0%). At the year end, the NESF share price was 103.4p, which was a 8.9% discount to the NAV per ordinary share of 113.5p.

Power Prices

During 2021, extreme power price volatility led to dramatic increases in UK and European wholesale power prices attributable to reduced gas supply and storage levels, outages at UK nuclear and interconnector facilities and the impact of low UK wind resource. The conflict in Ukraine further contributed to gas supply and storage issues, leading to continued power price highs up to 31 March 2022, which has continued into FY2022/23. These factors resulted in the March 2022 UK day ahead auction price monthly average reaching a record of £250/MWh.

Of the Company's revenues during the year, 57% were derived from government subsidies and long-term PPAs and, at the end of the year, the average remaining weighted life of the subsidies was 13 years.

The remaining 43% 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 until the price has been locked ('hedged'). The Asset Manager's electricity sales desk is focused on securing the best terms for NESF's electricity sales. This flexible approach is designed to protect against adverse short-term price movements whilst also enabling the Company to opportunistically capture favourable market conditions by securing high fixed prices for specified future time periods. Looking forward to the next three financial years, as at 15 June 2022, the Company has agreed pricing covering:

- 85% of UK budgeted generation for the 2022/23 financial year (average fix price of £78MWh);
- 74% of UK budgeted generation for the 2023/24 financial year (average fix price of £73MWh); and
- 42% of UK budgeted generation for the 2024/25 financial year (average fix price of £86MWh).

Portfolio Performance

Energy generated during the year was 773 GWh (2021: 738GWh) and the portfolio achieved a generation outperformance of 1.8% (2021: 6.2%), increasing revenues by an estimated £2.0m against budget (2021: £4.8m). Portfolio generation was significantly impacted by Distribution Network Operator Outages ("DNOOs"); without this disruption, portfolio generation would have been 3.6% above budget.

Distribution Network Operators ("DNOs") are regionally based licensed companies (there are six across Great Britain) with each responsible for a specific region. They own and operate the power lines and infrastructure that connects consumers and embedded generators to the power system and the national grid.

DNOs complete rolling programs of preventative maintenance and upgrade works to ensure stability of the energy supplied to consumers. In order to keep their staff safe, they often have to de-energise power lines to complete these works. As part of this, they have the right to ask generators such as NESF to isolate certain assets for periods of time. The distributed nature of NESF's assets does well to mitigate the impact of this in normal years, however, during the coronavirus pandemic (2020) the DNOs were not able to complete their periodic maintenance works and therefore rolled these forward into 2021/22. This created a concentration on the number of DNOOs within this year resulting in an adverse impact on the portfolio's performance, a trend which is not anticipated to continue.

During the year, solar irradiation across the portfolio was 3.4% above budget (2021: 5.5%). Asset Management Alpha which measures the operating performance of the portfolio for the year was -1.6% (2021: 0.7%) caused by DNOOs of which the Company has no control over. If distributor network outages were excluded, the Asset Management Alpha would have been 0.2% (2021: 1.3%).

The Company's UK portfolio performed above expectations with generation outperformance of 1.9% (2021: 6.3%) and the Italian portfolio performed above expectations with generation outperformance of 1.1% (2021: 5.1%).

Summary Portfolio Update

During the year, the Investment Adviser and Asset Manager continued to optimise portfolio returns by:

- Energising projects with attractive long-term PPAs;
- Executing the electricity sales strategy to maximise revenue and reduce shorter-term power price risk;
- Preparing the remaining subsidy-free portfolio for construction;
- Securing a low-cost £75m Revolving Credit Facility ("RCF") (plus accordion) to fund the investment pipeline (margin of 120bps over SONIA ("Sterling Overnight Index Average"));
- Implementing technical improvements across the portfolio; and

Chairman's Statement continued

- Reducing operating costs through utilising existing insurance contracts, re-negotiating contractual terms and entering into new agreements

In line with its investment policy, the Company is advancing a significant pipeline of both domestic and international solar assets, including co-investments in private equity structures and domestic energy storage asset opportunities, 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 2022, the Company had £200m of preference shares (2021: £200m). The Company's subsidiaries also had financial debt outstanding of £283.3m, inclusive of NextPower III debt of £4.8m (2021: £246m).

Of the financial debt, £182.3m represented two long-term fully amortising debt facilities, £96.2m was drawn under two RCFs and £4.8m was the look through debt in relation to the US$50m commitment into NextPower III.

At the year end, the Company's subsidiaries had £49m (2021: £36m) undrawn (excluding the accordion) from two RCFs and the Company had a cash balance of c.£19.6m (2021: £11m).

The total financial debt represented 25% of Gross Asset Value ("GAV") as at 31 March 2022 (2021: 24%). At the same reporting date, the total gearing comprising the total financial debt and the preference shares represented 42% of GAV (2021: 43%) within the 50% limit contained within the investment policy.

Dividends Paid

The Directors have approved a fourth interim dividend of 1.79p per ordinary share, which will be paid on 30 June 2022 to ordinary shareholders on the register as at the close of business on 20 May 2022. Following the payment of the fourth interim dividend, the Company will have paid total dividends of 7.16p per ordinary share in respect of the year ended 31 March 2022 (2021: 7.05p), achieving its target for the year.

The Company continues to offer a scrip dividend alternative as approved by ordinary shareholders at the 2021 Annual General Meeting ("AGM"), details of which can be found on the Company's website (www.nextenergysolarfund.com).

During the year, the Company paid a total of £39.8m of cash dividends (2021: £38.1m) and, in addition, issued £2.1m of scrip shares to ordinary shareholders who elected for the scrip dividend alternative (2021: £2.9m), making a total of £41.9m of distributions (2021: £41.0m).

Environmental, Social and Governance Matters

NESF's commitment to ESG and sustainability remains at the forefront of its strategy and purpose. The Investment Adviser, NextEnergy Capital, is a signatory of the United Nations' Principles for Responsible Investments and integrates ESG principles into all aspects of the NextEnergy Group's investment and asset management processes. NESF incorporates ESG factors into all investment decisions by implementing the Investment Adviser's Sustainable Investment Policy[1] throughout the investment process, from preliminary screening through to risk management during the ownership phases.

Net Zero Alignment

Aligned with the Company's commitment to support the UK Government's net zero ambitions presented at COP26, NESF's portfolio during the year ended 31 March 2022 has generated 773 GWh of clean electricity, contributing to avoiding the emission of 328,700 tonnes of CO_2e (2021: 317,600 tonnes CO_2e) and equivalent to powering 216,300 UK homes for an entire year (2021: 195,000). This is roughly equivalent to powering a city with 541,000 inhabitants (e.g. Newcastle and Brighton combined) or taking 108,690 cars off the road for an entire year (2021: 102,000 cars). The above data has been verified by the Green Analytics team of the Green Investment Group, a reputable third-party climate related data provider.

Biodiversity Net Gain

NESF's 91 UK operating solar assets provide a great opportunity to enhance local biodiversity, above and beyond local planning requirements. The Investment Adviser engages in activities that enhance the environment and community surrounding its solar assets, 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 39 – 51.

Positive Social Contribution

We contribute to local growth and development wherever our assets are located. We are dedicated to ensuring labour standards are applied by all our contractors. 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 ("Foundation"), which was established in 2017. My fellow board members and I are proud that the Company supports the Foundation. The 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

EU Taxonomy and Sustainable Finance Disclosure Regulation

NESF complies with the requirements of the EU Taxonomy and Sustainable Finance Disclosure Regulation ("SFDR"). The Company's legal adviser has confirmed that NESF is classified under Article 9 of the SFDR, as the Company is marketed in the EU and has sustainable investment as its objective. The Company's sustainable investment objectives arise from its focus on investments in solar PV and battery storage assets and its investment decision making processes. In light of this classification, NextEnergy Group has made the relevant disclosures for NESF available on the fund website.

1 https://www.nextenergycapital.com/nextenergy-capital-sustainable_investment_policy

Chairman's Statement continued

Task Force on Climate-Related Financial Disclosures

NESF recognises the importance of reporting on the impacts of climate change and has been an official supporter of the goals of the Task Force on Climate-related Financial Disclosures ("TCFD") since September 2019. The Company has included the Company's full TCFD report on pages 46 – 51 of this report.

Board Changes

The Board was delighted to announce the appointment of Josephine Bush as a Non-Executive Director with effect from 1 January 2022. The appointment broadens the Board's expertise, especially within the renewable energy and sustainable finance sector harnessing Josephine's wealth of knowledge and insight, with Josephine having spent 14 years at Ernst & Young LLP specialising in this sector. Josephine's appointment also helps maintain appropriate Board diversity levels and provides enhanced governance to the Company's ESG activities and reporting.

Appreciation

On behalf of the entire Board, 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 the Company to continue to operate successfully during the Covid-19 pandemic.

The Board fully appreciates the hard work of the Investment Adviser and its employees, who continue to deliver substantial value to the Company's growth ambitions and sustained high performance.

Outlook

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

Undoubtedly, the aftermath of the Covid-19 pandemic and the conflict in Ukraine continue to have a profound impact on the sector in which the Company operates. The increase in power price volatility during the year and beyond has underlined the benefit and value of the Company's hedging strategy through the Investment Adviser's active electricity trading desk, locking in future revenues and reducing uncertainty in times of volatile power prices. The price for electricity is driven by several factors that are inherently difficult to predict in the current dynamic environment but is ultimately dependent on supply and demand. The Company continues to monitor the media speculation around a potential windfall tax on UK renewable electricity generators. Whilst the details remain unclear, the Company continues to actively promote the importance of renewable energy penetration in the UK, which continues to strengthen the UK's energy independence and will help the governments in achieving its net zero ambitions.

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

In the current unstable economic climate, the Board continues to closely monitor both 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 shareholders, while having positive social and environmental impacts.

NESF continues to consolidate its leadership position in the growing UK long-term corporate PPA market, building upon the landmark 100MW Camden acquisition with PPA off taker AB InBev. This emerging PPA market can provide long-term, reliable cashflows for the Company, whilst supporting large corporates' energy needs through their desire to consume renewable green energy and to help tackle climate change.

NESF is progressing its power price hedging strategies for the sale of electricity from subsidy-free assets to secure attractive risk-adjusted returns. The successful selection of the 150MW subsidy-free portfolio demonstrates the Company's ability to respond efficiently and effectively to a changing UK solar market through its expertise in identifying opportunities and maximising risk-adjusted returns.

The Company continues to identify additional co-located battery storage opportunities through its retrofit program, in addition to its existing 250MW joint venture with Eelpower for standalone battery storage. Working closely with leading delivery partners in the UK battery sector, NESF expects that co-location of battery storage systems alongside the Company's existing solar portfolio will provide additional asset, technology and revenue diversification, whilst also accessing the favourable future revenue opportunities that battery storage systems present.

The Company also continues to pursue a strong pipeline of international growth opportunities on a direct and co-investment basis, as well as its pipeline of electricity storage assets in the UK. The pipeline has been composed to complement the existing portfolio, diversify some asset-specific/market risks, and enhance shareholder returns.

NESF is aiming to extend the useful life of further assets during the current financial year, adding to the 35 UK assets (337MW) which have already secured extensions since IPO. These extensions will be value accretive by increasing long-term revenues.

The Company has demonstrated that it can be resilient to the volatility that the Covid-19 pandemic has posed, and the Company remains well placed to continue to meet its investment objectives and harness growth opportunities in the future which are in line with the Company's strategic goals.

Lastly, as demonstrated at last year's COP26 conference, the UK is setting an example to the rest of the world on how economies can change their energy mix to tackle climate change. The next six months provide an exciting opportunity for NESF as it continues to invest in both solar assets and energy storage. The Board strongly believes that the Company is making a real difference to the UK energy landscape and looks forward to helping deliver both global net zero goals and value to our shareholders.

Kevin Lyon,
Chairman
24 June 2022

WASING

- 5.0 MW installed
- Energised in August 2017
- 1.2 ROC Subsidy
- Berkshire

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 13(a) to the Financial Statements on page 100.

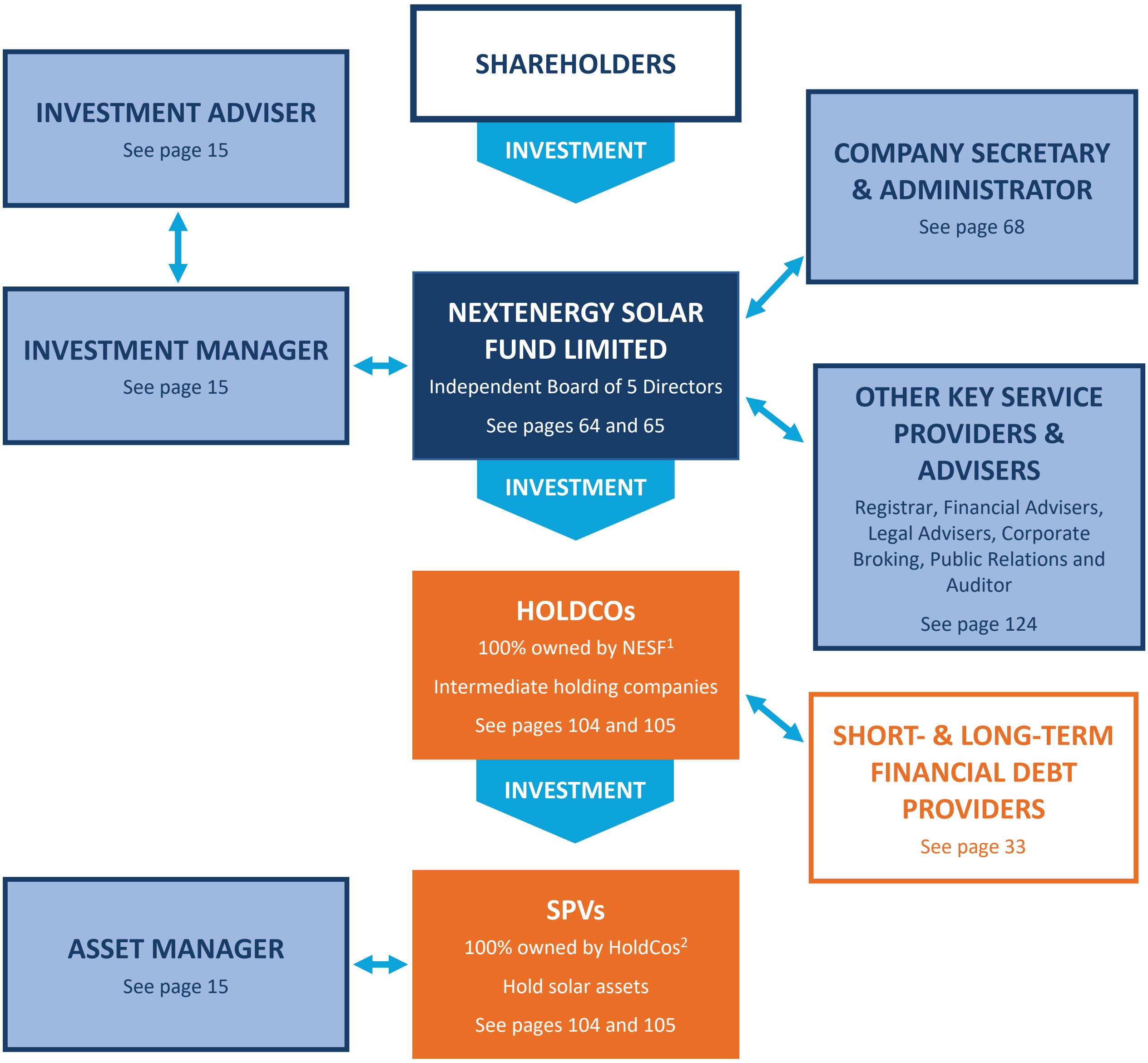
The Company makes its investments through intermediate holding companies ("HoldCos"), underlying special purpose vehicles ("SPVs") and a singular direct investment that hold the solar assets. The NESF Group comprises the Company, the HoldCos and the SPVs.

As explained in Note 2(d) to the Financial Statements on page 94, as the Company is an investment entity as described by International Financial Reporting Standards ("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.



[1] excluding NESF's direct investment into NextPower III.
[2] except for one associate investment, see Note 18 for more information.

Our Business Model continued

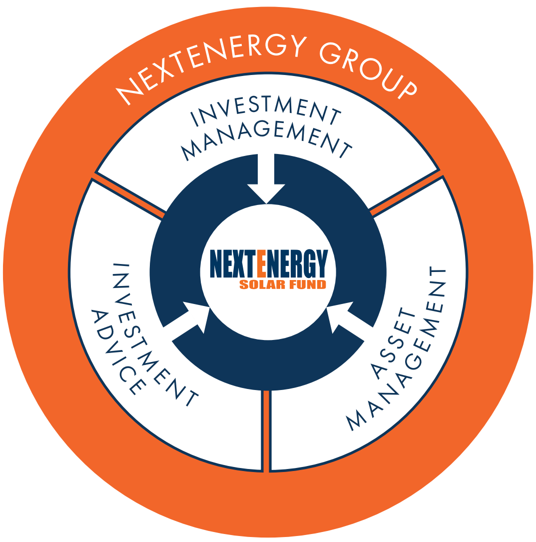
Management of the Company

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 66 – 67.

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 next page. They are all members of the NextEnergy Group (the "NextEnergy Group").

The NextEnergy Group, which is privately owned, was founded in 2007 and has evolved into a leading specialist investment and asset manager in the renewable energy infrastructure sector and battery storage. Since its inception, it has been active in the development, construction and ownership of solar and battery storage assets.

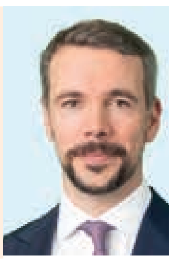
As at 31 March 2022 the NextEnergy Group had assets under management of c.$2.8 billion with a cumulative operating generating capacity of more than c.1.3GW. In addition to the Company, it manages a private equity fund, NextPower III, which invests in solar assets globally. The fund recently announced its final close, which brought the total capital raised to $896m, exceeding its target of $750m. In December 2021, the Investment Manager secured the UK Infrastructure Bank as a cornerstone investor for a private 10-year solar infrastructure fund, NextPower UK ESG (subsidy-free UK solar). In January 2022, the Investment Manager divested the entire portfolio of operating solar projects owned by the private equity fund, NextPower II. At sale, NextPower II was among the ten largest portfolios of operating solar assets in Italy (c.149MW) and achieved an exceptional net Internal Rate of Return ("IRR") for investors.

The NextEnergy Group's team of some 200 individuals has significant experience in energy and infrastructure transactions across international jurisdictions. The Investment Adviser's Investment Committee comprises Michael Bonte-Friedheim, Aldo Beolchini Giulia Guidi and Ross Grier who have a total of 69 years' industry experience between them.

Since it was founded, the NextEnergy Group has provided operating asset management, monitoring, technical due diligence and other services to over 1,400 utility-scale solar power assets with an installed capacity in excess of 1.8GW. Its asset management clients include listed solar funds (in addition to the Company), banks, private equity funds and other specialist investors. The Asset Manager has created a proprietary asset management platform which integrates all technical, financial and commercial data to analyse clients' data in real-time and generate insight, all of which help to protect and enhance the long-term quality and performance. This software and systems which have been refined over the past 14 years, together with specialist staff with extensive renewables experience, allows WiseEnergy to be at the forefront of the 'digitalisation of energy'.

The collective experience of the NextEnergy Group of investing and managing renewables 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.

Michael Bonte-Friedheim is Founding Partner and CEO of the NextEnergy Group. He has over 21 years' specialist experience in the power and energy sector and was previously Managing Director in Goldman Sachs' energy and power investment banking team in London and non-executive Chairman and CEO of a number of listed energy companies.



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

Our Business Model continued

Administration of the Company

The Board has delegated administration, fund accounting and company secretarial services to the Administrator. On 30 March 2022, the Company announced that it had transferred administration services to Ocorian Administration (Guernsey) Limited. Prior to the appointment, Apex Fund and Corporate Services (Guernsey) Limited were the designated administrator for the Company.

Ocorian Administration (Guernsey) Limited, is part of the Ocorian Group which was established in Jersey in 1971 as Bedell Trust, and is a global financial services provider. It operates in 20 key locations globally and has 4,000+ employees.

Further details on the Administrator's responsibilities can be found on page 68 of the Corporate Governance Report.

Entity	Principal Roles
Investment Manager (Management Agreement with the Company – see note 1 in the Financial Statements on page 93) NEXTENERGY CAPITAL SCAN ME	• Acting as the Company's Alternative Investment Fund Manager ("AIFM"). • Discretion to make 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	• Provide 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. • Evaluate investment opportunities and co-ordinate external due diligence activities. • Negotiate all project contracts with counterparties. • Prepare investment proposals and provide general advice and recommendations to the Investment Manager concerning the Company's portfolio, financing, strategy, market developments, etc. • Review performance of the Company's portfolio together with the Asset Manager. • Manage Investor Relations for the Company.
Asset Manager (Asset Management Agreements with the SPVs) WISE ENERGY SCAN ME	• Asset management of solar power assets. • Technical and financial analysis of each site to assess performance and identify potential improvements. Periodic site visits on each plant. • Ensure each SPV's suppliers perform in accordance with contracts. • Managing unexpected occurrences at assets and ensures prompt response to any asset management requirements of the Company. • Manage each SPV's administrative and financial functions and requirements. • Periodic financial, technical and administrative reports to the Company.

Dividend Policy, Scrip Dividends and Dividend Target for Financial Year Ending 31 March 2023

The Company's principal purpose is to provide ordinary shareholders with attractive risk-adjusted returns, principally in the form of dividends with a progressive annual dividend policy in place. 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 Scrip 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 2023 will be set out in a separate circular that is expected to be sent to ordinary shareholders on or around August 2022. Once published, a copy of the circular will also be available on the Company's website (www.nextenergysolarfund.com).

The target dividend for the financial year ending 31 March 2023 is 7.52 pence per ordinary share, an increase of 5.1% compared to the financial year ended 31 March 2022.

Five Year Record

	Year Ended 31 March				
Financial Key Performance Indicators	**2018**	**2019**	**2020**	**2021**	**2022**
Ordinary shares in issue	575.7m	581.7m	584.2m	586.9m	589.1m
Ordinary share price	111.0p	117.5p	101.5p	99.6p	103.4p
Market capitalisation of ordinary shares	£639m	£683m	£593m	£585m	£609m
NAV per ordinary share [1]	105.1p	110.9p	99.0p	98.9p	113.5p
Total ordinary NAV [1]	£605m	£645m	£579m	£581m	£668m
Premium/(discount) to NAV [1]	5.6%	6.0%	2.5%	0.7%	(8.9%)
Earnings per ordinary share	5.88p	12.37p	-5.09p	6.87p	21.69p
Dividend per ordinary share	6.42p	6.65p	6.87p	7.05p	7.16p
Dividend yield [1]	5.8%	5.7%	6.8%	7.1%	6.9%
Cash dividend cover - pre scrip dividends [1]	1.1x	1.3x	1.2x	1.1x	1.2x
Preference shares in issue	–	100m	200m	200m	200m
Financial debt outstanding at subsidiaries level	£270m	£269m	£214m	£246m	£283m
Financial debt (financial debt/GAV) [1]	31%	27%	22%	24%	25%
Gearing (financial debt + preference shares/GAV) [1]	31%	36%	42%	43%	42%
GAV	£875m	£1,014m	£991m	£1,025m	£1,150m
Weighted average cost of capital	5.8%	5.4%	5.5%	5.4%	5.3%
Ordinary Shareholder Total Return - cumulative since IPO	33.6%	46.7%	37.5%	42.6%	53.6%
Ordinary Shareholder Total Return - annualised since IPO	8.5%	9.5%	6.3%	6.1%	6.7%
Ordinary Shareholder Total Return	6.2%	11.8%	-7.8%	5.1%	11.0%
Ordinary NAV total return [1]	6.3%	11.8%	-4.5%	7.0%	22.0%
Ordinary NAV total return - annualised since IPO [1]	7.0%	8.1%	5.9%	6.0%	8.0%
Ongoing Charges Ratio [1]	1.1%	1.1%	1.1%	1.1%	1.1%
Weighted average discount rate	7.3%	7.0%	6.8%	6.3%	6.3%
Operational Key Performance Indicators					
Invested capital [1]	£734m	£896m	£950m	£999m	£1,039m
Number of operating assets	63	87	90	94	99
Total installed capacity	569MW	691MW	755MW	814MW	865MW [2]
Annual generation	451 GWh	693 GWh	712 GWh	738 GWh	773 GWh
% increase (year-on-year)	14%	54%	3%	3%	4%
Generation since IPO	1.1 TWh	1.8 TWh	2.5 TWh	3.2 TWh	4.0 TWh
Solar irradiation (delta vs. budget)	-0.9%	9.0%	4.0%	5.5%	3.4%
Generation (delta vs. budget)	0.9%	9.1%	4.7%	6.2%	1.8%
Asset Management Alpha [1]	1.8%	0.1%	0.7%	0.7%	-1.6%
Weighted average lease life	23.3 years	25.2 years	26.9 years	27.5 years	27.3 years

1 Alternative performance measures - see pages 114 – 117
2 Excludes share in private equity vehicle (NextPower III). Inclusion of NESF's share of NextPower III would increase capacity by 19.2MW to 884MW

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, but may invest up to 10% of GAV in standalone energy storage systems.
- **Location**: 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 pro-active effective asset management, including rigorously 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.

Further details of our investment strategy are included in the Investment Adviser's Report on pages 22 to 34.

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

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

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

A significant proportion of the NESF 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 PPAs to be executed from time to time. These are expected to include the monetisation of Renewable Obligation Certificates ("ROC") and other regulated benefits and the sale of electricity generated by the assets to energy consumers and energy suppliers (Merchant 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 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

Our Investment Strategy and Track Record continued

acquisition of further solar PV assets in accordance with the Company's investment policy. The Company may seek to raise leverage at any of the SPV, UK Holdco or Company level.

The Company invests with a view to holding its solar PV assets until the end of their useful life. However, assets may be disposed of or otherwise realised where the Investment Manager determines, in its discretion, that such realisation is in the best interests of the Company. Such circumstances may include (without limitation) disposals for the purposes of realising or preserving value, or of realising cash resources for reinvestment or otherwise. The Company will seek to optimise and extend the lifespan of its assets and may invest in their repowering and/or integration of ancillary technologies (e.g. energy storage) on its solar PV assets to fully utilise grid connections and balance the electricity grid with a view to generating greater revenues. The Company 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 Financial Conduct Authority ("FCA") and of the Company's Ordinary Shareholders by ordinary resolution.

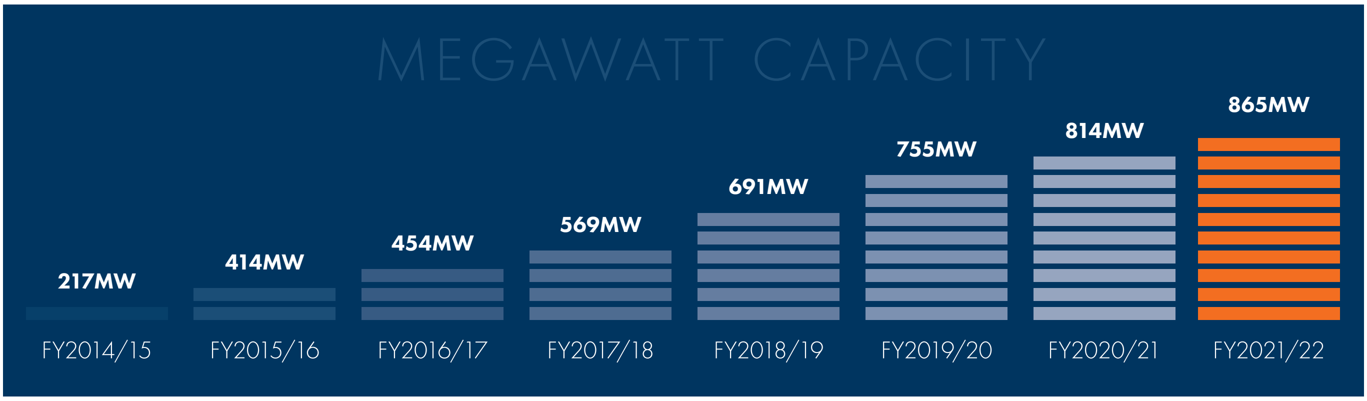
In the event of any breach of the Company's Investment Policy, shareholders will be informed of the actions to be taken by the Investment Manager by an announcement issued through a Regulatory Information Service or a notice sent to Shareholders at their registered addresses in accordance with the Articles.

Investments and Future Pipeline

The Company has made significant progress in executing additional dividend-enhancing acquisitions. The Company's latest investments comprise a $50m commitment ($24.1m currently drawn as at 31 March 2022) into NextPower III, a battery storage Joint Venture Partnership with Eelpower Limited (£100m), UK subsidy-free solar investments (Whitecross and Hatherden) and international solar co-investments (Agenor and Santerem).

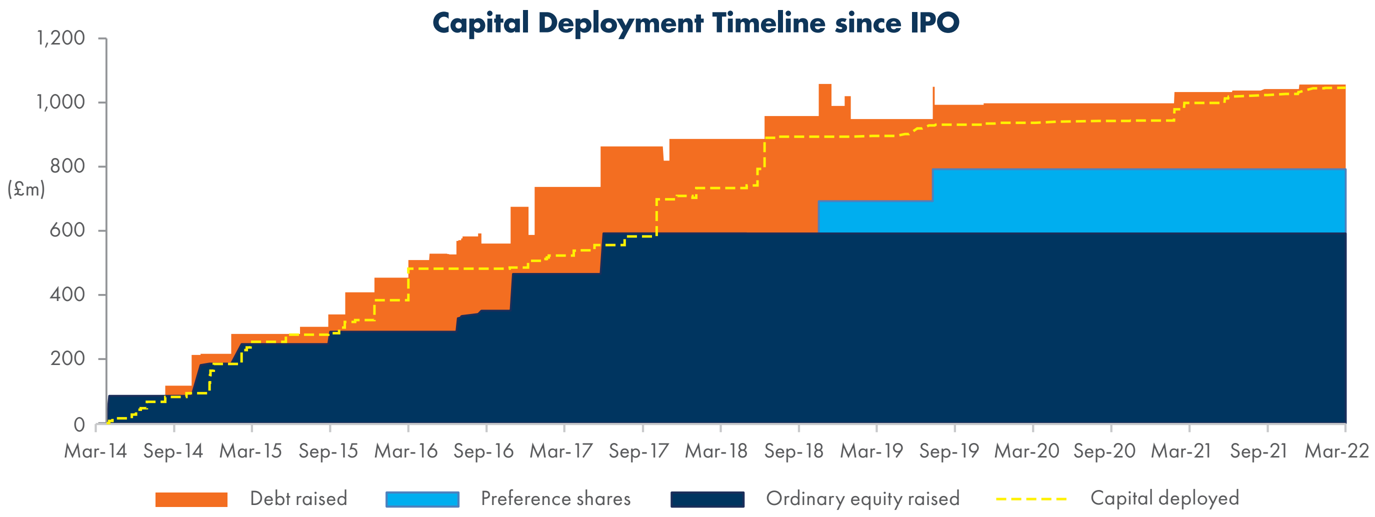
In line with the investment policy, the Company continues to advance a significant pipeline of UK solar assets, international solar assets and UK energy storage assets. These investment opportunities aim to achieve robust financial returns and increase dividend cover whilst adding geographical, technological, and revenue diversification to the NESF portfolio. The Company envisages the future pipeline will be funded through a mixture of drawdowns on existing and future RCF facilities and future equity issuances.

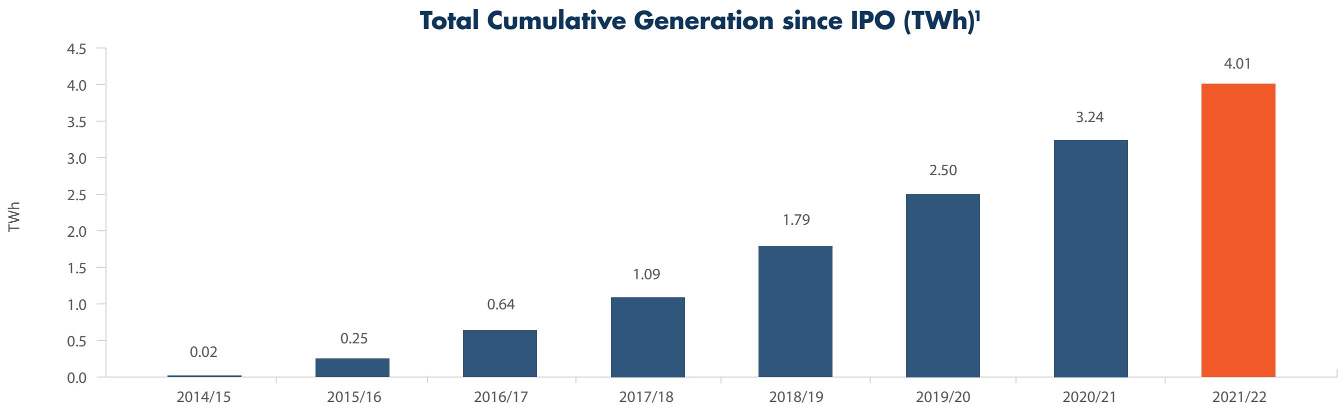
Installed Capacity since IPO[1]

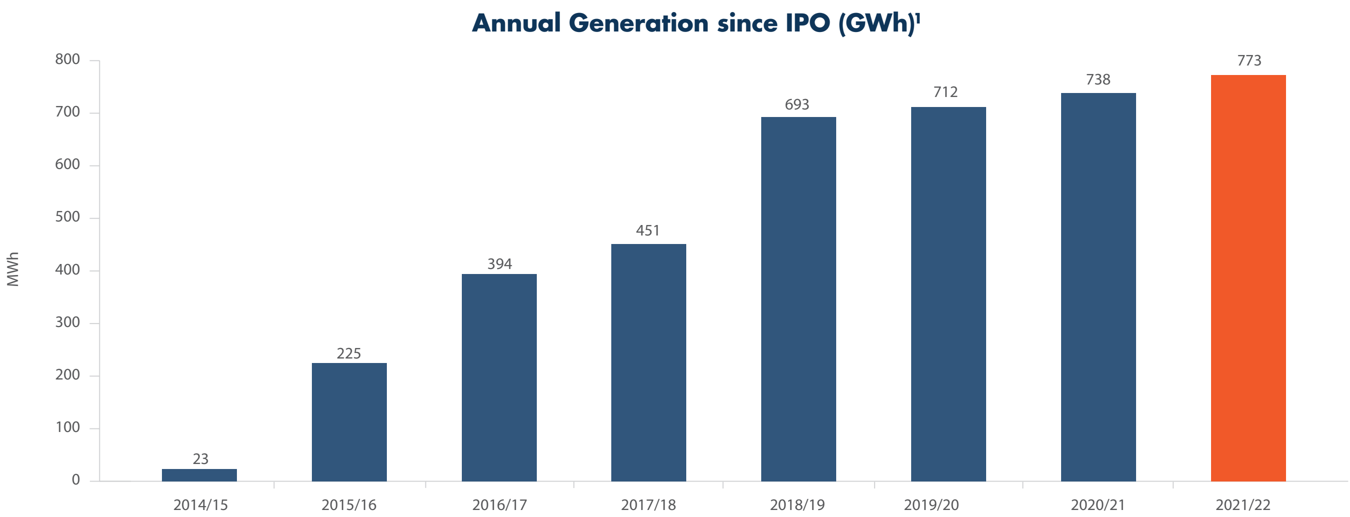


[1] Excluding share in private equity vehicle (NextPower III). Inclusion of NESF's 6.21% share of NextPower III on a look through equivalent basis would increase total capacity by 19.2MW to 884MW

Our Investment Strategy and Track Record continued



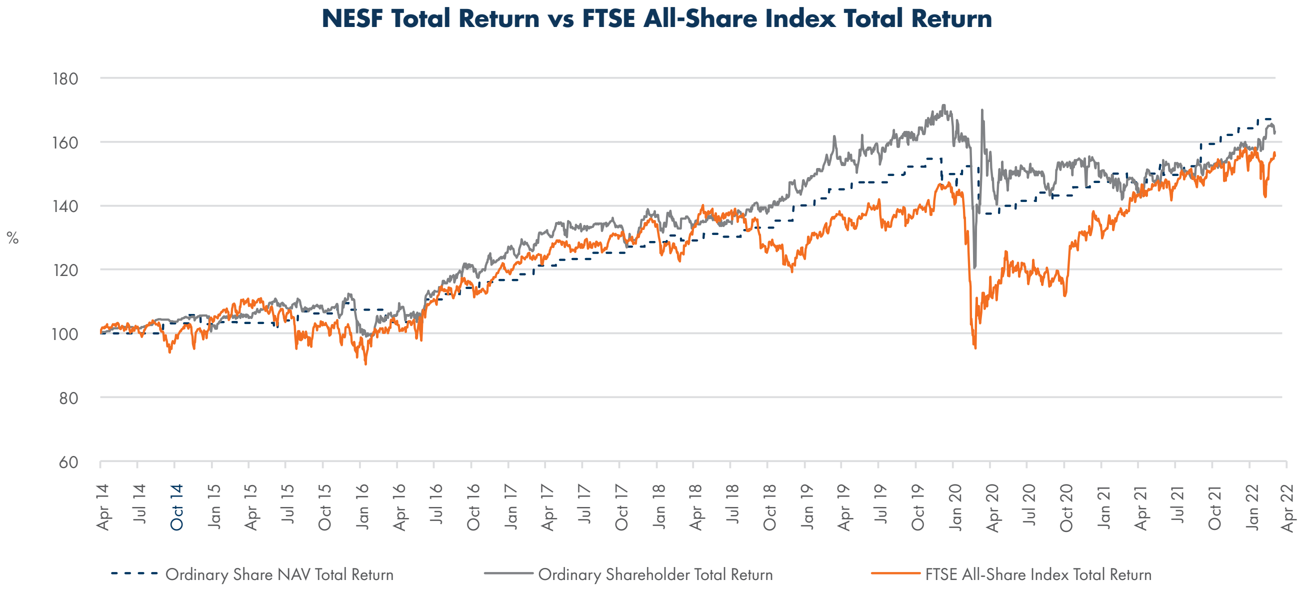


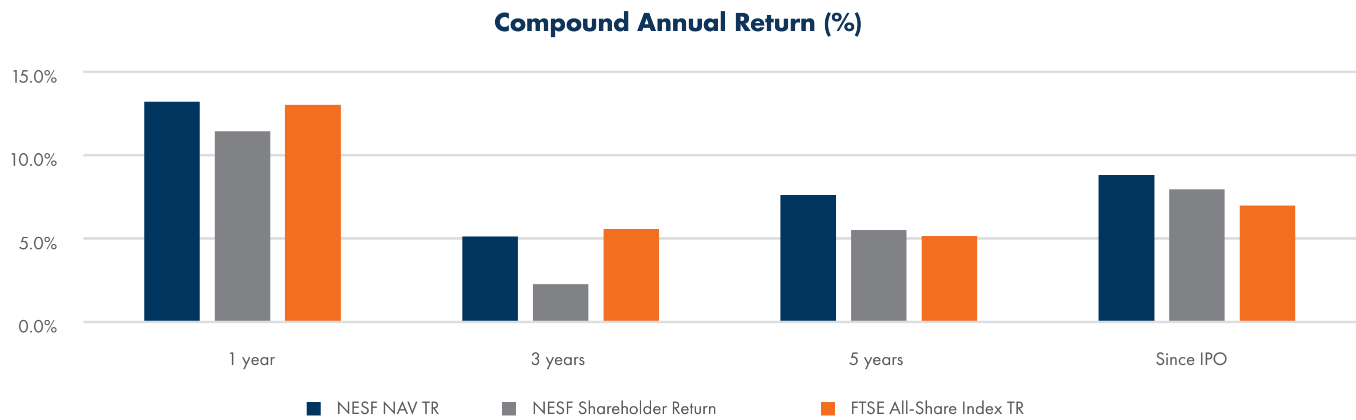


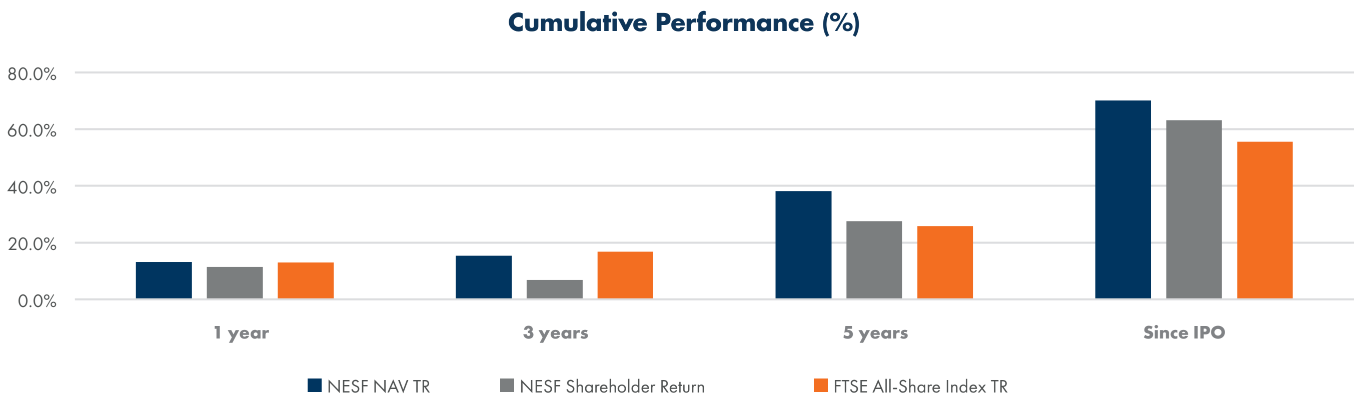
1 Excluding share in private equity vehicle (NextPower III) on a look through basis.

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.

Kentishes

5.0 MW installed

Energised in November 2016

1.2 ROC Subsidy

Essex

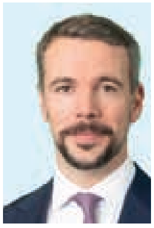
Investment Advisers Report - Introduction

NextEnergy Group is a leading solar investment manager and asset manager. The NextEnergy Group is responsible for the acquisition and management of the Company's portfolio, including the sourcing and structuring of new investments and advising on the Company's financing strategy. It has c. $2.8bn of assets under management and employs over 200 people worldwide.

Investment Adviser's Investment Committee

The Investment Adviser's Investment Committee comprises Michael Bonte-Friedheim, Aldo Beolchini, Giulia Guidi and Ross Grier, who combined have in excess of 70 years' industry experience.

Michael Bonte-Friedheim is Founding Partner and CEO of NextEnergy Group and member of the Investment Committee for NextEnergy Solar Fund



Aldo Beolchini is Managing Partner and Chief Investment Officer of NextEnergy Capital and a member of the Investment Committee for NextEnergy Solar Fund

Giulia Guidi is Head of ESG at NextEnergy Capital and a member of the Investment Committee for NextEnergy Solar Fund

Ross Grier is UK Managing Director of NextEnergy Capital and a member of the Investment Committee for NextEnergy Solar Fund

Introduction

As at 31 March 2022, the NAV per ordinary share was 113.5p (2021: 98.9p). The substantial change in NAV over 12 months reflects a large increase in power price forecasts (+5.0p per ordinary share), power purchase agreements (+4.5p per ordinary share) and an upward revision in short-term inflation forecasts (+6.1p per ordinary share).

At the year end, the UK blended average power curve corresponded to an average solar capture price of approximately £105.2/MWh (2021: £47.1/MWh) for the period 2022-2026 and £44.3/MWh (2021: £47.8/MWh) for the period 2027-2041 (at 2022 prices).

We continue to follow government guidelines and monitor the impact of Covid-19 on our global workforce, and the countries in which we operate and pursue investment opportunities. Similarly, with the ongoing conflict in Ukraine, we are monitoring the macro-economic environment and considering any potential impact to NESF, and the industry in which we operate.

Portfolio Highlights

During the year, we continued to explore new opportunities in different technologies, asset classes and geographies whilst actively managing NESF's existing portfolio of operating solar assets and development projects.

To progress its investment pipeline, the NESF Group secured a new RCF of £100m in June 2021 (£75m committed + £25m accordion) with a 3-year duration to June 2024. The RCF was on attractive terms with lenders NatWest and AIB with agreed margin of 120bps over SONIA. The facility increased NESF's overall RCF capacity to £145m (not including the £25m accordion). In February 2022, the NESF Group chose not to extend a £20m RCF with NIBC Bank N.V. in order to pursue more cost-effective financing opportunities.

In June 2021, NESF announced a commitment of US$50m to NextPower III LP ("NextPower III"), a private equity ESG solar infrastructure fund established to invest in solar assets primarily in OECD countries. The investment benefits from diversification across regulatory regime, technology provider, offtake counterparty and geographic location (with access to solar assets in the United States, India, Portugal, Spain, Poland and Chile). NextPower III recently announced its final close, bringing the total capital raised to $896m, outperforming its target of $750m. At final close, NESF's commitment reflected a 6.21% ownership share in NextPower III, adding 19.2MW to NESF's installed capacity on a look-through equivalent basis as at 31 March 2022. NESF's investment in NextPower III represents 2.0% of NESF's GAV as at 31 March 2022.

Investment Advisers Report

Portfolio Highlights continued

The investment into NextPower III provides access to attractive co-investment opportunities, of which the Company has already begun to take advantage. These are direct investments alongside NextPower III and other investors in the fund, on a no-fee, no carry basis. In January 2022, the Company announced its first co-investment for a 24.5% stake in a Spanish 50MW utility scale solar project, Agenor. It is currently under construction in Cádiz, Spain and is expected to be energised in 2022. Agenor will benefit from a five year PPA for the sale of electricity with a high-credit counterparty for c.70% of contracted volumes for an initial five-year period. This co-investment further strengthens the Company's portfolio, providing additional geographical and revenue diversification, whilst offering an attractive return profile with a high proportion of contracted revenues locked in via the PPA.

Post the year end, the Company also announced a c.13% stake in Santarem, another co-investment with NextPower III, a 210MW solar asset in Portugal. Energisation of the project is expected to take place in Q2 2023. Once energised, Santarém is expected to benefit from a long-term PPA for the sale of electricity which is currently being negotiated with a robust creditworthy counterparty.

In June 2021, NESF energised South Lowfield, a 50MW subsidy-free asset in North Yorkshire. The asset is part of the Camden acquisition of two projects totalling 100MW that was made in March 2021. The projects will produce enough clean energy combined to power the equivalent of c.29,000 UK households per year. Both assets benefit from a long-term 15-year PPA with AB InBev for c.75% of the electricity generated.

In September 2021, NESF made its first strategic step into the energy storage sector through a £100m JVP, with Eelpower Limited, a leading battery storage specialist in the UK. The JVP signed its first acquisition of a 50MW ready-to-build, standalone battery, located in Fife, Scotland, which will provide additional stability to the grid via its export capacity. It is expected to be energised and grid-connected in 2023. The JVP, owned 70% by NESF and 30% by Eelpower, also includes a framework for the acquisition of up to 250MW (including this initial 50MW project) of battery storage assets. The Directors have concluded that the JVP meets the control requirements of the relative accounting standards and is therefore accounted for as a subsidiary (see note 18). The Company is permitted to invest 10% of its GAV into standalone energy storage systems.

During the year, NESF also added four rooftop solar assets, as part of an agreement made with the renewable energy developer, Zestec. The four assets have a combined capacity of 0.7MW and are located in Cheshire, Worcestershire, Oxfordshire and East Sussex. The remaining assets will benefit from the Company's hedging strategy. This venture requires small individual investments (typically £0.2m-£0.3m per rooftop) but yields attractive risk-weighted financial returns. It is also a good avenue to deploy cash flows generated by the portfolio in excess of the dividend and operating cost base.

Post the year end, the Company announced the commencement of construction of a 36MW subsidy-free utility solar asset in Lincolnshire, Whitecross. The asset is now expected to be energised during the first quarter of 2023 and will generate electricity for approximately 10,000 households' yearly electricity consumption with renewable power. Whitecross will join the Company's other three operating subsidy-free solar assets, Staughton (50MW), High Garret (8.4MW), and Hall Farm 2 (5.4MW), which together with Whitecross comprise c.100MW of NESF's 150MW target in subsidy-free solar capacity. The Company has also commenced with the grid connection works and construction mobilisation phase of Hatherden, a c.50MW subsidy-free solar farm. These two subsidy-free solar farms will complete the Company's 150MW subsidy-free solar target. The Company anticipates these assets to be energised early in 2023.

Similarly, selection of the first site for a co-located battery storage project occurred post the year end. The project will extend the existing 11MW North Norfolk solar farm within the NESF portfolio to include a 6MW/12MWh battery system. Planning permission for the co-located battery system has been secured, with construction expected to commence on site later this year. Implementing co-located batteries across the portfolio presents an attractive growth opportunity as these assets offer both synergies with PV assets, as well as offering diversification to portfolio income.

Financial year ended 31 March	No. of assets monitored	Solar irradiation (delta vs. budget)	Asset Management Alpha	Generation (delta vs. budget)
2015	6	-0.4%	+5.2%	+4.8%
2016	23	+0.4%	+3.7%	+4.1%
2017	31	-0.3%	+3.6%	+3.3%
2018	55	-0.9%	+1.8%	+0.9%
2019	84	+9.0%	+0.1%	+9.1%
2020	85	+4.0%	+0.7%	+4.7%
2021	88	+5.5%	+0.7%	+6.2%
2022	90	+3.4%	-1.6%	+1.8%
Cumulative from IPO to 31 March 2022	**90**	**+3.0%**	**+1.6%**	**+4.6%**

Investment Advisers Report continued

Portfolio Performance

During the year, solar irradiation across the entire portfolio was 3.4% above expectation (2021: 5.5%), and generation was 1.8% above budget (2021: 6.2%), increasing revenues by an estimated £2.0m. Portfolio generation was significantly impacted by Distribution Network Operator Outages without such DNOOs, portfolio generation would have been c.3.6% above budget.

DNOOs were driven by extraordinary grid maintenance undertaken by DNOs during the year, primarily reflecting backlog from the pandemic-impacted 2020/21 financial year and activities to reinforce grid reliability.

Throughout the pandemic, workers in the electricity sector have been considered 'key workers' and this enabled the Asset Manager to ensure that the technical and operational integrity of NESF's solar assets was maintained and DNOOs impact was minimised as far as possible.

DNOOs significantly disrupted generation during the year, reducing Asset Management Alpha by 1.8%. For illustrative purposes, DNOOs reduced generation by 3.4% in September 2021, the largest monthly impact since IPO, with at least two 5MW assets completely taken off-line for the entire month.

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 solar irradiation is not monitored. Similarly, the generation performance of assets that are yet to pass Preliminary Acceptance Certificate ("PAC") in accordance with the engineering, procurement and construction ("EPC") contract is not reported by the Asset Manager.

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.

Year ended 31 March 2022	Solar irradiation (delta vs. budget)	Asset Management Alpha	Generation (delta vs. budget)
UK portfolio	+3.4%	-1.5%	+1.9%
Italy portfolio	+3.7%	-2.6%	+1.1%
Total	**+3.4%**	**-1.6%**	**+1.8%**

Portfolio Optimisation

Asset life extensions

As at 31 March 2022, 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 three assets for the remainder of the current financial year to 31 March 2023.

Asset Optimisation

During the year, nine sites entered into new Operating and Maintenance ("O&M") contracts. Eight of these contracts were O&M replacements of which the Investment Adviser actively negotiated a reduction in price achieving an average of £5,300/MW. This resulted in aggregate annualised cost savings of c.£92,000 equivalent to a 27% reduction in contract price.

A further two sites, entered into new O&M Contracts, for which a reduction in price was negotiated to £5,500/MW. This has resulted in an aggregate annualised cost savings of c.£54,000 equivalent to a 33% reduction in contract price.

Initially six sites entered into new O&M contracts, that disaggregated its services across a number of contractors which specialise in land management, monitoring, panel cleaning, CCTV and security and electrical services known as O&M 2.0 sites. O&M 2.0 has achieved c.£5k/MWp (c. 10% under NESF's target) for these six sites. A further three sites, entered into the O&M 2.0 programme, that has achieved c.£4.5k/MWp saving which is c.20% saving under NESF's target.

Due to Storm Arwen in November 2021 and further damage caused by Storm Eunice in February 2022, Balhearty solar farm was damaged and will be repaired by a chosen EPC contractor, appointed by the Investment Adviser. An insurance claim has been initiated, which the Investment Adviser expects to cover the majority of reconstruction costs and lost revenue resulting from plant downtime.

Short/Medium-Term Power Purchase Agreements

NESF continues to lock in power price hedges over a 36-month period at levels above the independent market consultant's predicted levels. This proactive risk mitigation helps secure and underpin both dividend commitments and dividend cover, whilst reducing volatility and increasing visibility of cash flows.

NextEnergy Group'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 fixed price contracts, hedging under the trading contracts and nine FiT sites opted into the export tariff.

Investment Advisers Report continued

UK hedging summary[1]	FY2022/ 2023	FY2023/ 2024	FY2024/ 2025
Generation hedged (%)	85%	74%	42%
Average fixed price (£/MWh)	£78	£73	£86

1 Covers 83% of total portfolio (716MW) as at 15 June 2022

For the year ended 31 March 2022, the Italian portfolio derived c. 85% of revenues from subsidised revenues (principally FiTs) and c. 15% of revenues resulted from the sale of electricity under fixed price agreements covering 100% of its Italian electricity generation for calendar year 2022 at a weighted average fixed price of c.€64/MWh (2021: €45/MWh).

OFGEM Audits

During the year, no material adjustments to the NAV were made as a result of Office of Gas and Electricity Markets ("OFGEM") audits. Since IPO, the majority of OFGEM audits have been successfully signed-off without impacting ROC accreditations. The NextEnergy Group has experienced staff who deal with the ongoing audits. Engagement with OFGEM is through professional advisers and senior NextEnergy Group staff. The team has identified and mapped contractual recourse associated with identified risk of loss for completed and ongoing 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 to its portfolio. As at 31 March 2022, the Company had 64MW of operating subsidy-free assets. Whitecross, a 36MW, subsidy-free utility solar asset, located in Lincolnshire, has now commenced construction. The Company has also commenced with the grid connection works and construction mobilisation phase of Hatherden, a 50MW subsidy-free solar farm.

Whitecross (36MW) will join the Company's other three operating subsidy-free solar assets, Staughton (50MW), High Garret (8.4MW), and Hall Farm 2 (5.4MW), which together with Whitecross comprise c.100MW of NESF's 150MW target in subsidy-free solar capacity.

The original construction date of the asset was deferred from H2 2021 due to material volatility in the solar PV module supply chain post Covid-19 which has since stabilised. The asset is now expected to be energised during the first quarter of 2023 and will generate electricity for approximately 10,000 households' yearly electricity consumption with renewable power.

Following a rigorous selection process, NESF selected Jinko Solar to supply solar modules to Whitecross, having agreed to the adoption of NESF's Supplier Code of Conduct policies and procedures. NESF continues to implement high ESG and technical standards within its supply chain process, as well as its investment decision making processes.

Whitecross will benefit from the latest available solar technology from Jinko Solar called 'N-type solar cells', a bi-facial solar technology offering superior power density and efficiency with a recently set world record for solar cell efficiency. NESF will receive long-term benefits from this technology as it decreases the land footprint necessary for Whitecross's installed capacity, optimising land use and performance of the solar asset. Crucially, Whitecross will rapidly bring extra power capacity to the market and contribute to the reduction of fossil fuels used for power generation in the UK, against the current backdrop of unprecedented and sustained higher power prices.

NextEnergy Capital is one of the leading constructors of post-subsidy solar in the UK market. We continue to push forward with the next wave of solar deployment in the UK, delivering tangible progress in the UK's drive to Net Zero power production.

The NextEnergy Group's Head of Energy Sales is responsible for managing the strategy for the sale of electricity from all assets. Details on the power price risk management strategy can be found at the bottom of this page and in note 22(b) to the Financial Statements on page 108.

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 terms 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 Advisers Report continued

The Italian Solis Portfolio

In December 2017 the Company acquired the portfolio of eight operating solar assets with an installed capacity of 34.5MW located in Italy for a total value of €131.9m (equivalent to £116.2m). The portfolio represented 10% of the Company's GAV as at 31 March 2022.

The key benefits of the Solis portfolio continue to be:

- **High risk-adjusted return**: As at the 31 March 2022 valuation, the net IRR of the Solis portfolio was 8.3%.
- **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 2022, the Solis portfolio was valued on a DCF basis with a discount rate of 7.25% (2021: 7.25%) 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 2031. The remaining 15% is from the sale of the merchant electricity fed into the grid at market price or via PPAs to other market participants thus there is low revenue risk. In addition, low operating costs result in stable EBITDA margins in excess of 80%.

International Solar Co-investments

In June 2021, the Company made a commitment of US$50m to NextPower III ("NextPower III"), a private equity solar fund focused on utility scale solar assets in OECD markets to provide an opportunity to efficiently access an established portfolio of operational and in-construction international solar assets. This commitment also unlocked attractive co-investment opportunities on a direct investment basis alongside NextPower III and other investors in the fund, on a no-fee, no carry basis.

In January 2022, the Company announced its first co-investment consisting of a 24.5% stake in a Spanish 50MW utility scale solar project, Agenor. The commitment allows NESF to take advantage of the vehicle's expertise in sourcing attractive international opportunities through access to its pipeline of assets. Agenor is currently under construction in Cádiz, Spain and is expected to be energised during 2022. The opportunity will benefit NESF in the following ways:

- Low revenue risk via an initial 5-year PPA with a high-credit counterparty for c.70% of contracted volumes
- Additional geographical diversification, complementing the Company's commitment into the international solar private equity fund, NextPower III, and its investment in the Italian portfolio, Solis.

Post the year end, the Company also announced a c.13% stake in Santarem, another co-investment with NextPower III, a 210MW solar asset in Portugal. Energisation of the project is expected to take place in Q2 2023. Once energised, Santarém is expected to benefit from a long-term PPA for the sale of electricity which is currently being negotiated with a robust creditworthy counterparty.

NESF's RPI inflation assumptions

Year ending	2022	2023	2024	2025	2026	2027	2028-2030	2030 onwards
31 March 2021	3.00%	2.90%	2.90%	2.80%	2.80%	3.00%	3.00%	3.00%
31 March 2022	4.10%	8.00%	3.70%	3.30%	3.40%	3.30%	3.00%	2.25%

Investment Advisers Report continued

Portfolio Valuation

Introduction

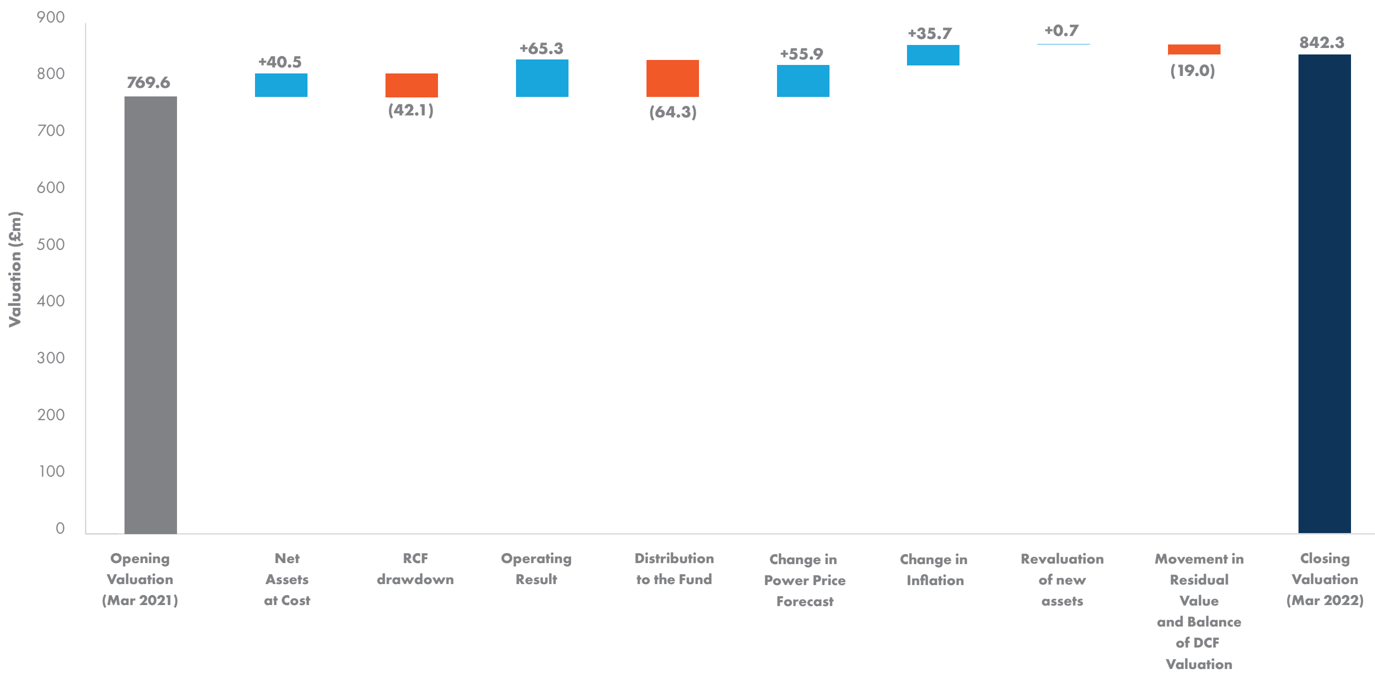
The Investment Adviser carries out the fair market valuation of the Company's underlying investment portfolio in line with its accounting policies. This valuation is then presented to the Board for review and approval. The valuation is carried out quarterly (ad hoc valuations may also be undertaken from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

The valuation principles used are based on a discounted cash flow methodology except for NextPower III which is valued using the estimated attributable NAV. 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 2022	As at 31 March 2021
UK long-term inflation	2.25%	3.0%
UK short-term inflation (1 year horizon)	8.0%	3.0%
Weighted average discount rate	6.3%	6.3%
Weighted average asset life	27.3 years	27.5 years
UK short-term power price average (2022-2026)	£105.2/MWh (real 2022)	£47.1/MWh (real 2022)
UK long-term power price average (2027-2041)	£44.3/MWh (real 2022)	£47.8/MWh (real 2022)
Italy power price average (20 years)	€60.8/MWh (real 2022)	€46.1/MWh (real 2022)
UK corporation tax rate	19% until 2023, 25% thereafter	19%

Portfolio valuation bridge for the year ended 31 March 2022



Forecasted power prices methodology

For the UK portfolio, we use multiple sources for UK power price forecasts. At the short end (up to three years), 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 year two we use a rolling blended average of three leading independent energy market consultants' long-term central case projections. This approach allows mitigation of any delay in response from the three independent market forecasters used by the Company ("Consultants") in publishing periodic (quarterly) or ad hoc updates following any significant market development.

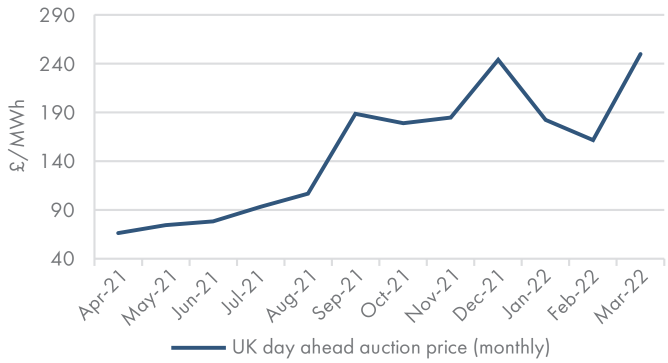
For the Italian portfolio, a leading independent energy market consultant's long-term projections are used to derive the power curve adopted in the valuation.

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 asset 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 asset 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 Advisers Report continued

Historic - UK power prices

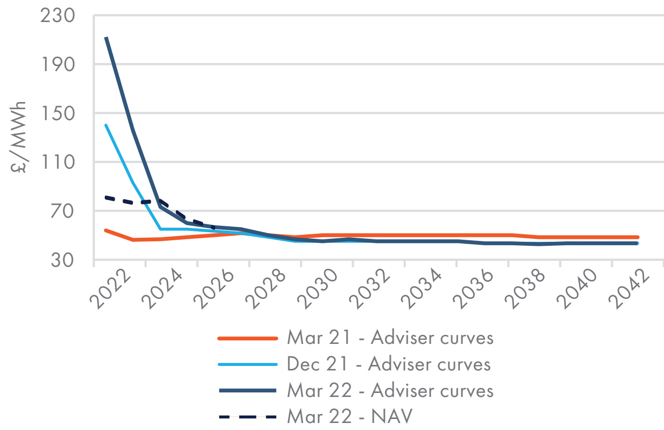
UK electricity day ahead prices increase from £66.4/MWh in April 2021 to £250.4/MWh in March 2022 (see graph below).



(Source: *N2EX - baseload – day ahead*).

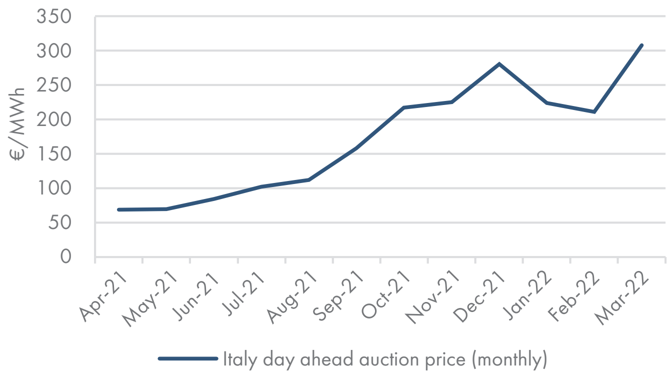
Forecast UK power prices (real 2022)

On average, the Company's current UK long-term power price represents an increase of 25.1% compared to last year (and -37.2% below the average price used at IPO).



Historic - Italian power prices

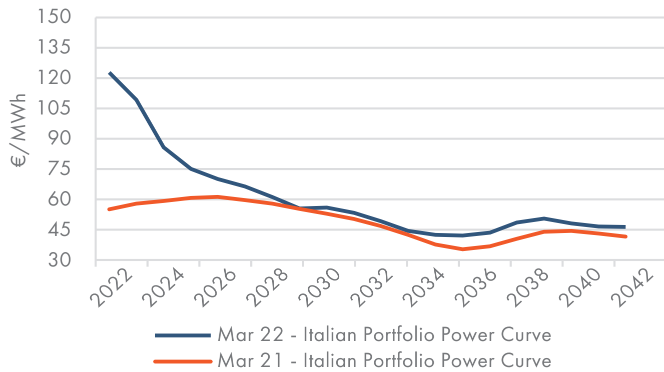
The Italian price of electricity increased from approximately €69.0/MWh in April 2021 to €308.9/MWh in March 2022 (see graph below).



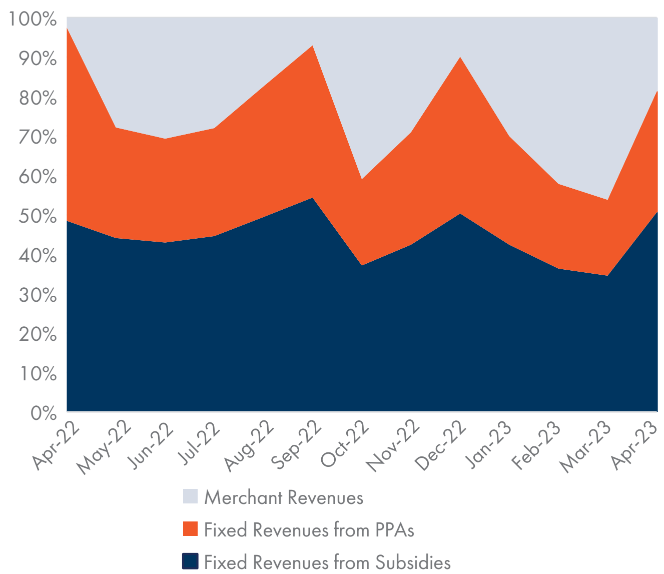
(Source: *Gestore Marcati Energetici – purchasing price*).

Forecast Italian power price (real 2022)

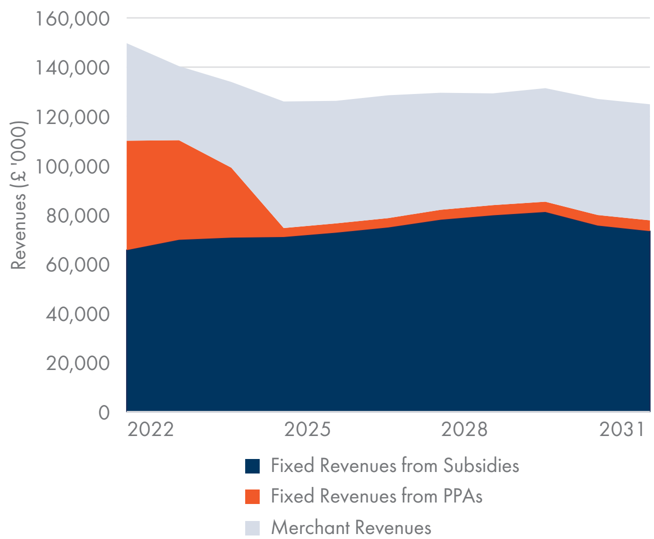
On average, the Company's current Italian long-term power price represents an increase of 23.8% compared to that used at the end of the previous financial year.



% of NESF revenue fixed until 31 March 2023



NESF 10-year forecast revenue breakdown



Investment Advisers Report continued

Discount rate

During the year, the Company maintained the discount rate for unlevered operating UK solar assets at 5.75% (2021: 5.75%)

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 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 2022	As at 31 March 2021
UK unlevered	–	5.75%	5.75%
UK levered	0.7-1.0%	6.45-6.75%	6.45-6.75%
Italy unlevered[1]	1.5%	7.25%	7.25%
Subsidy-free (uncontracted)[2]	1.0%	6.75%	6.75%
Life extensions[3]	1.0%	6.75-7.75%	6.75-7.75%

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% (2021: 6.3%). 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 leveraged assets or geared portfolios. However, for the purposes of transparency, the Company's pre-tax WACC as at 31 March 2022 was 5.3% (2021: 5.4%).

The Company has not included the impact of the discount rates used in the NextPower III investment, as the Company has no control or influence over these rates and a weighted average discount rate is not produced by NextPower III, as their underlying investments are in multiple geographies.

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 assets (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 assets have satisfied tests and received Final Acceptance Certification ("FAC").

During the year, FACs were closed for nine sites, across 89.95MW with a retention of £417k secured across all the projects.

As at 31 March 2022, 78 UK solar assets and all eight Italian solar assets (totalling 647MW) 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 2022	–
Financial quarter ending September 2022	50
Financial quarter ending December 2022	90
2023 onwards	154
Total	**294**

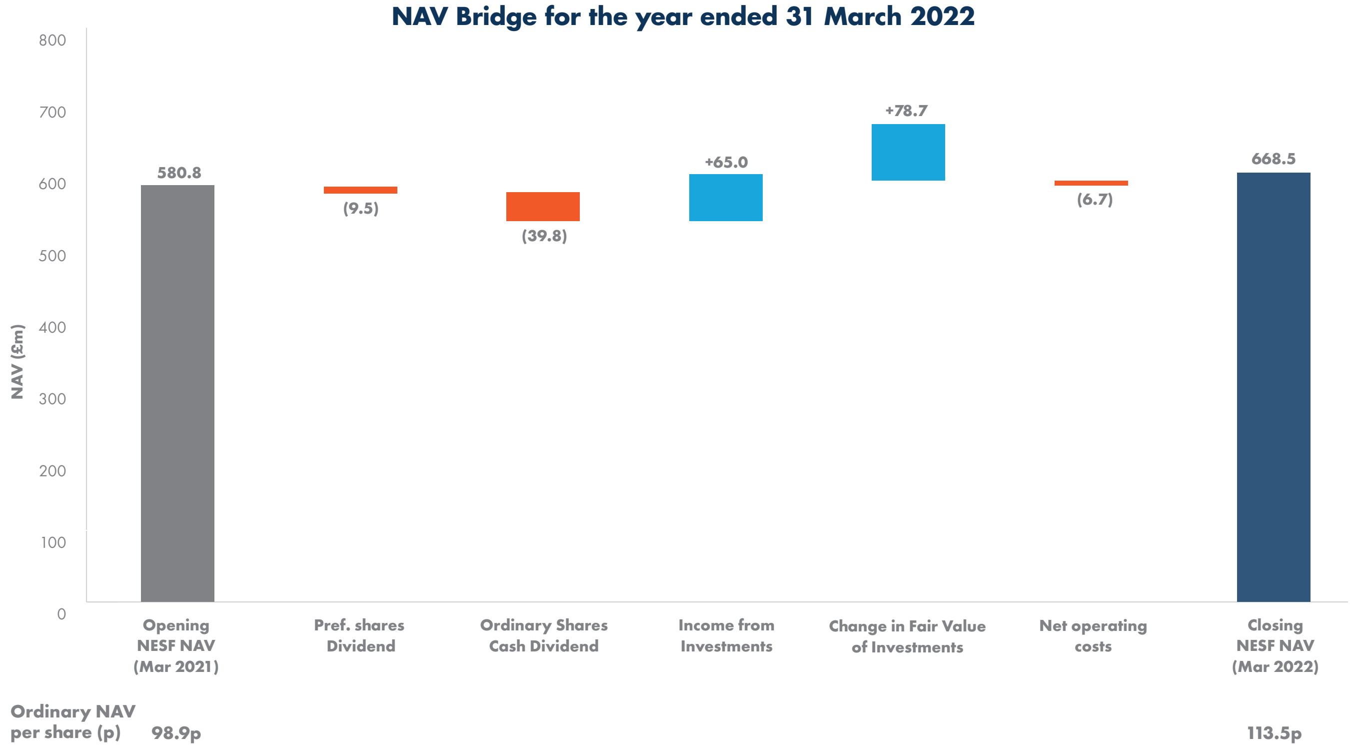
Investment Advisers Report continued

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 2(d) to the Financial Statements on page 94). 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 2022

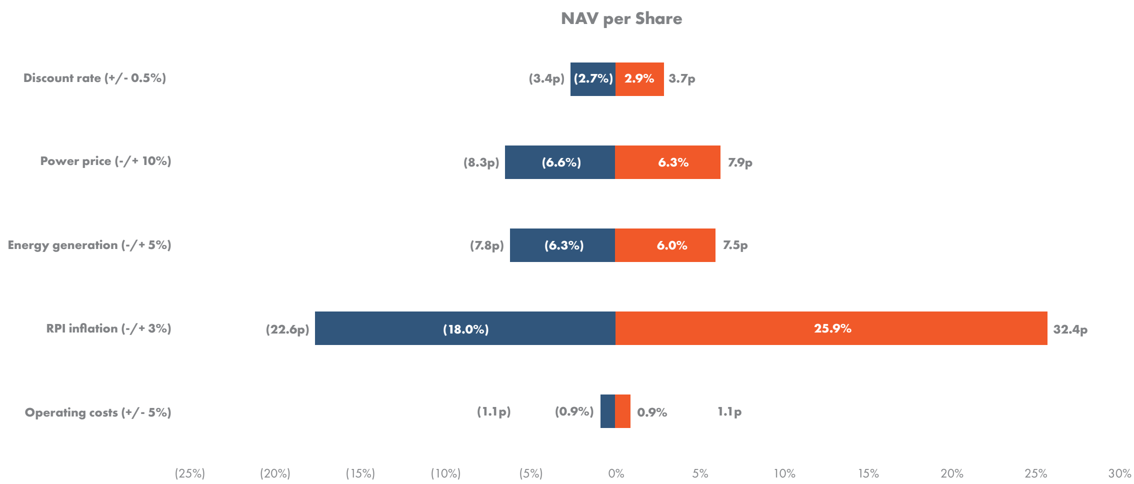


The movement in the NAV was driven by the following factors:

- An increase in UK power prices forecasts provided by three Consultants, being on average 25% higher than the prior year. The Company used the forecasts released by the Consultants up to the date of preparation of this Annual Report;
- the upward revision in short-term inflation forecasts;
- 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 2022

The chart below shows the impact of the key sensitivities on the NAV per ordinary share. Additional sensitivity analyses can be found in note 19(b) to the Financial Statements on pages 105 – 107.



Investment Advisers 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 2022			Actual per MW[1]		Budget per MW[1]		Delta vs. Budget	Comments
Solar Irradiation	[A]	(kWh/m2)	1,241		1,200		+3.4%	Actual solar irradiation for the year
Conversion Factor[2]	[B]	(%)	72.2%		73.4%		(1.6%)	Represents Asset Management Alpha for the year[5]
Metered Generation	[C] = [A x B]	(kWh)	896		880		+1.8%	Actual generation measured at the meter for the year
			Power price	**Subsidies**	**Power price**	**Subsidies**		
Realised Prices	[D]	(£/ MWh)	70.6	77.2	51.2	76.3	+1.3%	Implied average power price and subsidies across entire portfolio (including ROCC Recycle and Embedded Benefits
Revenues (Subsidies, PPAs, Etc.)	[E] = [C x D]	(£'000)	63.3	69.2	45.0	67.1	+3.1%	
Total Revenues	[E]	(£'000)	132.5		112.2		+18.1%	Actual revenues at portfolio level for the year (unaudited figures per MW)
Operating Expenses	[F]	(£'000)	(28.0)		(30.4)[4]		(7.9%)	Actual costs at portfolio level for the year (unaudited figures per MW)
EBITDA[3]	[G] = [E – F]	(£'000)	104.5		81.7		+27.8%	Actual EBITDA for the year (unaudited figures per MW)
EBITDA Margin[3]			78.8%		72.9%			

1 Based on the average installed capacity 860 MW 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 asset 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.

5 Asset Management Alpha for the year was negative due to abnormal DNOO activity as explained on page 24 of the Investment Adviser's report.

Operating results

Profit and comprehensive income for the year was £127.6m (2021: £40.2m) with earnings per ordinary share of 21.69p (2021: 6.87p).

Operating expenses and ongoing charges

The operating expenses, excluding preference share dividends paid by the Company, for the year amounted to £6.7m (2021: £6.7m). The Company's Ongoing Charges Ratio was 1.1% (2021: 1.1%). The budgeted Ongoing Charges Ratio for the financial year ending 31 March 2023 is 1.1%. The Ongoing Charges Ratio, which has been calculated in accordance with the Association of Investment Companies recommended methodology, is an Alternative Performance Measure (see page 117).

For the year ended 31 March 2022, the fourth quarterly dividend of 1.79p per ordinary share is expected to be paid on 30 June 2022 to ordinary shareholders on the register at the close of business on 20 May 2022. The Company offers scrip dividends, details of which can be found on the Company's website (nextenergysolarfund.com).

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Investment Advisers Report continued

Cash flow analysis

As at 31 March 2022, the Company held cash of £19.6m 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 2022 and part of the Investment in HoldCos.

Cash flows of the Company	Year end 31 March 2022 £'000	Year end 31 March 2021 £'000
Company cash balance at 1 April	**10,809**	**25,128**
Investment in HoldCos	6,877	(35,570)
Received from HoldCos	57,735	77,814
Director's fees	(212)	(253)
Investment Manager fees	(4,979)	(5,157)
Administrative expenses	(1,281)	(3,565)
Dividends paid in cash to ordinary shareholders	(39,841)	(38,062)
Preference share dividends	(9,500)	(9,526)
Company cash balance at 31 March	**19,608**	**10,809**

NESF Group operating SPV's

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

	Year ended 31 March 2022 Unaudited £'000	Year ended 31 March 2021 £'000
Total NESF Group revenue	114,286	96,384
EBITDA	89,966	74,433
EBIT	90,247	29,734
Cash income for the year[1]	65,792	59,490

1 Cash distributed to the fund during the year.

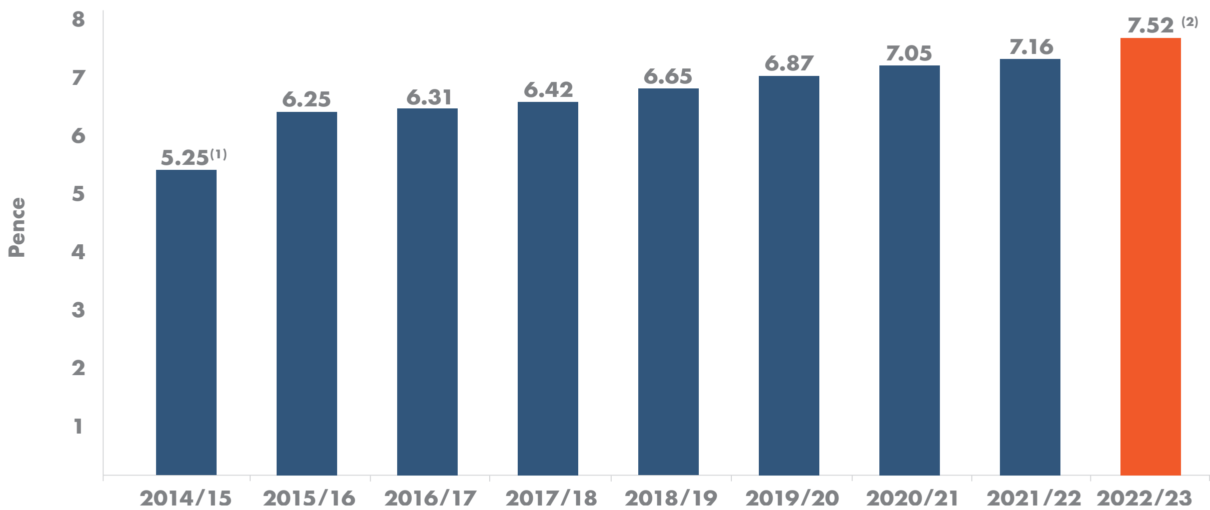
Cash dividend cover

Year ended 31 March 2022	£'000	Pre-scrip dividends £'000
Cash income for year[1, 2]	65,792	
Net operating expenses for year	6,690	
Preference shares dividend	9,500	
Net cash income available for distribution	49,602	
Ordinary shares dividend paid during year		41,940
Cash dividend cover[2]		**1.2x**

1 Cash income differs from the Income in the Statement of Comprehensive Income as the latter is prepared on an accruals basis. See page 115 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 2023.

Investment Advisers Report continued

Financing

Financial debt

At 31 March 2022, the NESF Group had financial debt outstanding of £283m (2021: £246m), including NextPower III debt calculated 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 extraordinarily low power prices (less than c.£20/MWh). No covenants breaches have occurred during the year.

Preference shares

At 31 March 2022, the Company had £200m of preference shares outstanding (2021: £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.

From 1 April 2030, the Company may elect to redeem all or some of the preference shares. Redemption of the preference shares by the Company would provide an attractive uplift if the share price is trading at a healthy premium. Benefits of the preference shares for NESF included:

- a reduction in the exposure to secured debt financing;
- the fixed preferred dividend of 4.75p per preference share being a significantly lower all-in annual cash cost to the Company compared to issuing ordinary shares; and
- the further optimisation of the Company's capital structure and, over the long term, increase in cash flows available to fund ordinary share dividends or for reinvestment compared to refinancing with conventional long-term amortising financial debt, thereby increasing the cash dividend cover

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 23(a) to the Financial Statements on page 111.

Total gearing

The financial debt, together with the preference shares, represented a total gearing level of 42% (2021: 43%), which is below the maximum limit of 50% in the Company's Investment Policy.

Provider/ arranger	Type	Borrower	No. of power assets secured[1]	Loan to Value[2] (%)	Tranches	Facility amount (£m)	Amount outstanding (£m)	Termination (inc. options to extend)	Applicable rate
					Medium-term	48.4	42.3	Dec-26	2.91%[4]
					Floating long-term	24.2	24.2	Jun-35	3.68%[4]
MIDIS / CBA / NAB	Fully-amortising long-term debt[3]	NESH	21 (241MW)	44.2%	Index-linked long-term	38.7	34.2[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)	40.9%	Inflation-linked	27.5	19.9[5]	Sep-34	RPI + 1.44%
					Fixed long-term	27.5	23.0	Sep-34	4.11%
Total long-term debt							**182.3**		
Banco Santander	Revolving credit facility	NESH VI	13 (100MW)	N/a	N/a	70.0	21.2	Jul-22	LIBOR + 1.90%
Natwest/AIB[7]	Revolving credit facility	NESH III	15 (98MW)	N/a	N/a	75.0	75.0	Jun-24	SONIA + 1.20%
Total short-term debt							**96.2**		
NextPower III look through debt		**N/a**		**N/a**	**N/a**	**N/a**	**4.8[6]**		
Total debt							**283.3**		

1 NESF has 326MW under long-term debt financing, 198MW under short-term debt financing and 343MW without debt financing (excludes NextPower III look through debt).
2 Loan to Value defined as 'Debt outstanding / GA'.
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 22b) to the financial statements.
6 The total combined short and long-term debt in relation to NESF's commitment into NextPower III (on a look through equivalent basis).
7 Plus £25m accordion options.

Alignment of interest

As at 15 June 2022, NextEnergy Group employees held 317,961 shares in NextEnergy Solar Fund.

NextEnergy Capital Limited
24 June 2022

Rampisham

5.0 MW installed

Energised in April 2017

1.2 ROC Subsidy

Dorset

Operating Portfolio

	Power plant	Location	Announcement date	Subsidy/ PPA[1]	Installed capacity (MW)	Cost (£m)	Remaining life of plant (Years)
1	Higher Hatherleigh[3]	Somerset	May-14	1.6	6.1	7.3	16.0
2	Shacks Barn[3]	Northamptonshire	May-14	2.0	6.3	8.2	15.3
3	Gover Farm[3]	Cornwall	Jun-14	1.4	9.4	11.1	17.6
4	Bilsham[3]	West Sussex	Jul-14	1.4	15.2	18.9	22.2
5	Brickyard[3]	Warwickshire	Jul-14	1.4	3.8	4.1	17.6
6	Ellough[3]	Suffolk	Jul-14	1.6	14.9	20.0	26.9
7	Poulshot[3]	Wiltshire	Sep-14	1.4	14.5	15.7	16.9
8	Condover[3]	Shropshire	Oct-14	1.4	10.2	11.7	17.6
9	Llywndu	Ceredigion	Dec-14	1.4	8.0	9.4	27.7
10	Cock Hill Farm	Wiltshire	Dec-14	1.4	20.0	23.6	17.4
11	Boxted Airfield[3]	Essex	Dec-14	1.4	18.8	20.6	18.0
12	Langenhoe[3]	Essex	Mar-15	1.4	21.2	22.9	33.0
13	Park View[3]	Devon	Mar-15	1.4	6.5	7.7	32.8
14	Croydon[3]	Cambridgeshire	Mar-15	1.4	16.5	17.8	17.7
15	Hawkers Farm[3]	Somerset	Apr-15	1.4	11.9	14.5	18.0
16	Glebe Farm[3]	Bedfordshire	Apr-15	1.4	33.7	40.5	27.7
17	Bowerhouse[3]	Somerset	Apr-15	1.4	9.3	11.1	33.0
18	Wellingborough[3]	Northamptonshire	Jun-15	1.4	8.5	10.8	17.2
19	Birch Farm[3]	Essex	Oct-15	FiTs UK	5.0	5.3	18.2
20	Thurlestone Leicester	Leicestershire	Oct-15	FiTs UK	1.8	2.3	11.1
21	North Farm[3]	Dorset	Oct-15	1.4	11.5	14.5	32.7
22	Ellough Phase 2[3]	Suffolk	Nov-15	1.3	8.0	8.0	33.6
23	Hall Farm[3]	Leicestershire	Nov-15	FiTs UK	5.0	5.0	38.4
24	Decoy Farm[3]	Lincolnshire	Nov-15	FiTs UK	5.0	5.2	34.0
25	Green Farm	Essex	Nov-15	FiTs UK	5.0	5.8	19.0
26	Fenland[2,4]	Cambridgeshire	Jan-16	1.4	20.4	23.9	18.3
27	Green End[2,4]	Cambridgeshire	Jan-16	1.4	24.8	29.0	19.0
28	Tower Hill[2,4]	Gloucestershire	Jan-16	1.4	8.1	8.8	18.0
29	Branston[2,5]	Lincolnshire	Apr-16	1.4	18.9		32.6
30	Great Wilbraham[2,5]	Cambridgeshire	Apr-16	1.4	38.1		23.0
31	Berwick[2,5]	East Sussex	Apr-16	1.4	8.2	= 97.9	19.5
32	Bottom Plain[2,5]	Dorset	Apr-16	1.4	10.1		33.2
33	Emberton[2,5]	Buckinghamshire	Apr-16	1.4	9.0		38.1
34	Kentishes	Essex	Nov-16	1.2	5.0	4.5	39.5
35	Mill Farm	Hertfordshire	Jan-17	1.2	5.0	4.2	34.8
36	Bowden	Somerset	Jan-17	1.2	5.0	5.6	34.7
37	Stalbridge	Dorset	Jan-17	1.2	5.0	5.4	34.7
38	Aller Court	Somerset	Apr-17	1.2	5.0	5.5	20.0
39	Rampisham	Dorset	Apr-17	1.2	5.0	5.8	20.5
40	Wasing	Berkshire	Apr-17	1.2	5.0	5.3	24.7
41	Flixborough	South Humberside	Apr-17	1.2	5.0	5.1	25.8
42	Hill Farm	Oxfordshire	Apr-17	1.2	5.0	5.5	29.9
43	Forest Farm	Hampshire	Apr-17	FiTs UK	3.0	3.3	30.0
44	Birch CIC	Essex	Jun-17	FiTs UK	1.7	1.7	18.2
45	Barnby	Nottinghamshire	Jun-17	1.2	5.0	5.4	20.3
46	Bilsthorpe	Nottinghamshire	Jun-17	1.2	5.0	5.4	20.7
47	Wickfield	Wiltshire	Jun-17	1.2	4.9	5.6	21.1
48	Bay Farm	Suffolk	Aug-17	1.6	8.1	10.5	31.9
49	Honington	Suffolk	Aug-17	1.6	13.6	16.0	31.3

Operating Portfolio continued

	Power plant	Location	Announcement date	Subsidy/ PPA[1]	Installed capacity (MW)	Cost (£m)	Remaining life of plant (Years)
50	Macchia Rotonda[2,6]	Apulia	Nov-17	FiTs Italy	6.6		13.8
51	Iacovangelo[2,6]	Apulia	Nov-17	FiTs Italy	3.5		14.1
52	Armiento[2,6]	Apulia	Nov-17	FiTs Italy	1.9		14.1
53	Inicorbaf[2,6]	Apulia	Nov-17	FiTs Italy	3.0	= 116.2	13.9
54	Gioia del Colle[2,6]	Campania	Nov-17	FiTs Italy	6.5		14.6
55	Carinola[2,6]	Apulia	Nov-17	FiTs Italy	3.0		14.6
56	Marcianise[2,6]	Campania	Nov-17	FiTs Italy	5.0		14.5
57	Riardo[2,6]	Campania	Nov-17	FiTs Italy	5.0		14.5
58	Gilley's Dam	Cornwall	Dec-17	1.3	5.0	6.4	32.7
59	Pickhill Bridge	Clwyd	Dec-17	1.2	3.6	3.7	19.9
60	North Norfolk	Norfolk	Feb-18	1.6	11.0	14.6	22.6
61	Axe View	Devon	Feb-18	1.2	5.0	5.6	25.4
62	Low Bentham	Lancashire	Feb-18	1.2	5.0	5.4	23.9
63	Henley	Shropshire	Feb-18	1.2	5.0	5.2	24.2
64	Pierces Farm	Berkshire	May-18	FiTs UK	1.7	1.2	17.1
65	Salcey Farm	Buckinghamshire	May-18	1.4	5.5	6.5	17.1
66	Thornborough	Buckinghamshire	Jun-18	1.2	5.0	5.7	19.0
67	Temple Normaton	Derbyshire	Jun-18	1.2	4.9	5.6	19.3
68	Fiskerton Phase 1	Lincolnshire	Jun-18	1.3	13.0	16.6	28.0
69	Huddlesford HF	Staffordshire	Jun-18	1.2	0.9	0.9	18.8
70	Little Irchester	Northamptonshire	Jun-18	1.2	4.7	5.9	19.8
71	Balhearty	Clackmannanshire	Jun-18	FiTs UK	4.8	2.6	28.8
72	Brafield	Northamptonshire	Jun-18	1.2	4.9	5.8	19.7
73	Huddlesford PL	Staffordshire	Jun-18	1.2	0.9	0.9	19.0
74	Sywell	Northamptonshire	Jun-18	1.2	5.0	5.9	19.1
75	Coton Park	Derbyshire	Jun-18	FiTs UK	2.5	1.1	19.1
76	Hook[2,4]	Somerset	Jul-18	1.6	15.3	21.8	32.0
77	Blenches[2,4]	Wiltshire	Jul-18	1.6	6.1	7.8	16.7
78	Whitley[2,4]	Somerset	Jul-18	1.6	7.6	10.4	31.7
79	Burrowton[2,4]	Devon	Jul-18	1.6	5.4	7.3	16.5
80	Saundercroft[2,4]	Devon	Jul-18	1.6	7.2	9.6	31.9
81	Raglington[2,4]	Hampshire	Jul-18	1.6	5.7	8.1	31.8
82	Knockworthy[2,4]	Cornwall	Jul-18	FiTs UK	4.6	6.6	16.0
83	Chilton Canetello[2,4]	Somerset	Jul-18	FiTs UK	5.0	9.0	30.3
84	Crossways[2,4]	Dorset	Jul-18	FiTs UK	5.0	10.0	30.3
85	Wyld Meadow[2,4]	Dorset	Jul-18	FiTs UK	4.8	7.1	31.3
86	Ermis	Rooftop Portfolio	Aug-18	FiTs UK	1.0	3.0	14.6
87	Angelia	Rooftop Portfolio	Aug-18	FiTs UK	0.2	0.6	14.5
88	Ballygarvey	County Antrim	Aug-19	1.4 NIROCs	8.2	8.5	25.8
89	Hall Farm[2]	Leicestershire	Aug-19	Subsidy-free	5.4	2.5	37.3
90	Staughton	Bedfordshire	Dec-19	Subsidy-free	50.0	27.4	36.9
91	High Garret	Essex	Oct-20	Subsidy-free	8.4	4.1	33.0
92	Marham	Norfolk	Mar-21	Long-term PPA	1.0	0.7	23.7
93	Sutterton	Lincolnshire	Mar-21	Long-term PPA	0.4	0.3	23.9
94	The Grange	Nottinghamshire	Mar-21	Long-term PPA	50.0	32.1	38.8
95	South Lowfield	Yorkshire	Mar-21	Long-term PPA	50.0	29.6	39.2
96	Newfield	Cheshire	May-21	FiTs UK	0.2	0.2	22.4
97	JSC	Worcestershire	May-21	FiTs UK	0.04	0.04	17.4
98	Karcher	Oxfordshire	Aug-21	Subsidy-free	0.3	0.2	23.0
99	Dolphin	East Sussex	Aug-21	Subsidy-free	0.2	0.2	24.6
Subtotal					**865.0**	**999.4**	**27.3[7]**
Private Equity Investment (NextPower III)[8]		OECD Markets	Jun-21	Multiple long-term PPAs	19.2	17.4	n/a
Total					**884.2**	**1,016.8**	**27.3[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 Average years remaining.
8 19.2MW represents the proportion of NextPower III operational assets owned by NESF on a look through equivalent basis as at 31 March 2022. NextPower III is a portfolio of assets at different stages of their project life cycle.

Portfolio Generation Performance

	Power plant	Operational date	Acquisition date	Year ended 31 March 2022: Generation (GWh)	Year ended 31 March 2022: Solar irradiation delta (%)	Year ended 31 March 2022: Generation delta (%)	Since acquisition: Solar irradiation delta (%)	Since acquisition: Generation delta (%)
1	Higher Hatherleigh	Apr-14	May-14	5.7	4.1	1.1	1.4	4.5
2	Shacks Barn	May-14	May-14	5.9	1.2	5.4	2.6	7.9
3	Gover Farm	Jan-15	Jun-14	9.2	6.4	2.6	3.2	1.2
4	Bilsham	Jan-15	Jul-14	16.7	6.4	9.7	5.0	5.9
5	Brickyard	Jan-15	Jul-14	3.6	2.7	5.9	3.2	6.0
6	Ellough	Jul-14	Jul-14	14.0	1.6	-1.9	0.8	5.1
7	Poulshot	Apr-15	Sep-14	13.8	0.5	4.7	0.8	5.1
8	Condover	May-15	Oct-14	9.6	1.8	3.3	0.3	1.0
9	Llywndu	Jul-15	Dec-14	8.1	0.2	9.9	-3.0	3.8
10	Cock Hill Farm	Jul-15	Dec-14	20.3	3.5	7.4	3.0	5.0
11	Boxted Airfield	Apr-15	Dec-14	18.2	1.7	4.0	3.3	5.5
12	Langenhoe	Apr-15	Mar-15	21.6	5.5	8.5	6.0	9.0
13	Park View	Jul-15	Mar-15	6.7	1.9	4.5	-1.4	1.2
14	Croydon	Apr-15	Mar-15	15.1	5.8	2.5	6.1	6.8
15	Hawkers Farm	Jun-15	Apr-15	12.0	2.9	3.6	0.6	3.7
16	Glebe Farm	May-15	Apr-15	33.8	7.7	11.6	6.4	12.0
17	Bowerhouse	Jul-15	Jun-15	8.4	5.3	-5.9	3.1	-0.1
18	Wellingborough	Jun-15	Jun-15	8.3	2.6	7.0	2.4	5.1
19	Birch Farm	Sep-15	Oct-15	5.0	3.4	6.5	4.2	6.3
20	Thurlestone Leicester[1]	Oct-15	Oct-15	1.5	0.0	-1.1	0.0	-0.1
21	North Farm	Oct-15	Oct-15	10.8	-1.5	-11.4	-2.7	-4.3
22	Ellough Phase 2	Aug-16	Nov-15	8.5	7.3	14.5	8.2	12.6
23	Hall Farm	Apr-16	Nov-15	3.7	4.1	-14.0	3.8	0.4
24	Decoy Farm	Mar-16	Nov-15	4.9	4.4	9.1	4.7	9.4
25	Green Farm	Dec-16	Nov-15	4.9	2.6	1.6	3.4	4.0
26	Fenland	Jan-16	Jan-16	20.7	4.4	8.3	5.0	9.2
27	Green End	Jan-16	Jan-16	21.7	2.9	-6.3	4.6	3.1
28	Tower Hill	Jan-16	Jan-16	8.1	3.5	7.6	3.4	6.9
29	Branston	Mar-16	Apr-16	19.1	6.1	10.0	6.0	6.8
30	Great Wilbraham	Mar-16	Apr-16	36.1	3.7	1.1	5.1	5.3
31	Berwick	Mar-16	Apr-16	9.1	1.9	7.3	4.6	9.3
32	Bottom Plain	Mar-16	Apr-16	10.4	5.1	2.8	3.4	3.8
33	Emberton	Mar-16	Apr-16	7.9	2.7	-6.3	4.1	2.3
34	Kentishes	Jul-17	Nov-16	5.2	3.5	5.4	5.3	6.1
35	Mill Farm	Jul-17	Jan-17	5.0	5.8	6.5	8.0	10.3
36	Bowden	Sep-17	Jan-17	5.2	-0.2	0.2	0.2	1.2
37	Stalbridge	Sep-17	Jan-17	5.3	-0.2	5.0	0.6	6.1
38	Aller Court	Sep-17	Apr-17	5.3	3.3	4.6	3.4	5.0
39	Rampisham	Sep-17	Apr-17	5.2	-2.8	-0.9	-2.0	-1.2
40	Wasing	Aug-17	Apr-17	5.1	1.2	5.0	5.4	8.9
41	Flixborough	Aug-17	Apr-17	5.0	6.1	8.0	5.3	7.9
42	Hill Farm	Mar-17	Apr-17	5.1	2.1	7.4	6.0	8.4
43	Forest Farm	Mar-17	Apr-17	3.1	2.0	6.9	4.3	8.4
44	Birch CIC	May-17	Jun-17	1.7	3.1	3.6	5.0	4.6
45	Barnby	Aug-17	Jun-17	4.9	3.8	7.7	4.3	4.7
46	Bilsthorpe	Aug-17	Jun-17	4.9	4.0	5.4	4.1	6.0
47	Wickfield	Mar-17	Jun-17	4.9	1.9	3.0	5.1	4.7
48	Bay Farm	Sep-17	Aug-17	8.0	2.2	8.4	6.5	8.2
49	Honington	Sep-17	Aug-17	13.2	0.4	3.7	3.4	3.8
50	Macchia Rotonda	Nov-17	Nov-17	9.0	6.9	-3.7	6.1	2.7
51	Iacovangelo	Nov-17	Nov-17	5.2	5.0	4.2	4.4	6.0

Portfolio Generation Performance continued

	Power plant	Operational date	Acquisition date	Year ended 31 March 2022			Since acquisition	
				Generation (GWh)	Solar irradiation delta (%)	Generation delta (%)	Solar irradiation delta (%)	Generation delta (%)
52	Armiento	Nov-17	Nov-17	2.9	5.9	7.4	5.2	7.4
53	Inicorbaf	Nov-17	Nov-17	4.6	6.0	5.4	5.5	6.4
54	Gioia del Colle	Nov-17	Nov-17	9.6	2.6	3.8	0.9	3.8
55	Carinola	Nov-17	Nov-17	4.0	2.5	-1.3	2.4	3.9
56	Marcianise	Nov-17	Nov-17	7.0	1.4	2.6	2.5	3.7
57	Riardo	Nov-17	Nov-17	6.8	1.4	-3.3	2.1	0.4
58	Gilley's Dam	Nov-17	Dec-17	5.0	-3.2	-2.2	-4.4	-2.3
59	Pickhill Bridge	Dec-17	Dec-17	3.7	5.5	9.2	4.7	8.1
60	North Norfolk	Dec-17	Feb-18	10.3	4.0	-0.7	6.1	6.6
61	Axe View	Dec-17	Feb-18	5.2	6.4	7.7	5.6	7.2
62	Low Bentham	Dec-17	Feb-18	4.7	6.2	4.5	2.5	3.5
63	Henley	Jan-18	Feb-18	4.9	4.0	6.5	3.3	6.0
64	Pierces Farm	May-18	May-18	1.7	-1.0	4.1	2.9	6.8
65	Salcey Farm	May-18	May-18	5.3	2.6	2.4	7.8	5.4
66	Thornborough	Jun-18	Jun-18	3.8	-1.0	-21.2	4.6	-7.6
67	Temple Normaton	Jun-18	Jun-18	3.9	3.4	-14.1	4.3	-4.8
68	Fiskerton Phase 1	Jun-18	Jun-18	12.0	5.0	-2.9	7.6	0.7
69	Huddlesford HF	Jun-18	Jun-18	0.9	4.2	7.6	5.6	4.9
70	Little Irchester	Jun-18	Jun-18	4.3	-0.2	-6.8	4.1	-5.3
71	Balhearty	Jun-18	Jun-18	3.4	3.6	-2.1	0.1	-9.0
72	Brafield	Jun-18	Jun-18	4.8	4.0	-0.2	6.7	1.2
73	Huddlesford PL	Jun-18	Jun-18	0.9	3.6	1.8	5.2	2.3
74	Sywell	Jun-18	Jun-18	5.1	1.5	4.9	5.9	2.3
75	Coton Park	Jun-18	Jun-18	2.3	-0.4	3.8	2.8	4.5
76	Hook	Jul-18	Jul-18	15.2	2.5	-1.6	3.4	0.9
77	Blenches	Jul-18	Jul-18	5.7	2.9	0.1	4.4	5.7
78	Whitley	Jul-18	Jul-18	7.5	8.2	0.0	5.7	-0.2
79	Burrowton	Jul-18	Jul-18	12.8	5.1	-0.2	4.3	1.1
80	Saundercroft	Jul-18	Jul-18					
81	Raglington	Jul-18	Jul-18	4.9	-0.6	-19.1	3.1	-10.8
82	Knockworthy	Jul-18	Jul-18	3.8	1.6	-20.5	1.8	-9.9
83	Chilton Canetello	Jul-18	Jul-18	5.4	5.4	3.2	4.8	5.2
84	Crossways	Jul-18	Jul-18	5.5	3.6	0.8	3.5	3.2
85	Wyld Meadow	Jul-18	Jul-18	4.7	0.2	-8.5	-1.0	-3.3
86	Ermis[1]	Aug-18	Aug-18	0.8	0.0	2.2	0.0	0.1
87	Angelia[1]	Aug-18	Aug-18	0.2	0.0	-2.6	0.0	2.4
88	Ballygarvey	Mar-18	Aug-19	6.4	4.7	1.3	2.0	-1.5
89	Hall Farm	Aug-19	Aug-19	4.0	10.4	-11.1	10.7	-1.2
90	Staughton	Dec-19	Dec-19	49.4	10.2	7.2	8.4	5.2
91	High Garrett	Oct-20	Oct-20	7.9	5.6	-0.4	6.3	-0.6
92	Marham[2]	Jan-21	Mar 21	–	–	–	–	–
93	Sutterton[2]	Mar-21	Mar 21	–	–	–	–	–
94	The Grange	Jan-21	Mar 21	11.0	-13.4	-12.7	-13.4	-12.7
95	South Lowfield	Jun-21	Jun-21	6.1	-7.1	-32.4	-7.1	-32.4
96	Newfield (NZ)[1]	Apr-19	Apr-19	–	–	–	–	–
97	JSC (NZ)[1]	Mar-19	Mar-19	–	–	–	–	–
98	Karcher (NZ)[1]	Nov-19	Nov-19	–	–	–	–	–
99	Dolphin (NZ)[1]	Jul-21	Jul-19	–	–	–	–	–
Subtotal				**773**	**3.4**	**1.8**	**3.0**	**4.6**
Private Equity Investment (NextPower III)[3]		Multiple	Jun-21	–	–	–	–	–
Total				**773**	**3.4**	**1.8**	**3.0**	**4.6**

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

Sustainability and ESG

NESF Chairman ESG Foreword

The last 12 months has accelerated the need for and understanding of, global renewable energy generation. Governments and major economies around the world continue to step up their support, with the UK becoming the first major economy to pass net-zero emission laws, requiring all greenhouse gas emissions to be net-zero by 2050. There has never been a more important time to transition away from carbon emitting forms of energy and towards a green, clean, energy supply.

Solar PV and Energy Storage play a huge part in this transition and NESF is in a great position to continue providing a positive impact. The Investment Adviser, NextEnergy Capital Limited, continues to drive NESF forward, harnessing the team's in-depth knowledge and skillset to add value and achieve the Company's sustainability goals.

The year has been defined by a range of challenges, including the ongoing impact of the global pandemic as well as the recent supply chain consequences associated with the conflict in Ukraine. Despite this continued uncertainty, NESF continues to see a systemic shift towards the need for rapid action in recognition of a stronger reliance on national, renewable, and sustainable energy source, not only to address climate change. The current geopolitical landscape has emphasised the importance of UK energy security and independence. NESF's has 91 operating solar assets in the UK, with additional operating solar assets in Italy and Spain, and with its expansion into UK energy storage, strengthens the UK's energy independence supply.

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

NESF's 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. NextEnergy Capital's ESG team is also expanding, which will bring in new expertise and knowledge to help implement and expand NESF's ESG strategy.

I am pleased that NESF achieved Article 9 status, having met the strict requirements of the European Union Sustainable Finance Disclosure Regulations this year. NESF is committed to continuing any disclosure requirements for funds classified under Article 9. Separate to this, NESF use the Macquarie Green Investment Group to review and independently audit NESF's carbon related data to ensure a high standard of transparency and continuity in relation to our positive contribution to climate mitigation.

Josephine Bush joining during the year brings extensive ESG knowledge to the NESF board of directors. Since her appointment, the board has introduced an ESG Committee, which is chaired by Josephine and supported by Giulia Guidi. The ESG committee ensures constant dialogue and provides frequent updates on ESG issues to the Board, ensuring ESG remains at the heart of NESF's strategy.

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

Kevin Lyon
24 June 2022

Sustainability and ESG continued

Introduction from Michael Bonte-Friedheim, CEO and Founder of NextEnergy Group

As the world continues to adapt to the challenges of living with an evolving geopolitical, environmental and social landscape, 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 Sustainable Development Goals ("SDGs"), progress against many of which has been detrimentally affected by Covid-19. Furthermore, the conflict in Ukraine has highlighted the importance of maintaining supply chain security, delivering low risk economic returns and safeguarding social inclusion. We believe that NESF's experience and global presence will help to mitigate any ESG risks associated with sourcing and securing contracts with global suppliers that have become more prevalent in light of the challenges faced during the year and in the future.

The development of reliable, sustainable and resilient infrastructure is at the core of the recovery plan and NextEnergy Group has 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 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 right for the future.

Our sustainability 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.

NESF actively supports the UK Government's net zero ambitions: NESF can offer investors the opportunity to decarbonize their portfolio and transition to a net zero economy. For the past 12 months, NESF has contributed to avoid emitting 328.7 ktCO_2e to the atmosphere. NESF also presented the benefits that an investment in solar PV and sustainable energy provides beyond climate mitigation: in particular, it explained how it continues to contribute to the economic growth of the local area, increase biodiversity value and encourages local community engagement.

NESF continues to be committed to enhance biodiversity and achieve positive gain, contributing to build climate resilient infrastructure. The core of NextEnergy Group'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.

We continue to increase our transparency in line with the EU SFDR. NESF classifies under Article 9 of the SFDR, as a sustainable investment with an environmental objective of climate mitigation: in addition to the ESG Document published in March 2021, NESF is committed to provide the relevant disclosure according to the requirements of Article 9 of the SFDR. The Company has included its full TCFD report on pages 46 to 51 of this report.

NESF ESG at a Glance 2021/22

Environmental Performance

773GWh clean energy generated	328.7ktCO_2e avoided	216,300 equivalent homes powered

Social Performance

£91,400 community funding (through SPVs)	6 new O&M contracts signed for a total of £223k, generating new jobs	£100,000 donated to the Foundation

Governance performance

Total board meetings during the year – 31	Gender diversity 40% female at board level

SCAN ME

Sustainability and ESG continued

NESF's Sustainability Framework

Solar energy has a pivotal role to play in responding to rapidly increasing energy demand while addressing the global climate agenda. In their recent 'Net Zero by 2050' report, the International Energy Agency ("IEA") forecasted annual additions of 630 gigawatts of solar PV installations by 2030, four-times the record levels set in 2020. NESF's commitment to contribute to climate change mitigation ties into our broader ESG objectives we have set within NextEnergy Group's business practices in order to develop a sustainable energy investment strategy.

Following a materiality assessment, we built NESF and NextEnergy Group's sustainability commitment around three fundamental pillars (see below): climate change, biodiversity and human rights. These are macro drivers for our sustainable agenda, either because they represent an opportunity, or because they represent a risk. 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 NESF Group's sustainability framework, NESF refers to the UN 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.

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

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.

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 greenhouse gas ("GHG") emissions avoided for the portfolio. NESF has expanded its reporting to include also historical GHG emission avoided as well as the carbon emission associated with its portfolio, namely the GHG emission 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. NESF aims to align its practice with the objective of the TNFD, and considers the framework throughout all stages of investment and asset management.

Human Rights and Modern Slavery:

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 NESF 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.

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

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 NextEnergy Group team confirms this exclusion at the earliest stage of site selection.

In line with NextEnergy Group'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 prior to construction. These two exclusions are very unlikely to happen in the UK.

ESG responsibilities reside with the Head of ESG at NextEnergy Capital Limited, the Investment Adviser. The Head of ESG reports directly to NextEnergy Group's CEO and is also a member of the Company's investment committee. More details on the governance of ESG can be found in the governance sector below.

[1] https://www.nextenergysolarfund.com/modern-slavery-statement/

Sustainability and ESG continued

ESG Integration

By integrating NextEnergy Group's Sustainable Investment Policy into NESF's investment and development process, we are ensuring sustainable growth can be delivered over the long-term. A dedicated team works alongside the investment team to ensure any Principal Adverse Impact ("PAI") is identified, managed, and reported. 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.

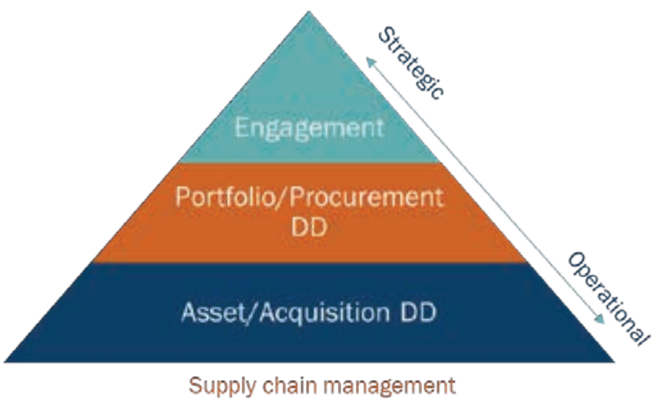
For new developments, a comprehensive set of national and local data sets are considered to avoid sensitive areas and to comply with the applicable guidelines for the deployment of solar projects. This development phase is supported using computer-based geographic information system modelling tools,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

Supply chain

In line with our mission of creating a more sustainable future by leading the transition to clean energy, NextEnergy Group has been at the forefront of integrating ESG considerations into its investment process, including the supply chain.

A supply chain risk management approach consistent with the NESF Group's sustainability framework has been developed and applied from an early stage. We approach supply chain considerations through two parallel processes: ongoing ESG due diligence at asset and portfolio level and an extensive stakeholder engagement process.

NESF's suppliers have to fulfil two main conditions: abide by the NESF Group Code of Conduct for Suppliers and respond satisfactorily to our ESG due diligence.



In addition to due diligence for each individual investment, the supply chain specific due diligence is undertaken with key selected manufacturers with which NESF and the NESF Group have signed 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 of the supply chain and materials used during production. In addition, in 2021, the ESG team has worked closely with the procurement team and with WiseEnergy's commercial team to define the ESG criteria for the selection of O&Ms to manage NESF solar assets. Finally, NESF consistently applies a contractual obligation in each agreement for suppliers to abide by our Code of Conduct.

NESF is strongly 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 but also by our active participation in sector-level initiatives aimed to increase transparency and traceability of the sector.

NESF strongly believes that supply chain management can be tackled collectively through a process that requires a long-term commitment and willingness to influence market changes to eradicate human rights abuses and raise labour practices and standard globally. This is particularly true for our Tier 2 and 3 suppliers, for which it is not always possible to obtain transparent and verifiable information. NextEnergy Group's head of ESG continues to act as the chair of the SEUK task group on Responsible Sourcing and to contribute to the supply chain monitoring programme set up jointly by SEUK and Solar Power Europe ("SPE"). The programme has started in September 2021 and aims to progress in Q2 2022 with the launch of a pilot phase through which key suppliers will be audited according to selected ESG standards. Full details of this initiative should be made publicly available by the end 2022.

Furthermore, NextEnergy Group continued to extend our due diligence process to our supply chain, including module, inverter and battery suppliers, strengthening the existing due diligence questionnaire to align it to the SEUK and SPE programme.

We continue to monitor our suppliers and engage with them to ensure the highest levels of ESG standards are adhered to. Given our track record and the track record of our dedicated ESG team, we believe we are at the forefront of ensuring engagement and change where unacceptable practices are identified throughout our sector and supply chain.

Sustainability and ESG continued

Transparency

NESF & SFDR – Article 9 Fund

The Sustainable Finance Disclosure Regulation ("SFDR") has come into force on 10 March 2021, requiring financial market participants to disclose on ESG policies and practices. NESF has published an ESG Disclosure document on its website and has made the relevant disclosure in the annual report as well as pre-contractual disclosure. This document outlines how NESF aligns with the EU Taxonomy, in particular how it substantially contributes to climate mitigation, how it does no significant harm ("DNSH") to the other 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, implementation of the OECD Guidelines for Multinational Enterprises, and the UN Guiding Principles on Business and Human Rights.

NESF classify under Article 9 of the SFDR and starting from this year, it has disclosed according to Annex III and V of the SFDR and Taxonomy Regulatory Technical Standard ("RTS"). Please refer to the NESF website for the relevant disclosure. To continue to increase transparency, an FAQ document has been published on the fund website to clarify how NESF is planning to comply with future EU SFDR requirements.

Stakeholder Engagement and Stewardship

NESF regularly engages with key stakeholders, including the UK Government and leading UK industry associations, such as Solar Energy UK ("SEUK"). During the reporting year, several members of NESF's staff engaged with SEUK across various workstreams, including one employee who chairs the SEUK Natural Capital Working Group, while others are involved with supporting SEUK 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 Fund involved in several consultations with the UK Government on the Contracts for Difference scheme, as well as leading negotiations with the Valuation Office Agency on the revised ratings list for solar, network charging and cost modelling. In addition, the NextEnergy 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.

Sustainability and ESG continued

Accountability and Governance

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

The Head of ESG, Giulia Guidi, reports to NextEnergy Group's CEO and is responsible for setting the strategy and for implementing the Sustainable Investment Policy for the NESF 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 weekly with the investment team and at least bi-weekly 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 NESF 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 three resources, Giulia Guidi, with more than 20 years of combined experience in ESG risk management in the financial sector, David Hawkins, with 10 years of sustainability and environmental experience in the energy sector, and Phoebe Wright, the ESG Analyst for the NextEnergy Group. The team plans to hire an associate by Q4 2022. An additional resource is responsible for NextEnergy Foundation.

NESF – ESG Stakeholders

Board of Directors

ESG Committee

Investment Adviser — Development team

Investment Adviser — ESG Team

Investment Adviser — Portfolio Manager

Investment Adviser - M&A team

Third party consultants

Asset Manager enhancement

ktCO2e avoided since IPO	Units
1,818	$ktCO_2e$

Green impact: historic performance

Metric	Units	FY2015	FY2016	FY2017	FY2018	FY2019	FY2020	FY2021	FY2022
GHG avoided	$ktCO_2e$	30.6	110.0	191.4	211.2	299.4	307.7	317.6	328.7
NOx avoided	tonnes	41.3	108.3	176.3	193.1	276.5	274.4	283.4	296.3
Sox avoided	tonnes	94.1	214.4	335.8	365.9	499.2	511.9	527.5	549.7
PM2,5	tonnes	2.4	8.4	14.5	15.9	22.6	23.2	24.0	25.2
PM10	tonnes	0.9	2.3	3.7	4.0	5.6	5.8	5.9	6.2
Fossil Fuels avoided	tonnes oil equivalent	13.0	46.9	81.6	90.0	127.7	131.2	135.9	142.8
	million barrels	0.10	0.34	0.60	0.66	0.94	0.96	1.00	1.05

Sustainability and ESG continued

Environmental, Social and Governance Factors

This year we have decided to publish a standalone ESG report to provide an extensive overview on our sustainability strategy and a deep dive on how the Company consider E, S and G factors. Here below is a summary of the key ESG aspects that are driving our business.

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 CO2e 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 greenhouses scope 1, 2 and 3. NESF's carbon footprint throughout the lifecycle is minor, and we aim to start collecting additional data from SPV's suppliers 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 via a consistent Climate Change Risk Screening process. All sites are designed using a 100-year flood projection to account for projected climate-induced risks.

More information on how the Company considers climate related risks is included in the TCFD report on pages 46 to 51.

Biodiversity: NextEnergy Group 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. These specialists help to design and implement bespoke and effective measures that develop, repair and connect local wildlife, habitats and ecosystems. In Q1 2022 a new Environmental Impact Manager has been hired within the investment team to give stronger consideration on how the Company contributes to value its natural capital. 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. NextEnergy Group has developed a specific Universal Biodiversity Management Plan ("UBMP") for NESF sites with the objective of extending it to a larger number of assets over years. Our UBMP also exists to improve local stakeholder relationships by educating the community on the benefits of transforming solar assets into ecosystem-friendly assets. During the asset's operational lifetime, schemes are also designed to allow sheep grazing and 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.

This approach makes up part of NextEnergy Group's wider Biodiversity Strategy which works to support the UK Government's 25-year Environmental Plan[1]. The Company aims to align its already strong biodiversity strategy with the framework proposed by the Task Force on Nature related Financial Disclosure "TNFD".

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, aluminium 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. 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 work with our counterparties to ensure that they abide by our human rights related principles, as outlined in NESF's Modern Slavery Statement, NextEnergy Group's Sustainable Investment Policy and NESF Human Rights Statement. To this extent, NextEnergy Group has included human rights related criteria into our solar PV module framework agreements (see 'Supply chain'). We have also added an obligation for our EPC and O&M contractors and all suppliers to respond to our ESG Due Diligence and to abide by our Code of Conduct for suppliers, which include amongst others, environmental, working condition and human rights related standards.

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 NextEnergy Group'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.

[1] https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/693158/25-year-environment-plan.pdf

Sustainability and ESG continued

Task Force on Climate-Related Financial Disclosures ("TCFD")

The challenge posed by climate change necessitates a complete transformation of the way the world produces and consumes energy. In August 2021, the United Nations' Intergovernmental Panel on Climate Change ("IPCC") published their Sixth Assessment Report, which stated "global warming of 1.5°C and 2°C (before pre-industrial levels) will be exceeded during the 21st century, unless deep reductions in CO_2 and other greenhouse gas emissions occur in the coming decades. The transition to a low-carbon economy is imperative to make meaningful reductions in global greenhouse gas concentrations, minimise long-term climate change impacts, and enable a development trajectory that is sustainable on a global scale.

The Company sees renewable energy as having a crucial role to play in the low-carbon transition and in providing economic opportunities that support governmental mandates such as the UK net-zero target by 2050.

To be a leader in ESG and responsible investment space, accountability is paramount. The Investment Manager has delivered on increased transparency and reporting as this constitutes a valuable addition to existing disclosures, including a broad set of policies and position statements, a set of SDGs to report on our impact and contribution to the SDGs and an ESG disclosures document to confirm compliance with EU SFDR particularly Article 8 and Article 9, as well as fund-level Green Impact Reports, which discloses our contribution to climate mitigation.

The Company endeavours to communicate progress as we expand our low-carbon businesses capabilities, develop our policy engagements, build on our climate risk management strategies, expand our core ESG metrics, and pursue engagements with investors, stakeholders and the wider solar industry in order to collectively address the climate challenge and promote the transition to a low-carbon economy.

Introduction

The Company recognises that climate impacts should no longer be considered non-financial and has been an official supporter of the goals of the TCFD since September 2019. TCFD was established in 2015, with the aim of developing a comprehensive and uniform framework for climate reporting, enabling investors and other stakeholders to assess the companies' climate-related financial risk. These risks may be categorised as follows:

- Physical Risk: These are risks related to the changes to the physical environment from the impacts of climate change in terms of intensity or frequency of extreme events (acute risks) and longer-term changes in climate (chronic risks).
- Transition Risk: Moving towards a low carbon economy will entail political, technological, legal, market and social changes that can create risks and opportunities to existing businesses and their underlying revenue streams.

The Company has been a leader within its sector for integrating considerations on climate throughout its organisation and within its decision-making processes. For the year ended 31 March 2022, the Company responded to the 11 recommendations set out by TCFD, with the ambition of continually expanding and evolving its implementation and reporting in line with TCFD recommendations into future reports.

Governance

1. The Board oversights climate related risks and opportunities.
2. The Investment Manager assesses and manages climate related risks and opportunities.

Board

Overall responsibility for NESF's performance and management falls on the NESF board. Understanding climate risk management processes is critical to the Board. ESG matters are more important than ever to investors, 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. Climate considerations and progress updates are discussed during ESG Committee meetings and quarterly meetings with the Investment Manager. During such meetings risks related to climate change are discussed.

Investment Manager/Adviser

The Investment Manager and Investment Adviser realise that the integration of a climate and ESG strategy into NESF's governance structures is imperative to effectively identify and manage potential risks. Under the leadership of NextEnergy Capital's CEO, climate-related matters have been integrated into their corporate Sustainability Framework, which is based on three pillars - Climate Change, Biodiversity and Human Rights. Continuing this emphasis within business principles, the ESG team has developed a Climate Change Position Statement, which was first published in March 2021[1]. The Statement sets the ambitions, the reference standards, and the practice that the Manager adopts when dealing with climate-related risks and opportunities. The Investment Manager's commitment to minimising both physical and transitional climatic risks is evident not only in the nature of the business as a leading solar investment manager, but also in the activities undertaken by the individual departments of the business.

The CEO and senior management are the driving force behind the conception of NESF's climate ambitions, while the Head of ESG is responsible for the strategy execution and for updating the Board and Investment Committee members on recent climate-related activities and progress. The Head of ESG is a member of the Group Risk Committee which meets quarterly. The risk register includes climate related risks and other ESG risks. The implementation of ESG and climate strategy is facilitated by a Sustainability Framework, which draws on SDGs as the structure by which risks are identified, managed, and reported across on a broad range of ESG issues that encompasses climate change and beyond.

The Investment Manager coordinates stewardship practices amongst senior management with an external collaborator. This partnership enables the Investment Manager to have political influence over the climate-related policies, mandates and consultations that are most material to us. These include engaging with the UK Department for Business, Energy and Industrial Strategy ("BEIS") on consultations such as UK carbon pricing. In addition, the

[1] https://cdn.next1.nextenergycapital.com/next/2021/04/NEC_ClimateChange_Statement.pdf

Sustainability and ESG continued

Investment Manager has participated in panel sessions on the natural capital value of solar farms and has contributed to the Department for Environment, Food and Rural Affairs ("DEFRA") consultation on biodiversity net gain. The Investment Manager is also a member of the Institutional Investor Group on Climate Change ("IIGCC") and is currently participating in the Working Groups for the Paris Alignment Investment Initiative. The Head of ESG also sits on the board of Solar Energy UK ("SEUK") and was recently appointed chair of the SEUK Supply Chain Working Group that is tasked with setting auditable ESG standards and a traceability programme for improving transparency and business ethics in the global solar supply.

Asset Manager

Climate risks are assessed during each pre-acquisition and development phase through a screening questionnaire. When potential risks are identified, the ESG team, together with the investment team and, where relevant, external advisers, undertake a further risk assessment and 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 EPC and operations and maintenance ("O&M"), and then handed over to the asset manager of NESF, WiseEnergy. The Asset Manager oversees the implementation of these measures, including biodiversity management, land management, community engagement, and health and safety, amongst others. WiseEnergy report on any progress towards these plans on a regular basis and, in addition, will measure and manage several selected KPIs based on the SDGs and the EU SFDR and Taxonomy Regulatory Technical Standards which have been identified as material to NESF's business and operations.

Strategy

1. Describe the climate related risks and opportunities the organisation has identified over the short, medium and long term.
2. Describe the impact of climate-related risks and opportunities on the organisation's businesses, strategy and financial planning.
3. Describe the resilience of the organisation's strategy, taking into consideration different future climate scenarios, including a 2°C or lower scenario.

The Company understands that climate change poses risks and opportunities across all stakeholders. Through its commitment to providing clean energy, the Company is well placed to help curb global carbon emissions. Conversely, there are risks associated with such a transition and the potential physical consequences associated with rising temperatures

The table below covers some of the key risks and opportunities faced over the short, medium and long term.

	Risks	Opportunities
Short-Term	• Lower power prices due to over-deployment of renewables and cannibalisation • Saturated market and increased competition for investments leading to a reduction in financial returns of new projects • Increased temperatures reducing energy demand and driving down power prices	• Increased governmental support for renewables as nations aim to curb climate emissions in line with commitments made • Increased public support for decarbonisation increases the volume of ESG investing in public markets • Increased deployment of renewables drives the benefits and importance of battery storage assets
Medium-Term	• Extreme weather events (storms and flooding) causing physical damage to assets within portfolio • Increased temperatures reducing the efficiency and productivity of assets due to heat losses • Implementation of carbon pricing and taxation could impact companies within the supply chain, leading to price increases and reduced profitability	• Technological advancements driving down levelised cost of energy ("LCOE") • Implementation of carbon pricing and taxation could help direct capital towards renewable technologies, such as solar and battery storage, and away from carbon-intensive sources
Long-Term	• Adverse changes in yearly irradiation averages and variances impacting the commercial viability of solar • New technologies leading to early obsolescence of solar assets	• As transport, industry and heating move away from fossil fuels and rely on electricity, demand increases could increase power prices

Sustainability and ESG continued

Climate-Related Risks and Opportunities

Portfolio Investments

Productivity of a solar asset is a balance between maximising irradiation and minimising heat losses. As temperature increases, the efficiency of solar assets falls because heat stress impacts critical equipment, such as inverters and transformers. The consistent and relatively cool climate makes the UK a uniquely strong location for efficiency of solar assets. However, increased temperatures could lead to increased heat losses and inefficiency of the portfolio's assets. Likewise, the Company's portfolio of eight Italian assets and its co-investment in Spain could face similar challenges.

The Company's asset manager, WiseEnergy, closely monitors the portfolio's assets throughout the year, measuring metrics such as irradiation, generation, and availability. This enables the Company to identify assets at risk and implement mitigation strategies to limit heat loss in the future.

Increased greenhouse gas emissions are not simply associated with increased temperatures, but also with other extreme weather conditions, such as storms, flooding, and fires. All of NESF's assets have been constructed with a 1 in a 100 year assessment of likely wind conditions for the specific location of construction. One of the key benefits of the portfolio of distributed energy assets that NESF has, is its resilience to any localised issues. As a result of recent UK weather events (storms Arwen, Dudley and Eunice), the ESG team aims to engage with an external expert to carry out a high-level climate risk screening for the entire portfolio of UK assets to be better prepared against any future physical climate risks.

Strategy

The political and social climate is currently very supportive of climate change action, of which the deployment of solar and other renewable assets is an essential part. Subsequently, there are significant capital flows being directed towards sustainable investments and the deployment of green infrastructure. There is strong evidence to suggest this trend is likely to continue. Indeed, at the UN Climate Change Conference ("COP26") in October 2021, the Glasgow Financial Alliance for Net Zero ("GFANZ") stated that the financial sector commitments to net zero over the next three decades will exceed $130 trillion.

Alongside the opportunities this brings, there are also some risks. High levels of investment lead to increased competition and, subsequently, acquisition costs of assets can be driven up and lead to a reduction in returns. The Company has seen this within the UK market over recent years. The Company has been able to draw upon the expertise of the Investment Manager to diversify its portfolio into new jurisdictions as well as assets classes (such as construction and development assets), in line with the Company's investment limits.

Financial Planning

There are some key challenges to the Company in relation to finances and cash flows because of climate change. The wholesale market price of electricity is affected by several factors, including demand, subsidies, fuel commodity prices and foreign exchange. As renewables become a greater proportion of the energy mix, the volatility in the availability of these renewable resources is expected to drive volatility in power prices and, subsequently, distributions to the fund and its shareholders. Increased concentration of solar assets also leads to cannibalisation, and the price captured on the market by solar is eroded over time.

The Company's hedging strategy aims to eliminate these risks associated with power price volatility. Some of the Company's investments benefit from subsidies and short-term PPA hedges that fix prices, with the remaining revenue streams subject to wholesale electricity prices. The Company has agreed fixed UK pricing (hedged) covering 85% of budgeted generation for the 2022/23 financial year and 74% of budgeted generation for the 2023/24 financial year.

By contrast, this volatility could provide a significant opportunity to battery storage assets, which generate returns through such volatility. Optimising through its arbitrage involves charging the battery when energy prices are low and discharging during more expensive peak hours. The Company's investment objective allows investment 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. In September 2021, NESF entered the standalone battery storage space by agreeing a £100m 'JVP' with Eelpower Limited, a leading battery storage specialist in the UK. The JVP includes a framework for acquisitions up to 250MW, providing ample opportunities to offer complementary revenue streams to our existing portfolio of solar assets.

The Intergovernmental Panel on Climate Change ("IPCC") use Representative Concentration Pathways ("RCPs") as a basis for modelling future consequences of anthropogenic greenhouse gas emissions and reflect a wide range of possible outcomes. There are 4 key scenarios: RCP2.6, RCP4.5, RCP6 and RCP8.5. The four scenarios are outlined in the table below.

Scenarios RCP2.6 and RCP4.5 refer to pathways whereby significant efforts are made to reduce anthropogenic climate change. These scenarios assume greater deployment of renewable energy and subsequently pose greater transition risks to businesses. As previously mentioned, this is associated with greater power price volatility and cannibalisation as solar (and other renewable technologies) becomes a greater proportion of the energy mix. However, as industries (such as transport) move away from fossil fuels and towards electrification, the subsequent demand increase is expected to offset such changes to the supply.

The Company's 'NAV' sensitivity analysis shows that a 10% decrease in power prices lead to a 6.6% decrease in the NAV and a 10% increase in power prices lead to a 6.3% increase in the NAV.

Alongside increased support for green investment, another key part of the RCP2.6 and RCP4.5 scenarios likely involve increased regulations aimed at actively mitigating CO_2 emissions. These include carbon pricing that will impact organisations in countries that take part in emissions trading schemes or are subject to emissions taxes. The purpose of such strategies is to charge the hidden cost of carbon emissions to the source. It is expected that in low emissions scenarios, prices in existing emissions trading schemes are likely to increase. Whilst this could improve the commercial viability of renewable technologies, it may simultaneously drive-up costs within the supply chain of solar infrastructure assets.

Sustainability and ESG continued

By contrast, under scenarios where limited efforts are made to reduce emissions (RCP6 and RCP8.5), global temperature increases are significantly higher than 2°C. This leads to several physical risk factors, such as extreme weather conditions, floods and heat stress. Storms may put solar assets at risk of physical damage that could drive up operational costs and lead to losses in generation due to periods of repair. The existing portfolio of assets has a weighted average expected life of 27.3 years and are designed to be extremely resilient to different weather conditions. There is also insurance in place to cover physical damage to plants that may lead to large financial and environmental losses.

Furthermore, higher emissions scenarios are expected to both increase average temperatures and the variance in irradiation. As previously mentioned, increased temperatures reduce the efficiency and productivity of assets due to heat losses and higher volatility in irradiation directly impacts the volatility of the company's revenues.

Our NAV sensitivity analysis shows that a 5% decrease in irradiation leads to an 6.3% decrease in the NAV and a 5% increase in irradiation lead to a 6.0% increase in the NAV.

Radiative Forcing	Atmospheric CO_2 equivalent (parts per million)	Description
8.5	>1,370	Worst-case emissions scenario, whereby no effort is made to curb climate change and emissions continue to rise throughout the 21st century
6	850	Emissions peak around 2080, then decline
4.5	650	Emissions in RCP 4.5 peak around 2040, then decline
2.6	490	Ambitious pathway, whereby emissions go to zero by 2100

Risk Management

1. Describe the organisation's processes for identifying and assessing climate-related risk.
2. Describe the organisation's processes for managing climate-related risks.
3. Describe how processes for identifying, assessing, and managing climate related risks are integrated into the organisation's overall risk management.

The core business of the Investment Manager is focused on generating positive climate-related impacts through the reduction of carbon emissions associated with the clean energy generated by the renewable energy assets. Despite no direct exposure to carbon-intensive sectors, the Investment Manager has identified certain physical climate risks as material to the business. The Investment Manager has reviewed the Company's risk appetite to reflect its climate ambitions that has been expressed to stakeholders and have aligned it with NextEnergy Group's group-wide Risk Management framework. The Company will continue to refine its climate risk assessment approach in order to reflect the constantly evolving nature of climate factors and impacts.

Potential physical climatic risks associated with an asset acquired or developed after 2020, are screened by the ESG team, and where there is evidence of potential risks, an external climate risk advisor is appointed for further assessment during the pre-acquisition stage. The advisor will provide a climate change risk assessment report, which will inform final investment decision. As a member of both the NEC Group Risk Committee and the NESF Investment Committee, during Committee meetings the Head of ESG is responsible for advising on the ESG risks and opportunities associated with each acquisition and or development, including those related to climate.

Sustainability and ESG continued

Risk Factors and Risk Assessment

The level of risk assigned to an investment is determined by investigating and engaging with involved parties over a wide range of factors throughout the due diligence process. While the risk level varies depending on the asset being acquired, certain risk factors can be more easily mitigated than others and as such are classified with a lower risk rating due to their ability to be more readily managed.

The Investment Manager's ESG team have worked with an external consultant to develop an internal climate risk rating system that is aligned with the TCFD guidelines. It is expected that this will be implemented by Q4 2022. Carrying out this procedure enables the ESG team to highlight the severity of any climate-related risks associated with the portfolio during the acquisition process, and to determine which assets will require a third-party assessment to be carried out post-acquisition. Based on the findings of the assessment, it is expected that mitigation measures will be presented by the advisor and passed onto the asset manager, ensuring the risk is monitored and reported on for as long as required and where relevant, for the entire lifetime of the Project.

General classification	Physical risks	Possible consequences	Risk rating
Acute	Increased severity and frequency of extreme weather events (hurricanes, storm surge, heat waves)	Damage to property and infrastructure resulting in environmental damage, increased capital costs (e.g. repairs, cleaning, write-offs and possible early retirement of assets), decreased power generation, worker incidents (e.g. unable to access site).	Medium (Likely + Moderate)
	Fires		Low (Unlikely + Minimal)
	Flooding		Low (Likely + Minimal)
Chronic	Changes in precipitation patterns, solar irradiation and cloudiness	Reduction of anticipated power generation, increased losses in transmission lines, increased costs associated with more frequent or intense cleaning requirements and an increase in health and safety incidents as a result of increased changed weather conditions (e.g. heat stress associated with hot days)	Low (Likely + Minimal)
	Changes in dirt, dust, snow, atmospheric particles and others		Low (Likely + Minimal)
	Changes in mean temperatures		Low (Likely + Minimal)
	Water stress and drought	Decreased water availability increases cost to clean panels and domestic water to site	Low (Unlikely + Minimal)

Sustainability and ESG continued

Metrics and Targets

1. Disclose the metrics used by the organisation to assess climate related risks and opportunities.
2. Disclose Scope 1, Scope 2, and if appropriate, Scope 3 greenhouse gas emissions, and the related risks.
3. Describe the targets used by the organisation to manage climate related risks and opportunities and performance against targets.

We recognise the value in considering ESG metrics when identifying potential investment risk or opportunities. In terms of NESF's asset emissions, the Greenhouse Gas ("GHG") Protocol has outlined the most effective framework for reporting on carbon emissions. The framework separates emissions into the following categories:

- Scope 1: Direct emissions from the activities of a company under its control, includes fuel company-owned vehicles and air-conditioning leaks.
- Scope 2: Indirect emissions from purchase of electricity, steam heating and cooling by the company.
- Scope 3: All other indirect emissions that are embedded within the Company's value chain.

NESF and its Investment Manager aim to obtain the GHG emission data directly from suppliers, although it is anticipated that this process will take time. Until then, NESF has commissioned the Green Investment Group to estimate the Scope 1 and 2 GHG emissions associated with the Company's solar assets.

The Company's estimated lifecycle GHG emissions are 37.6 ktCO2e/yr. The Company aims to incorporate measured scope 3 emissions into its reporting in due course.

Targets

The Science Based Targets initiative ("SBTi") was established in 2015, with the goal of helping companies to set emission reduction targets in line with climate science and Paris Agreement goals. The Company is in the process of evaluating its targets commitments.

Outlook

The Company is aware of the potential for the effective management of climate risks and opportunities to impact returns and has therefore identified a few areas to expand on its current TCFD disclosures in the future. The Company is aiming to introduce a comprehensive scenario analysis that will help quantify climate risks faced over time. This analysis will involve projections of irradiation levels and power prices under two different emissions pathways, one with high physical risk (e.g. RCP8.5) and another with high transition risk (e.g. RCP2.6). This deeper analysis would provide greater clarity on the potential revenue impacts across different outcomes.

The Green Investment Group has been instrumental in providing metrics for the Companies reports and disclosures, including scope 1 and 2 emissions as well as the number of homes powered through the Company's electricity generated. The Company therefore intends to expand its metrics to include scope 3 emissions, which will give clarity on upstream and downstream emissions within its value chain. Once identified, the Investment Manager can begin engaging with its suppliers in order to take action to reduce such emissions from its suppliers. The emissions calculated may then be used as a baseline for future performance and will be used to inform its SBTi-aligned targets. The Company is continuously striving to improve on its disclosures and processes to ensure risks are effectively identified and, where possible, mitigated.

MILL FARM

- 5.0 MW installed
- Energised in January 2017
- 1.2 ROC Subsidy
- Hertfordshire

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 strategic objectives over the longer term.

As the Company has no employees and given the nature of its services, the Investment Adviser (in addition to the Board) 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 RBC Capital Markets Ltd, are also an integral point of contact between the Company and our shareholders and, together with the Investment Adviser ensure that any shareholder feedback or observations is collated.

Our key stakeholders are shown in the table below, in no particular order. The table explains 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.

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, 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 having 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 keep communications open (including annual and interim results presentations) and 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. • Rothschild & Co shareholder perception study.
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, we rely 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 and the Audit 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 and Audit 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 ESG Report on pages 39 to 51.
Asset Manager	The Asset Manager's performance is critical for the operating solar assets to deliver operational outperformance versus the budget. The Asset Manager also provides the administration and fund accounting for the Company's subsidiaries, as well as providing an energy sales desk to manage our electricity price and 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.

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 less material and, therefore, they have not been included below but they may become material in the future. Additionally, 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 solar irradiation levels tend to follow a set trend throughout the year. The geographical location of the asset has an impact on solar irradiation levels, due to climate variations and small differences in day lengths across regions. Assets are chosen with this in mind. The Asset Manager has value-enhancing tools that optimise the Company's portfolio generation and resolve interruptions efficiently. The diversity of the underlying solar module and inverter manufacturers and O&M suppliers.
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.	The Company's model and the internal controls thereon are reviewed in detail on a periodic basis by a third party modelling specialist to ensure the Company's model is robust and compliant with the latest modelling standards and controls. 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 impacts the prices received for energy generated by and revenues forecast for the operating assets of the Company. The acquisition of subsidy-free assets will increase this risk as currently most of their revenues are derived from the wholesale energy market with only a part benefiting from short-term PPAs. The Company is exposed to a reduction in the price of electricity. The Covid-19 pandemic has resulted in a decline in demand for energy which has exacerbated recent declines in the price of electricity. This risk exists with future pandemics. The recent supply chain issues associated with the conflict in Ukraine, alongside wider macroeconomic and geopolitical uncertainty has led to volatile power prices.	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 12 months. The NextEnergy Group has an Energy Sales desk which is responsible for hedging generation produced in the short-term. As at 15 June 2022, the Company had secured fixed price agreements covering 85% of its electricity generation for the 2022/23 financial year and 74% for the 2023/24 financial year. **Long-term:** Wholesale power prices are beyond the control of the Company. Factors that could increase the price of electricity including 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. The introduction of battery storage enables generated electricity to be fed in to the grid at optimum pricing levels.
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 asset'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 design performance of the assets.

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. 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. International conflicts and geopolitical tensions may impact trade of commodities, such as oil and gas, which have subsequent downstream impacts on power price volatility and supply chain stability for solar equipment. The conflict in Ukraine has led to global volatility in supply chains and power prices.	The Investment Manager and the Board believe the withdrawal of the United Kingdom from the European Union ("Brexit") to have a very limited effect on the Company's financial and operating prospects. The Investment Manager continue to closely monitor the impact on the underlying portfolio. The global consequences of international conflict on power prices emphasises the importance of national energy independence, which the Company believes it is well placed to facilitate. Supply chain shortages in solar equipment could prohibit construction of new projects and drive-up acquisition prices of existing assets. The Investment Manager has a wealth of experience and a strong network built through its global presence that enables it to source the best projects and contracts for the NESF portfolio. Geopolitical expectations known at the time of acquisition of an asset are built into the Company's strategy and projected financial returns for the asset.
2. Adverse changes to regulatory framework for solar PV	Uncertainty for the future regulatory framework for solar PV creates a risk that further planned acquisitions do not take place. This would affect the Company's growth potential, valuation and profitability.	The Company actively monitors regulatory changes within the industry and participates in contributing towards government discussions on the industry in the UK, and Italy and other countries in which investments are located.
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. Media speculation remains around a potential windfall tax on UK renewable electricity generators. Changes to current subsidies based on findings of the regulator would impact the Company's revenue streams.	NESF has tax advisers to ensure constant awareness of any upcoming changes to tax legislation and rates, to implement the necessary changes as required. Investment in multiple jurisdictions diversifies exposure to individual country regulations and hence risk. Increase in subsidy free assets in the portfolio reduces exposure to regulated revenues, supported by the hedging strategy.
4. Health and Safety	The physical location, maintenance and operation of a solar power plant may pose health and safety risks to those involved.	Health and safety practices are in place that conform to local governmental standards. Insurance policies are in place and reviewed to increase cover where necessary.

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 2022 was £19.6m, all of which was readily available. It also had immediately available but undrawn amounts under its debt facilities of a further £49m. The NESF Group had capital commitments totalling £59m at the year end. The majority of the NESF Group's revenues are derived from government subsidies. A large portion 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.

A thorough evaluation of the cash flow impact, for the going concern period, of the following individual and combined two scenarios was reviewed by the Directors and were deemed appropriate market standard stress tests:

- All investments consistently generate at 5% below budgeted level of electricity output
- Power prices (on the unhedged portion of the portfolio) were reduced by 10% across the portfolio

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 (February 2019) ("AIC Code") 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 performed a robust assessment of its viability for the period to 31 March 2027. 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, Italy and Spain that are predominantly fully constructed, operational and generating renewable electricity, and entered into the battery storage asset market this year. 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 £145m that expire in 2022 and 2024, 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 55 to 57 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 19(b), 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 2027.

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 premium/discounts of the Company's ordinary shares and its peers over rolling 12 month periods since the Company's IPO in 2014.

Going Concern and Viability continued

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 2027.

Covid-19 Pandemic

The pandemic has affected all levels of business and society for the past two years. The Directors believe that the Company has effective measures in place for the risks to the business and continue to monitor developments and follow governmental guidelines.

Ukraine Conflict

The Company's portfolio has no exposure to either Ukraine or Russia. Whilst the Board and Investment Advisor continue to monitor the situation, it remains too early to assess the implications on the wider supply chain.

Approval

This Strategic Report was approved by the Board on 24 June 2022 and signed on its behalf by:

Kevin Lyon
Chairman

BILSTHORPE

5.0 MW installed

Energised in June 2017

1.2 ROC Subsidy

Nottinghamshire

Governance

Introduction from the Chairman

Kevin Lyon
Chairman

I am pleased to present the Company's Corporate Governance Report, which comprise pages 65 to 72, for the year ended 31 March 2022.

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.

Corporate Governance Regime

This Corporate Governance Report explains how we apply the principles and provisions of the AIC Code. 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. The Board also considers other updated guidance and best practice.

Board Composition and Evaluation

We continued to keep the Board's composition under review and appointed Josephine Bush during the year to add to the ESG and renewables experience of the Board.

The AIC Code requires us to undertake externally facilitated Board evaluations at least every three years, and the most recent review was undertaken by Linstock Limited in 2021. Further information on this year's evaluation process and its findings can be found under 'Annual Performance Evaluations' on pages 70 and 71.

Audit Committee

Patrick Firth is the appointed chair of the Audit Committee. Further information on the Audit Committee can be found on pages 76 to 78.

Remuneration and Nominations Committee

Vic Holmes is the appointed chair of the Remuneration and Nominations Committee. Further information on the Remuneration and Nominations Committee can be found on pages 73 to 75.

Management Engagement Committee

Joanne Peacegood ("Jo") is the appointed chair of the Management Engagement Committee. Further information on the Management Engagement Committee can be found on page 62.

ESG Committee

The ESG Committee was formed shortly after year end, with Josephine Bush appointed chair. Further information on the ESG committee can be found on page 62.

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 53 and 54. The most recent shareholder perception study was undertaken by Rothschild & Co in April 2021. 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
24 June 2022

Governance

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.

BOARD

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

Independent Chair: 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 chair 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)
Josephine Bush (since 1 January 2022)

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 ensure effective engagement with shareholders and other key stakeholders

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

To identify, monitor and report on Environmental, Social and Governance (ESG) risks and opportunities throughout NESF's value chain

A — AUDIT COMMITTEE

MEMBERSHIP: All Directors

CHAIR: 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

CHAIR: Jo Peacegood (since 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

CHAIR: 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

E — ESG COMMITTEE

MEMBERSHIP: All Directors

CHAIR: Josephine Bush (since 2022)

SCHEDULED MEETINGS: 2 p.a.

PRINCIPAL RESPONSIBILITIES:

To provide strategic advice to the Board on ESG matters

Support and challenge NEC with respect to ESG matters including investment, divestment and asset management activities

Governance

Board of Directors

Kevin Lyon
Non-executive Director

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.

Won 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.

Chairman of KultraLab Ltd, a technology led behavioural science consultancy.

Chairman of AMG Vango, an owner & distributor of outdoor brands.

Non-executive Director of retailer SpaceNK.

Josephine Bush
Non-executive Director

Resident: UK

Appointed: 1 January 2022

Independent: Yes

Relevant Skills and Experience:

Over 14 years of experience in the renewable energy sector.

Was a senior partner at Ernst & Young LLP for 14 years specialising in the renewable energy sector and amongst other things was responsible for developing the Ernst & Young LLP global renewables business plan. She was a member of the Ernst & Young LLP Power and Utilities Board and UK&I Governance Board.

Qualified solicitor and chartered tax adviser and CFA ESG investing qualification. Passed the Cambridge Institute of Sustainable Leadership Sustainable Finance course.

Josephine founded a not for profit, Sustainability & You, to raise awareness of climate change challenges and opportunities.

Principal External Appointments:

Chair of the Audit, Risk and ESG committee, of Vulcan Energy Resources Ltd (ASX listed).

Non-executive director of Net Zero Now Ltd and Foresight Sustainable Forestry Company PLC.

Member of the investment committee of Gresham House's British Sustainable Infrastructure Fund.

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 Riverstone Energy Limited and India Capital Growth Fund Limited.

Board of Directors continued

Vic Holmes
Non-executive 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.

Senior roles in the international fund administration services business of the Baring Asset Management group of companies from 1990 to 2005 (based in Dublin) including Head of Fund Administration Services with responsibility for services out of London, Dublin, Guernsey, Isle of Man and Jersey.

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.

Principal External Appointments:

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

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

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.

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

Qualifications include Chartered Accountant (FCA), Institute of Directors Diploma and BA honours degree in Accounting.

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

Expertise in Valuations, Risk, Controls, Corporate Governance and Regulations. Innovation & Technology Director overseeing technology solutions to enable businesses to operate more efficiently.

Principal External Appointments:

Non-executive Director roles include Private Equity, Debt, Hedge, Real Estate, Utilities, Asset Manager and Chair of Castelnau Group Limited.

Chair of the Guernsey Investment & Fund Association and Council member of the Guernsey International Business Association.

Member of the AIC Channel Islands Committee.

Corporate Governance Statement

Statement of Compliance

The Board considers that the principles and provisions set out in the AIC Code 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 (June 2021).

The Company has complied with the principles and has complied with the provisions of the AIC Code during the year ended 31 March 2022.

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 24);
- the key considerations relating to new investment opportunities (see "Portfolio Highlights" in the Investment Adviser's Report on page 22);
- 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 55 to 57); and
- the sustainability of the Company's business model (see 'the Going Concern and Viability section' on pages 58 and 59).

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, 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' above;
- 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 34;

Corporate Governance Statement continued

- 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 55 to 57;
- 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 53 and 54;
- 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 53 and 54;
- 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 page 45; and
- a summary of the Board's principal activities during the year under review is included on page 68.

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 five Directors, all of whom are non-executive and independent, and is chaired by Kevin Lyon. The biographies of the Directors are on pages 63 and 64.

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 effective controls that enable risk to be managed and continually assessed;
- 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 that 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;
- 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.

Corporate Governance Statement continued

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 behaviours and attributes that make up the Board's culture (details of which can be found under 'Board Culture' on page 65);
- 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 2022 appraisal of the Chairman can be found under 'Annual Performance Evaluations' on pages 70 and 71.

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 70 and 71 for information on the 2022 annual evaluation).

Board Committees

The Board has four 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 76 to 78.
- **Management Engagement Committee:** The Management Engagement Committee is chaired by Joanne Peacegood.
- **ESG Committee:** The ESG Committee is chaired by Josephine Bush.
- **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 73 to 75.

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 on 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 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, SPVs and NextPower III 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.

The Investment Manager's appointment is terminable by the Investment Manager or the Company on not less than 12 months'

Corporate Governance Statement continued

notice. The Investment Advisor's appointment is terminable by the Investment Advisor or the Company on not less than 12 months' notice.

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:

- 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 9 and 10 and in the portfolio highlights on pages 22 to 23);
- assessment of key service providers including transferring the administration of the Company to Ocorian Administration (Guernsey) Limited during the year;
- approving the Annual and Interim Reports;
- the Board and Committee Composition and Evaluation (see 'Board Composition and Evaluation' on page 70); 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 76 and 77. The Management Engagement Committee completed the annual evaluation of the Company's key service providers, including the Investment Manager, Investment Adviser and Administrator in Q2 2022. Matters considered by the Remuneration and Nominations Committee during the year under review included:

- **Board Composition:** 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 Board Evaluations' on page 70.
- **Succession planning:** Details of the intended succession plan can be found under 'Succession Planning' on page 70.

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.

Corporate Governance Statement continued

In addition to the scheduled Board meetings, there were 15 ad hoc Board meetings, one ad hoc meeting of the Audit Committee and two ad hoc meetings 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, therefore, for all the Directors to attend the ad hoc meetings. However, Directors who are unable to attend an ad hoc meeting communicate their views on any matters to be discussed to their fellow Directors ahead of the meeting.

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
Josephine Bush*	1/1	1/1	1/1	0/0

*Josephine Bush has attended all meetings since her appointment on 1 January 2022.

Board Composition, Independence and Succession

The Board currently comprises five 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 63 and 64.

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. Jo Peacegood has held her position since 20 February 2020 and Josephine Bush has held her position since 1 January 2022. The Chairman (or any other of the Directors) does not have, and has 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 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 solar PV assets as far as practical in light of Covid-19.

Details of changes to the Board during the year under review can be found under 'Board Composition and Evaluation' on page 61.

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 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 above. Neither the Chairman nor any of the other Directors took on any other new appointments that would impact their ability to meet their board responsibilities to the Company 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

Corporate Governance Statement continued

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 question of tenure for Directors, including the Chairman, and are mindful that three of our five Directors will reach their ninth anniversary simultaneously in January 2023. We have considered succession planning and also 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 for a limited time to facilitate effective succession planning, as outlined in the section below.

None of the Directors have been on the Board for nine years or more. The date of appointment of each Director can be found in their biographies on pages 63 and 64.

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, the Remuneration and Nominations Committee has reviewed and recommended to the board a succession plan to replace each of Patrick Firth and Kevin Lyon during 2023 and Vic Holmes during 2024.

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 four Directors, and elect one Director.

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

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

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

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 and 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. 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 consider 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 agree that the continuing appointment of the Investment Manager on the terms set out in the

Corporate Governance Statement continued

Management Agreement 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 98 and 112 to 113.

Other Key Service Providers and Advisers

The Board continually monitors the service levels of the Administrator and the Company's other key party service providers and advisers throughout the year. The formal review took place in Q2 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 73 to 75 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 55 to 57. The Company's financial instrument risks are discussed in note 22 to the Financial Statements on pages 108 to 110.

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 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 76 of the Audit Committee Report), taking into account the information under 'Risks and Risk Management' on pages 55 to 57.

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 regarding 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, SPVs and NextPower III to ensure the Board has oversight of business controls for the entire NESF Group.

Corporate Governance Statement continued

The Administrator, which provides administrative, accounting, compliance and company secretarial services to the Company, has its own internal control systems relating to these matters. 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.

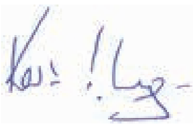
Each year a detailed review of the quality of services and performance of the Investment Manager, Investment Adviser and Administrator and other key service providers and advisers pursuant to their terms of engagement is undertaken by the Management Engagement Committee.

Internal Audit Function

For the reasons stated under 'Internal audit requirements' in the Audit Committee Report on page 77, the Board does not currently consider that an internal audit function is required.

Approval

This Corporate Governance Statement was approved by the Board on 24 June 2022 and signed on its behalf by:



Kevin Lyon
Chairman
24 June 2022

Directors' Remuneration Report

Remuneration and Nominations Committee Report

Vic Holmes
Remuneration and Nominations Committee Chairman

I am pleased to present the Directors' Remuneration Report for the year ended 31 March 2022.

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 2021, was implemented during the year ended 31 March 2022.

Remuneration and Nominations Committee

Chaired by Vic Holmes, the Remuneration and Nominations Committee comprise 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 (www.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 Directors' Remuneration Report in the next Annual Report); and

Directors' Remuneration Report continued

- 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 five 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 2022, together with the comparative figures for 2021.

No additional fees were paid to the Directors during the year ended 31 March 2022 (2021: none).

The total amount of Directors expenses reimbursed during the year ended 31 March 2022 was £1,429 (2021: £839).

Director	Role	2022	2021
Kevin Lyon	Chairman	£70,000	£70,000
Patrick Firth	Audit Committee Chairman	£50,000	£50,000
Vic Holmes	Senior Independent Director/ Remuneration and Nominations Committee Chairman	£46,000	£46,000
Joanne Peacegood	Management Engagement Committee Chairman	£45,000	£42,000
Josephine Bush[1]	ESG Committee Chairman	£10,500[3]	–
Sue Inglis[2]	Management Engagement Committee Chairman	–	£45,000

1 Appointed with effect from 1 January 2022

2 Resigned with effect from 31 March 2021.

3 The annual fee payable to Josephine Bush was increased to £45,000 on 1 May 2022 to reflect her appointment as Chair of the newly formed ESG Committee.

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	2022	2021
Kevin Lyon	210,000	160,000
Patrick Firth	91,207	89,641
Vic Holmes	158,400	110,000
Joanne Peacegood	50,000	10,000
Josephine Bush	10,000	N/A
Sue Inglis	N/A	50,000

The interests of the Directors (and their connected persons) in the ordinary shares of the Company at 31 March 2022, together with the comparative figures for 2021, are shown in the table above.

Directors' Remuneration Report continued

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.

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 2022, together with the comparative figures for 2021.

	2022 £'000	2021 £'000	Change £'000
Directors' total remuneration	222	253	(31)
Total dividends paid or payable[3]	41,940	41,011	929

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.

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 9 August 2021, of the 366,216,711 votes cast by proxy and at the meeting (including votes cast at the Chairman's discretion), 99.95% were in favour of the resolution to approve the Directors' remuneration report, as set out in the Annual Report for the year ended 31 March 2021, and 0.03% were against. 85,399 votes were withheld.

Approval

This Directors' Remuneration Report was approved by the Board on 24 June 2022 and signed on its behalf by:

Vic Holmes
Remuneration and Nominations Committee Chairman
24 June 2022

Audit Committee Report

Patrick Firth
Audit Committee Chairman

I am pleased to present the Audit Committee's Report for the year ended 31 March 2022.

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 membership of the Audit Committee comprise all of the Directors including Josephine Bush who was appointed during the year. 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.

Four of the 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 63 and 64.

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 planning meeting for the annual audit and interim review. The auditor may request that a meeting of the Committee be convened if it deems it necessary.

The Audit Committee met four times (three scheduled and one ad hoc) during the year ended 31 March 2022 (details of the Committee members' attendance at the meetings can be found under 'Meeting Attendance' on pages 68 and 69).

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 (www.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 55 to 57). 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 page 71. The Committee also reviewed the most recent ISAE 3402 reports from each administrator and sought additional assurances where required including confirmation from the previous and new Administrator that there had been no material changes from the date of the report to the date on which the Annual Report was signed.
- **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 reviewed the 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.
- **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 attending 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 area 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 4(a) to the Financial Statements on page 97, 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, power price volatility is managed through NESF's electricity sales hedging strategy. The Company's flexible hedging approach is designed to protect against adverse short-term price movements whilst also enabling the Company to opportunistically capture favourable market conditions by securing high fixed prices for specified future time periods. 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 the 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 30.

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. The Board also requests additional information to support the valuation assumptions where required.

Annual Report for Year Ended 31 March 2022

The production of the Annual Report, including the audit of the Company's financial statements, for the year ended 31 March 2022 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

Audit Committee Report continued

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.

Audit Related Services in line with FRC Ethical Standard

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 ended 31 March 2022, the only non-audit work carried out by the independent auditor to the company ("KPMG") was in relation to its review of the Interim Report for which it was paid fees of £45,000 (equivalent to 7.2% of the audit fee for the year ended 31 March 2022).

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 2022, 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 of assumptions where necessary. 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 2022 were as follows:

	2022 £'000
NESF	84
Subsidiaries	497
Total audit fees	**581**
Interim review	45
Total fees	**626**

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 three 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 24 June 2022 and signed on its behalf by:

Patrick Firth
Audit Committee Chairman
24 June 2022

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 2022. This Directors' Report and the Strategic Report on pages 79 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 63 and 64
Directors' interests in shares	Page 74
Appointment and removal of directors	Pages 69 and 70
Financial Instruments	Pages 95 and 96
Principal and emerging risks	Pages 55 to 57
Going concern and viability	Pages 58 and 59
Annual Review of systems of risk management and internal control	Pages 71 and 72
Disclosure of Information to Auditor	Page 81
Annual Evaluation of the Investment Manager and Investment Adviser	Pages 70 and 71
Section 172 Statement	Page 65

Financial Results and Dividends

The financial results for the year can be found in the Statement of Comprehensive Income on page 89.

Details of the four interim dividends that have been declared in respect of the year ended 31 March 2022 are set out in note 15(b) to the Financial Statements on page 101 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 2023' 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 2023' on page 15.

Share Capital

During the year, the Company issued 2,089 566 ordinary shares as scrip shares. As at 31 March 2022 and the date of this Directors' Report, there were 589,077,244 ordinary shares in issue.

The Company issued no preference shares within the year ended 31 March 2022. As at 31 March 2022 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 23(a) to the Financial Statements on page 111.

Substantial Shareholdings

As at 31 March 2022, the Company had been notified under the FCA's Disclosure Guidance and Transparency Rules of the following substantial holdings in its ordinary shares:

Investor	Ordinary Shares No.	Ordinary Shares %
Artemis Investment Management LLP on behalf of discretionary funds under management	79,568,646	13.52
M&G Investments	56,283,295	9.56
Gravis Capital Mgt	40,429,010	6.87
Legal & General Investment Mgt	37,040,554	6.29
Baillie Gifford & Co	33,482,097	5.69
Investec Wealth & Investment (RS)	30,085,492	5.11

Between 31 March 2022 and the date of this Directors' Report, the Company was notified that Baillie Gifford & Co has an interest in 1,202,381 ordinary shares (0.2% 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 9 August 2021, 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, 117,624,954 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, 88,159,902 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.

Directors' Report continued

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 to 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 £100,000 (2021: £80,000) to the Foundation. No other charitable donations were made during the year.

Events after the Balance Sheet Date

Details of events occurring since 31 March 2022 can be found in note 28 to the Financial Statements on page 113.

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 August 2021.

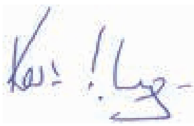
KPMG has indicated its willingness to continue as auditor for the year ending 31 March 2023 and resolutions to re-appoint KPMG and to authorise the Directors to determine KPMG's remuneration, will be proposed at this year's AGM.

2022 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 (www.nextenergysolarfund.com).

Approval

This Directors' Report was approved by the Board on 24 June 2022 and signed on its behalf by:



Kevin Lyon
Chairman
24 June 2022

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 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.

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 (www.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 IFRS 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 60, the Directors' Report on pages 79 to 81 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
24 June 2022

KPMG

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 2022, 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 2022, 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 Standard as required by the Crown Dependencies Audit Rules and Guidance. 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	£13.3m Approximately 2% of net asset value	
Key audit matters		**vs 2021**
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 2021):

	The risk	Our response
Valuation of investments at fair value through profit and loss £842.3 million; (2021: £769.6 million) Refer to pages 76 to 78 (Audit Committee Report), pages 93 to 96 (accounting policies) and pages 105 to 107 (financial instrument disclosures).	***Basis*** The Company's investments in its direct subsidiaries are carried at fair value through profit or loss and represent 123% 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 these investments has been determined as the sum 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. The Company's sole investment in a private equity solar fund ("Private Investment") represents 3% of the Company's net assets. The fair value of the Private Investment is based on the Company's proportionate share of the reported net asset value ("NAV") of the Private Investment. ***Risk*** In relation to the underlying investment portfolio, 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. 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. In relation to the Private Investment, the valuation risk arises as a result of judgements made by management in estimating the fair value of the Company's investment in that Private Investment.	***Our audit procedures included the following:*** ***Control evaluation:*** We assessed the design and implementation of the Investment Manager's review control over the valuation of the underlying investment portfolio and the Private Investment. ***Valuation model integrity and model inputs:*** – we tested the valuation model for mathematical accuracy including but not limited to material formula errors; – we verified key inputs into the valuation model, such as power price forecasts, energy yield, contracted revenue and operating costs to supporting documentation; – we agreed a value driven sample of balances within the residual net asset amounts at subsidiary level to supporting documentation such as independent bank confirmations, post year end receipts and other source documentation; – we obtained and vouched all significant acquisitions during the year to supporting documentation; and – in order to assess the reliability of management's forecasts we completed a retrospective assessment by recalculating current year's revenue and comparing the result to the historical forecasted amounts. ***Benchmarking valuation model assumptions:*** With support from our KPMG valuation specialist we challenged the appropriateness of the Company's valuation methodology and assumptions including the discount rate, power price forecasts and other macro-economic assumptions applied, 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.

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 £842.3 million; (2021: £769.6 million) Refer to pages 76 to 78 (Audit Committee Report), pages 93 to 96 (accounting policies) and pages 105 to 107 (financial instrument disclosures).	***Our audit procedures included the following (continued):*** ***Assessing fair value - Private Investment:*** - we obtained a confirmation of the fair value as at the year end from the manager of that Private Investment; - we agreed the fair value to the unaudited capital account received from the manager of that Private Investment; and - we obtained the audited financial statements of the Private Investment as at 31 December 2021 to assess the basis of preparation together with accounting polices applied and whether the audit opinion is unmodified. ***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 (see note 19). 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 and the Private Investment.

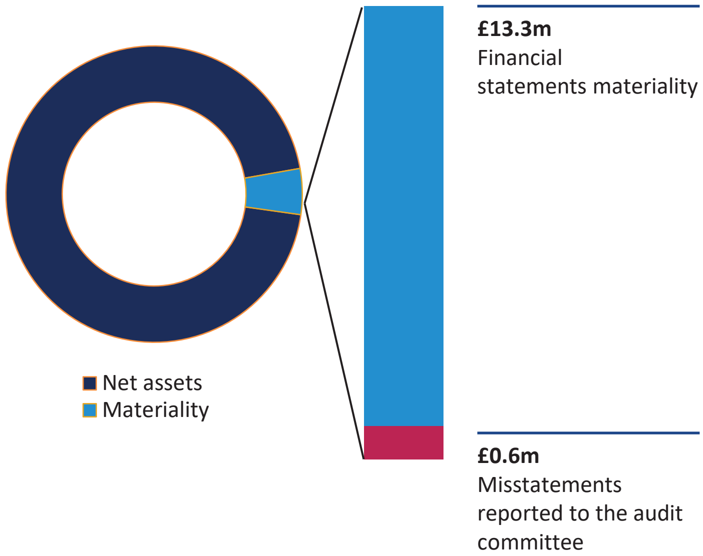
Our application of materiality and an overview of the scope of our audit

Materiality for the financial statements as a whole was set at £13.3m, determined with reference to a benchmark of net assets of £668.5m, of which it represents approximately 2% (2021: 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% (2021: 75%) of materiality for the financial statements as a whole, which equates to £10m. 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 £0.6m, 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(b) 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 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.

Identifying and responding to risks of material misstatement due to non-compliance with laws and regulations (continued):

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 (pages 58 and 59) 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;
- the directors' explanation in the viability statement (pages 58 and 59) 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 58 and 59 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.

Corporate governance disclosures (continued):

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 81, 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

24 June 2022

EMBERTON

9MW installed

Energised in March 2016

1.4 ROC subsidy

2,200 homes powered

Buckinghamshire

Statement of Comprehensive Income

For the year ended 31 March 2022

	Notes	2022 £'000	2021 £'000
Income			
Income comprises:			
Interest income		12,799	12,000
Investment income		42,009	38,868
Administrative services income		10,226	9,128
Net changes in fair value of investments	17	78,665	(3,421)
Total net income		143,699	56,575
Expenditure			
Preference share dividends		9,454	9,526
Management fees	5	5,041	5,157
Legal and professional fees		744	716
Directors' fees	7	222	253
Administration fees	6	227	237
Other expenses	9	122	142
Audit Fees	8	138	110
Charitable donation	10	100	80
Regulatory fees		79	75
Insurance		22	55
Total expenses		16,149	16,351
Profit and comprehensive income for the year		127,550	40,224
Earnings per ordinary share – basic	14	21.69p	6.87p
Earnings per ordinary share – diluted	14	17.34p	6.32p

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.

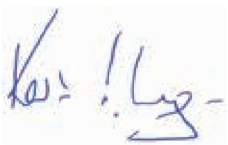
Statement of Financial Position

as at 31 March 2022

	Notes	2022 £'000	2021 £'000
Non-current assets			
Investments	17	842,346	769,644
Total non-current assets		842,346	769,644
Current assets			
Cash and cash equivalents		19,608	10,809
Trade and other receivables	11	16,389	22,211
Total current assets		35,997	33,020
Total assets		878,343	802,664
Current liabilities			
Trade and other payables	12	(11,785)	(23,953)
Total current liabilities		(11,785)	(23,953)
Non-current liabilities			
Preference shares	23	(198,058)	(197,920)
Total non-current liabilities		(198,058)	(197,920)
Net assets		668,500	580,791
Equity			
Share capital and premium	13	608,037	605,938
Retained earnings		60,463	(25,147)
Equity attributable to ordinary shareholders		668,500	580,791
Total equity		668,500	580,791
Net assets per ordinary share	16	113.5p	98.9p

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 24 June 2022 and signed on its behalf by:



Kevin Lyon
Chairman

Patrick Firth
Director

Statement of Changes in Equity

For the year ended 31 March 2022

	Share capital and premium £'000	Retained earnings £'000	Total equity £'000
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
Ordinary shareholders' equity at 1 April 2021	605,938	(25,147)	580,791
Profit and comprehensive income for the year	—	127,550	127,550
Scrip shares issued in lieu of dividends	2,099	—	2,099
Ordinary dividends declared	—	(41,940)	(41,940)
Ordinary shareholders' equity at 31 March 2022	608,037	60,463	668,500

Statement of Changes in Cash Flows

as at 31 March 2022

	Notes	2022 £'000	2021 £'000
Cash flows from operating activities			
Profit and comprehensive income for the year		127,550	40,224
Adjustments for:			
Interest income receivable		(12,799)	(12,000)
Interest income received		12,799	12,000
Investment income receivable		(42,009)	(38,868)
Investment income received		34,019	41,164
Change in fair value of investments	17	(78,665)	3,421
Proceeds from HoldCos	17	82,443	9,546
Payments to HoldCos	17	(58,370)	(29,051)
Financing proceeds from HoldCos		42,100	35,200
Financing proceeds returned to HoldCos		(42,100)	(35,200)
Proceeds from NextPower III	17	10,502	–
Payments to NextPower III		(27,716)	–
Net changes in unrealised foreign exchange		(32)	–
Financial debt amortisation		139	139
Dividends paid on preference shares as finance costs		9,454	9,526
Operating cash flows before movements in working capital		57,315	36,101
Changes in working capital			
Movement in trade and other receivables		694	(514)
Movement in trade and other payables		131	(2,344)
Net cash generated from operating activities		58,140	33,242
Cash flows from financing activities			
Dividends paid from preference shares		(9,500)	(9,499)
Dividends paid on ordinary shares		(39,841)	(38,062)
Net cash used in financing activities		(49,341)	(47,561)
Net movement in cash and cash equivalents during year		8,799	(14,319)
Cash and cash equivalents at the beginning of the year		10,809	25,128
Cash and cash equivalents at the end of the year		19,608	10,809

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

Notes to the Financial Statements

For the year ended 31 March 2022

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 Floor 2 Trafalgar Court, Les Banques, St Peter Port, Guernsey, Channel Islands GY1 4LY.

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 either directly or 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 NextEnergy 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 give a true and fair view, have been prepared on a going concern basis in accordance with IFRS.

The Financial Statements have been prepared using the historical cost convention with the exception of financial assets held at fair value through profit and loss. The principal accounting policies adopted are set out below. These policies have been consistently applied.

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, Italy and Spain and that are predominantly fully constructed, operational and generating renewable electricity and entered into the battery storage asset market this year. 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:

- current net asset position;
- maturity of debt facilities;
- future investment transactions;
- expenditure and capital commitment; and
- forecast income and cash flows.

The NESF Group's cash balance as at 31 March 2022 was £19.6m, all of which was readily available. It also had immediately available but undrawn amounts under its debt facilities of a further £48.8m. The NESF Group had capital commitments totalling £59m 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

For the year ended 31 March 2022

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 six 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 and NextEnergy Solar Holdings VI 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.

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 NextPower III, 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 and holding in a private equity fund. 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.

Notes to the Financial Statements continued

For the year ended 31 March 2022

h) Income

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

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 and takes into account the International Private Equity and Venture Capital's valuation guidelines. The Company's Private Equity Solar fund investment (NextPower III) has been valued using the estimated attributable NAV and the remainder of investments 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. 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.

Notes to the Financial Statements continued

For the year ended 31 March 2022

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.

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 2021 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 2022 and do not expect that their adoption will result in a material impact on the financial statements of the Company in future periods.

Notes to the Financial Statements continued

For the year ended 31 March 2022

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 protected future cash flows. These valuations are reviewed and approved by the Board. The investments are held through SPVs and NextPower III is held directly.

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

The Company classified its investments at fair value through profit or loss as level 3 within the fair value hierarchy. Level 3 investments amount to £842.4m (2021: £769.6m) and consist of one Private Equity Solar fund investment (NextPower III) which has been valued using estimated attributable NAV and 99 (2021: 94) investments in solar PV assets (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. The conflict in Ukraine has had an unprecedented and sustained positive impact on the long-term power price projections, which is also a significant Level 3 input. 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.

Information about the unobservable inputs used at 31 March 2022 in measuring financial instruments categorised as Level 3 in the fair value hierarchy and their sensitivities are disclosed in note 19. 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 2(d).

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 has one associate investment, Agenor, which is measured at cost since it is not yet operational per note 19(a).

The Company and the HoldCos operate as an integrated structure whereby the Company invests in the HoldCos and a singular direct investment. 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.

Notes to the Financial Statements continued

For the year ended 31 March 2022

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.

The NAV for the purpose of calculation is reduced by an amount equivalent to US$50m for NESF's investment in NextPower III. For the year ended 31 March 2022 the Company incurred £5.0m in management fees, of which £62k was outstanding at 31 March 2022. (2021: £5.2m in management fees of which nil was outstanding at 31 March 2021).

The Investment Management Agreement is terminable by not less than 12 month's written notice.

6. Administration Fees

Under an amended Administration Agreement with the previous administrator the administration fee was a fixed fee of £220k per annum with effect from 1 October 2020. With effect from 1 January 2022, the fixed fee was to increase annually in line with the annual increase in Guernsey RPI. For the period up to 30 March 2022, the previous administrator was also entitled to additional fees for attendance at ad hoc Board and Board Committee meetings.

With effect from 30 March 2022 Ocorian Administration (Guernsey) Limited was appointed Administrator to the Company. The administration fee changed to a fixed fee of £275k per annum with effect from 30 March 2022. With effect from 1 January 2023, the fixed fee will increase annually in line with the annual increase in Guernsey RPI.

For the year ended 31 March 2022 the previous administrator was entitled to administration fees of £227k (2021: £237k), of which £115k was outstanding at 31 March 2022 (2021: £57k).

The fee payable to the previous administrator was payable quarterly in arrears. The fee payable to the new Administrator is payable quarterly in advance.

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 £222k (2021: £253k), of which £11k was outstanding at 31 March 2022 (2021: £nil).

8. Audit Fees

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

	31 March 2022 £'000	31 March 2021 £'000
Fees payable to the auditor for the audit of the Company	84	80
Additional audit fee and disbursements for prior year	54	30
Total	138	110

9. Other Expenses

	31 March 2022 £'000	31 March 2021 £'000
Amortisation expense	139	139
Sundry expenses	(18)	2
Director's expenses	1	1
Total	122	142

Notes to the Financial Statements continued

For the year ended 31 March 2022

10. Charitable Donation

During the year ended 31 March 2022, the Company made a charitable donation of £100k to the Foundation (2021: £80k). Information on the Foundation and how it used the donation can be found on our website (www.nextenergysolarfund.com).

11. Trade and Other Receivables

	31 March 2022 £'000	31 March 2021 £'000
Administrative service fee income receivable	—	759
Accrued Income	20	—
Prepayments	74	29
Due from HoldCos	16,295	21,423
Total trade and other receivables	16,389	22,211

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

12. Trade and Other Payables

	31 March 2022 £'000	31 March 2021 £'000
Other payables	273	142
Due to NextPower III	896	—
Preference dividends payable	2,342	2,388
Due to HoldCos	8,274	21,423
Total trade and other payables	11,785	23,953

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

During the year, an amount of £13.1m representing a non-cash dividend was set-off against amounts due to Holdco as these transactions are with the same Holdco.

Notes to the Financial Statements continued

For the year ended 31 March 2022

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	**31 March 2022 Shares**	**31 March 2021 Shares**
Opening balance	586,987,678	584,205,931
Scrip shares issued during the year	2,089,566	2,781,747
Total issued at 31 March 2022	589,077,244	586,987,678

Issued ordinary shares – share capital and premium	**31 March 2022 £'000**	**31 March 2021 £'000**
Opening balance	605,938	602,989
Value of scrip shares issued during the year	2,099	2,949
Total issued at 31 March 2022	608,037	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 23(a).

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.

14. Earnings per Ordinary Share

a) Basic

	31 March 2022	**31 March 2021**
Profit and comprehensive income for the year (£'000)	127,550	40,224
Basic weighted average number of issued ordinary shares	588,014,946	585,423,190
Earnings per share basic	21.69p	6.87p

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.

Notes to the Financial Statements continued

For the year ended 31 March 2022

	31 March 2022	31 March 2021
Profit and comprehensive income for the year (£'000)	127,550	40,224
Plus: preference share dividends paid during the year (£'000)	9,454	9,526
Profit for the year attributable to ordinary shareholders (£'000)	137,004	49,750
Weighted average number of issued ordinary shares	588,014,946	585,423,190
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	202,224,469	202,020,202
Adjusted weighted average number of ordinary shares	790,239,415	787,443,392
Earnings per share diluted	17.34p	6.32p

15. Ordinary Share Dividends

a) Paid During the year

	31 March 2022 £'000	31 March 2022 Pence per share	31 March 2021 £'000	31 March 2021 Pence per share
Quarter 1	10,346	1.7625	10,034	1.7175
Quarter 2	10,527	1.7900	10,310	1.7625
Quarter 3	10,529	1.7900	10,324	1.7625
Quarter 4	10,538	1.7900	10,343	1.7625
Total	41,940	7.1325	41,011	7.005

b) Declared in Respect of the year

	31 March 2022 £'000	31 March 2022 Pence per share	31 March 2021 £'000	31 March 2021 Pence per share
Quarter 1	10,527	1.7900	10,310	1.7625
Quarter 2	10,529	1.7900	10,324	1.7625
Quarter 3	10,538	1.7900	10,343	1.7625
Quarter 4	10,544	1.7900	10,346	1.7625
Total	42,138	7.1600	41,323	7.0500

16. Net Assets per Ordinary Share

	31 March 2022	31 March 2021
Ordinary shareholders' equity (£'000)	668,500	580,791
Number of issued ordinary shares	589,077,244	586,987,678
Net assets per ordinary share	113.5p	98.9p

Notes to the Financial Statements continued

For the year ended 31 March 2022

17. Investments at Fair Value Through Profit or Loss

The Company owns its portfolio of solar assets through its investments in the HoldCos and a direct investment in NextPower III. The Company's investments comprise of its portfolio of solar assets and the residual net assets of the HoldCos. As explained in note 4(a), 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 2022 (2021: none).

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

	31 March 2022 £'000	31 March 2021 £'000
Brought forward cost of investments	815,494	795,989
Investment proceeds from HoldCos	(82,443)	(9,546)
Investment payments to HoldCos	58,370	29,051
Investment proceeds from NextPower III	(10,502)	–
Investment payments to NextPower III	28,612	–
Carried forward cost of investments	809,531	815,494
Brought forward unrealised losses on valuation	(45,850)	(42,429)
Movement in unrealised gains/(losses) on valuation	78,665	(3,421)
Carried forward unrealised gains/(losses) on valuation	32,815	(45,850)
Total investments at fair value	842,346	769,644

Non-cash transactions: On 23 February 2022, NESH V issued Eurobonds listed on The International Stock Exchange totalling £6.6m.

To facilitate the acquisition of various investments, £42.1m was drawn down at subsidiary level, remitted to the Company before being returned to a subsidiary.

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.

Notes to the Financial Statements continued

For the year ended 31 March 2022

18. Subsidiaries and Associates

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. The Company holds its investment of NextPower III directly. The HoldCos are all incorporated in the UK and 100% directly owned. There are no cross guarantees amongst NESF Group entities. During the year a subsidiary of the Company invested in Camilla Battery Storage Limited with another company, management have assessed the substance of this investment and have concluded that it meets the control requirements of IFRS 10 Consolidated Financial Statements and is therefore treated as a subsidiary not a joint venture as per IFRS 11 Investments in Associates and Joint Ventures. Below is the legal entity name for the SPVs, all owned 100% at 31 March 2022 directly or indirectly through the HoldCos listed below (besides Agenor which is owned 24.5% by Next Energy Solar Holdings V Limited).

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) Limited	UK
NESF-Ellough Ltd	UK	Push Energy (Langenhoe) Limited	UK
Nextpower Ellough LLP	UK	SSB 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 Limited	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	Camilla Battery Storage Limited	UK
Birch Solar Farm CIC	UK	Chilton Cantello Solar Park Ltd	UK
Blenches Mill Farm Solar Park Ltd	UK	Crossways Solar Park Ltd	UK
Brafield Solar Limited	UK	Empyreal Energy Limited	UK
Francis Lane Solar Limited	UK	Fiskerton Limited	UK
Gourton Hall Solar Limited	UK	NextZest Ltd	UK
Greenfields (T) Limited	UK	PF Solar Limited	UK
Helios Solar 1 Limited	UK	Pierces Solar Limited	UK
Helios Solar 2 Limited	UK	Raglington Farm Solar Park Ltd	UK

Notes to the Financial Statements continued

For the year ended 31 March 2022

Name	Country of incorporation	Name	Country of incorporation
Hook Valley Farm Solar 2 Park Ltd	UK	Renewable Energy HoldCo Ltd	UK
Knockworthy Solar Park Ltd	UK	RRAM Energy Limited	UK
Lark Energy Bilsthorpe Ltd	UK	Saundercroft Farm Solar Park Ltd	UK
Le Solar 51 Limited	UK	SL Solar Services Ltd	UK
Little Irchester Solar Limited	UK	Sywell Solar Limited	UK
Little Staughton Airfield Solar Limited	UK	Tau Solar Limited	UK
Micro Renewables Domestic Ltd	UK	Temple Normanton Solar Limited	UK
Micro Renewables Ltd	UK	TGC Solar Radbrook Ltd	UK
Moss Farm Solar Limited	UK	NextPower Grange Limited	UK
NESH 3 Portfolio A Limited	UK	Thornborough Solar Limited	UK
Nextpower Bosworth Ltd	UK	NextPower South Lowfield Limited	UK
Nextpower Eelpower Ltd	UK	Thurlestone-Leicester Solar Limited	UK
Nextpower Higher Farm Ltd	UK	UK Solar (Fiskerton) LLP	UK
Nextpower High Garrett Ltd	UK	Warmingham Solar Limited	UK
NextPower Hops Energy	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
Nextpower SPV 10 Ltd	UK	Wickfield Solar Ltd	UK
Nextpower SPV Water Projects Ltd	UK	Wyld Meadow Farm	UK
NextEnergy Solar Holdings IV Limited	UK		
Berwick Solar Park Limited	UK	Emberton Solar Park Limited	UK
Bottom Plain Solar Park Limited	UK	Great Wilbraham Solar Park Limited	UK
Branston Solar Park Limited	UK	Nextpower Radius Limited	UK
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	Agenor*	Spain
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

* Agenor is an associate of the Company, not a subsidiary.

Notes to the Financial Statements continued

For the year ended 31 March 2022

19. Fair Value of Investment in Unconsolidated Subsidiaries

a) Valuation process

The valuation process is described in note 4(a).

The Directors and the Investment Manager consider that the discounted cash flow methodology used in deriving the fair value of investments in operating solar assets 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. As at 31 March 2022, investments held at fair value using the discounted cash flow methodology totalled £803.2m (2021: £740.3m).

During the year the Company invested directly in a private equity fund NextPower III LP. The fair value of the Company's investment in private equity funds is generally considered to be the Company's attributable portion of the NAV of the private equity fund, as determined by the general partner/manager of such funds, adjusted if considered necessary by the Board of Directors, including any adjustment necessary for carried interest. The Board of Directors and the Investment Manager consider the IPEV guidelines when valuing private equity fund investments. As at 31 March 2022, investments held at fair value using NAV totalled £17.3m (31 March 2021: £nil).

Investments in assets that are not yet operational (this includes the co-investment into Project Agenor) 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 19(b). As at 31 March 2022, investments held at fair value using the cost methodology totalled £21.9m (2021: £29.3m).

b) Sensitivity Analyses of Changes in Significant Unobservable Inputs

(i) Sensitivity analysis of changes in significant unobservable inputs of underlying operating solar assets

The operating solar assets are valued using the discounted cash flow methodology. Information on this methodology is included in note 4(a). 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 2022	31 March 2021
Weighted average discount rate	6.3%	6.3%
Range of discount rates (unlevered to levered)	5.75% to 7.25%	5.75% to 7.25%
Premium applied to cash flows earned 30 years after grid connection date	1.0%	1.0%

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 2022			
Directors' valuation	(£20.1m)	£842.4m	£21.6m
Directors' valuation – percentage movement	(2.7%)		2.9%
Change in NAV per ordinary share	(3.4p)		3.7p
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

Notes to the Financial Statements continued

For the year ended 31 March 2022

Power Price

As at 31 March 2022, estimates implied an average rate of growth of UK electricity prices (2022-2041) of approximately -7.7% (2021: -0.2%) in 2022 real terms and an average rate of growth of Italian electricity prices (2022-2041) of approximately -4.7% (2021: -1.4%) in 2022 real terms. As at 31 March 2022, estimates implied a long-term inflation rate of 2.3% (2021: 3.0%).

The impact of the current higher power price environment, heightened by the conflict in Ukraine, on 2022 power prices has been unprecedented. The blended average of the 'central case' scenarios have been applied to the valuation which includes the impact of the current high power price environment.

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

Power price sensitivity	-10% change	Investments	+10% change
31 March 2022			
Directors' valuation	(£48.9m)	£842.4m	£46.5m
Directors' valuation – percentage movement	(6.6%)		6.3%
Change in NAV per ordinary share	(8.3p)		7.9p
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

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 plus or minus 5% on the valuation, with all other variables held constant.

Energy generation sensitivity	-5% underperformance	Investments	+5% outperformance
31 March 2022			
Directors' valuation	(£46.2m)	£842.4m	£43.9m
Directors' valuation – percentage movement	(6.3%)		6.0%
Change in NAV per ordinary share	(7.8p)		7.5p
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

Notes to the Financial Statements continued

For the year ended 31 March 2022

Inflation Rates

The portfolio valuation assumes long-term inflation of 2.3% (2021: 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 plus or minus 3.0% (2021:0.5%), with all other variables held constant.

Inflation rate sensitivity	-3.0% change	Investments	+3.0% change
31 March 2022			
Directors' valuation	(£132.9m)	£842.4m	£191.1m
Directors' valuation – percentage movement	(18.0%)		25.9%
Change in NAV per ordinary share	(22.6p)		32.4p
31 March 2021	**-0.5% change**	**Investments**	**+0.5% change**
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

Operating Costs

The table below shows the sensitivity of the portfolio to changes in operating costs by plus or minus 5% (2021:10%) at the SPVs level, with all other variables held constant.

Operating costs sensitivity	+5% change	Investments	-5% change
31 March 2022			
Directors' valuation	(£6.5m)	£842.4m	£6.5m
Directors' valuation – percentage movement	(0.9%)		0.9%
Change in NAV per ordinary share	(1.1p)		1.1p
31 March 2021	**+10% change**	**Investments**	**-10% change**
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

Tax Rates

The UK corporation tax rate used in the portfolio valuation is 19% until 2023 and 25% thereafter (2021: 19% until 2023 and 25% thereafter), in accordance with the latest UK Budget announcements.

(ii) Sensitivity analysis of changes in significant unobservable inputs of Private Equity Investments

The NAV of NextPower III, the direct private equity investment as at 31 March 2022 was £17.3m. The valuation of private equity investments is subject to changes in the valuations of the underlying portfolio companies. These can be exposed to a number of risks, including liquidity risk, price risk, credit risk, currency risk and interest rate risk.

A movement of 10% in the value of the private equity investment would move the Company NAV at the year end by 0.2%.

Notes to the Financial Statements continued

For the year ended 31 March 2022

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 2022 they are held at £198.1m (2021: £197.9m). The transaction costs are amortised over the expected life of the preference shares to 2036. The carrying value of the preference shares approximate their fair value as at 31 March 2022.

21. Capital Management

a) Capital Structure

The NESF Group, which comprises the Company and its unconsolidated subsidiaries (being the HoldCos and SPVs) and NextPower III, manages its capital to ensure that it will be able to continue as a going concern while 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 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 2022, the Company had £200m of preference shares in issue (2021: £200m) and no financial debt outstanding. The subsidiaries had £283.3m in long-term debt, look through debt and revolving credit facilities outstanding (2021: £246.3m) (see note 23(b), representing a gearing level of 42% (2021: 43%).

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 matrix 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 2022 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 19(b).

Notes to the Financial Statements continued

For the year ended 31 March 2022

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.

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 2022. Of the £278.5m (2021: £246.3m) credit facilities outstanding (excluding NextPower III look through debt of £4.8m), £115.8m (2021: £119.6m) had fixed interest rates and the remaining £162.7m (2021: £126.7m) 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 £66.5m (2021: £72.6m). The counterparties to these swaps are all Investment grade financial institutions. The remaining £96.2m (2021: £54.1m) 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 on 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.

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

	31 March 2022 £'000	31 March 2021 £'000
Cash and cash equivalents	19,608	10,809
Trade and other receivables	16,389	22,211
Debt investments	306,554	300,000
Total	342,551	333,020

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 at 31 March 2022, 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 (2021: none). The Investment Adviser has sufficient oversight of the subsidiary's receivables to assess the probability of default.

Notes to the Financial Statements continued

For the year ended 31 March 2022

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 2022		
Barclays Bank PLC	Long – A Short – A/A-1	19,608
31 March 2021		
Barclays Bank PLC	Long – A Short – A/A-1	5,809
Northern Trust	Long – AA- Short – A-1+	5,000

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 2022				
Assets				
Cash and cash equivalents	19,608	19,608	–	–
Trade and other receivables	16,389	16,389	–	–
Liabilities				
Contractual preference shares repayment and dividends payable1	(200,400)	(2,342)	(7,132)	(333,000)
Trade and other payables	(9,443)	(9,443)	–	–
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]	(200,308)	(2,388)	(7,132)	(335,376)
Trade and other payables	(21,565)	(21,565)	–	–

1 Assumes no conversion of preference shares in 2036.

Notes to the Financial Statements continued

For the year ended 31 March 2022

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 2022			
Preference shares	197,920	139	198,058
31 March 2021			
Preference shares	197,781	139	197,920

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 2022, the nominal outstanding amount was £145.1m (2021: £150.3m).

In June 2021, NESH III closed a RCF with National Westminster Bank plc and AIB Group (UK) p.l.c. for £75.0m which £75.0m was subsequently drawn down. As at 31 March 2022, the outstanding amount was £75.0m (2021: £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 2022, the nominal outstanding amount was £47.3m (2021: £48.7m).

In July 2018, NESH VI 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 2022, the outstanding amount was £21.1m (2021: £54.1m).

Notes to the Financial Statements continued

For the year ended 31 March 2022

24. Reconciliation of Financing Activities

	Opening £'000	Cash Flows £'000	Net Income Allocation £'000	Non-cash Flows £'000	Carry Amount £'000
31 March 2022					
Share capital and premium	605,938	–	–	2,098	608,036
Preference shares	197,920	–	–	(139)	197,781
Retained earnings	(25,147)	(39,841)	127,550	(2,099)	60,465
31 March 2021					
Share capital and premium	602,989	–	–	2,949	605,938
Preference shares	197,781	–	–	139	197,920
Retained earnings	(24,360)	(38,062)	40,224	(2,949)	(25,147)

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.

The Company, through its Holdco, has forward and development funding facilities in relation to the construction of subsidy-free development projects. As at 31 March 2022, the facilities amounted to £3m and £1.4m respectively (2021: £3m and £1.4m).

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 £2,500,000. As at 31 March 2022, a letter of credit of £2,374,426 was in issue (2021: none).

On 1 December 2017, the Company provided a guarantee to Intesa Sanpaolo S.p.A. ('ISP') relating to derivative transactions made available by NESH V. The guarantee covers all present and future obligations of NESH V to ISP relating to the derivative transactions. As at 31 March 2022 the Company has no outstanding commitments related to this guarantee (2021: none).

The Company has a remaining commitment to NextPower III of $25.9m as at 31 March 2022. The Company, through its subsidiary, has a remaining commitment of €1.0m in relation to the co-investment in Project Agenor as at 31 March 2022.

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 NESF 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 £6.6m (2021: £6.2m).

At 31 March 2022 £8.3m (2021: £21.4m) was owed from/to the subsidiaries in relation to their restructuring, £8.0m being cash trapped within the structure at year end (2021: £nil). £10.2m of administrative service fees were received from the subsidiaries during the year (2021: £9.1m), none of which was outstanding at 31 March 2022 (2021: £nil). During the year, dividends of £42.0m (2021: £38.9m) were received from the subsidiaries. Refer to note 11 and 12 for terms and conditions on amounts due from and to subsidiaries.

During the year the Company committed US$50m to NextPower III LP, as a limited Partner governed by a Limited Partnership Agreement, with US$24.1m drawn as at 31 March 2022. The Investment Manager, the Investment Adviser and the Asset Manager are all professionally engaged to provide services to this fund. Equalisation interest of £0.8m was received due to subsequent closes of NextPower III LP. The principal activity of NextPower III is to invest in solar photovoltaic plants globally (primarily in OECD countries). The Company has committed a fixed amount of capital which may be drawn (and returned) over the life of NextPower III. The Company pays capital calls when due and receives distributions from NextPower III over the life of the fund. The outstanding commitment to NextPower III is disclosed in note 25.

Notes to the Financial Statements continued

For the year ended 31 March 2022

The Directors' fees for the year ended 31 March 2022 amounted to £221,500 (2021: £253,000).

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 9 May 2022, the Company announced its second international co-investment for an investment of €22.5m, acquiring a c.13% interest in a 210MW solar project currently under construction in Santarém, Portugal.

On 11 May 2022, the Directors approved a dividend of 1.79 pence per ordinary share for the quarter ended 31 March 2022 to be paid on 30 June 2022 to ordinary shareholders on the register as at the close of business on 20 May 2022.

Additional Information

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 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 active management and excludes the effect of variation in solar irradiation.

	31 March 2022 %	31 March 2021 %
Delta of generation vs. budget (A)	1.8	6.2
Delta of solar irradiation vs. budget (B)	3.4	5.5
Asset Management Alpha (A – B)	(1.6)	0.7

Invested Capital

Invested capital measures the capital deployed into solar assets, through the HoldCos and SPVs, and private equity investments and battery storage assets to generate investment returns for shareholders.

	31 March 2022 £'000	31 March 2021 £'000
Invested capital	1,038,648	998,809

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 2022 £'000	31 March 2021 £'000
NESF Group's outstanding financial debt (A)	283,304	246,300
Preference shares as per Statement of Financial Position (B)	198,058	197,920
Net assets as per Statement of Financial Position (C)	668,500	580,791
Total Gearing (((A + B) / (A + B + C)), expressed as a percentage)	41.9%	43.3%

Financial Debt Gearing

Financial debt gearing measures the aggregate of the NESF Group's financial debt relative to GAV.

	31 March 2022 £'000	31 March 2021 £'000
NESF Group's outstanding financial debt (A)	283,304	246,300
Preference shares as per Statement of Financial Position (B)	198,058	197,920
Net assets as per Statement of Financial Position (C)	668,500	580,791
Financial Debt Gearing (((A) / (A + B + C)), expressed as a percentage)	24.6%	24.0%

Alternative Performance Measures continued

Cash Income

Cash income measures the cash generated from the Company's operations.

	31 March 2022 £'000	31 March 2021 £'000
Income as per Statement of Comprehensive Income (A)	65,034	59,996
Trade and other receivables – administrative service fee income accrual at beginning of year (B)	758	252
Trade and other receivables – administrative service fee income accrual at end of year (C)	–	758
Cash income (A + B – C)	65,792	59,490

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 2022 £'000	31 March 2021 £'000
Cash Income as per the able above (A)	65,792	59,490
Total expenses as per Statement of Comprehensive Income (B)	16,190	16,351
Pre-scrip ordinary dividends paid as per Statement of Changes in Equity (C)	41,940	41,011
Cash dividend cover (pre-scrip dividends) ((A – B) / C)	1.2x	1.1x

Dividend Yield

Dividend yield is a measure of the return to the ordinary shareholders.

	31 March 2022 Pence	31 March 2021 Pence
Dividend per ordinary share (A)	7.16	7.05
Ordinary share price at end of year (B)	103.4	99.6
Dividend yield (A / B, expressed as a percentage)	6.92%	7.10%

NAV per Ordinary Share

NAV per ordinary share is a measure of the value of one ordinary share.

	31 March 2022 Pence	31 March 2021 Pence
Net assets as per Statement of Financial Position (£'000) (A)	668,500	580,791
Number of ordinary shares in issue at year end (B)	589,077,244	586,987,678
NAV per ordinary share ((A / B) x 1,000)	113.5p	98.9p

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 2022 Pence	31 March 2021 Pence
Basic NAV per ordinary share at year end as per Statement of Financial Position (A)	113.5	98.9
Annual dividend per ordinary share declared in respect of year (B)	7.16	7.05
Basic NAV per ordinary share at beginning of year as per Statement of Financial Position (C)	98.9	99.0
NAV total return per ordinary share ((A + B – C) / C, expressed as a percentage)	21.98%	7.00%

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 2022 Pence	31 March 2021 Pence
Ordinary share price at year end (A)	103.4	99.6
Annual dividend per ordinary share declared/paid in respect of year (B)	7.16	7.05
Ordinary share price at beginning of year (C)	99.6	101.5
Ordinary Shareholder Total Return per share ((A + B – C) / C, expressed as a percentage)	11.00%	5.1%

(Discount)/Premium to NAV per Ordinary Share

(Discount)/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 2022 Pence	31 March 2021 Pence
Ordinary share price at year end (A)	103.4	99.6
NAV per ordinary share at year end as per Statement of Financial Position (B)	113.5	98.9
(Discount)/premium to NAV per Ordinary Share ((A – B) / B, expressed as a percentage)	(8.9%)	0.7%

Alternative Performance Measures continued

Ongoing Charges Ratio

Ongoing Charges Ratio measures 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.

	31 March 2022 £'000	31 March 2021 £'000
Total expenses as per Statement of Comprehensive Income (A)	16,181	16,351
Preference share dividends as per Statement of Comprehensive Income (B)	9,454	9,526
Non- recurring expenses (C)	248	253
Average of quarterly net assets (D)	595,637	582,823
Ongoing Charges Ratio ((A – B – C) / D, expressed as a percentage)	1.09%	1.10%

General Shareholder Information

Alternative Investment Fund Management Directive ("AIFMD")

The AIFMD aims to harmonise the regulation of 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.

NAV 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 2022, which is available under 'Publications' in the Investor Relations section of the Company's website (www.nextenergysolarfund.com).

Additional Information

Copies of the Company's Annual and Interim Reports, quarterly fact sheets 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 (www.nextenergysolarfund.com).

General Shareholder Information continued

Financial Calendar for Year Ending 31 March 2023

Interim results announced	November 2022
Annual results announced	June 2023
AGM	August 2023

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 2023.

Dividend	Announcement date	Ex-dividend Date	Payment date	Amount
1st	21 Aug 22	22 Aug 22	30 Sep 22	1.88p
2nd	19 Nov 22	20 Nov 22	31 Dec 22	1.88p
3rd	18 Feb 23	19 Feb 23	31 Mar 23	1.88p
4th	20 May 23	21 May 23	30 Jun 23	1.88p

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	Ocorian Administration (Guernsey) Limited (since 30 March 2022) Apex Fund and Corporate Services (Guernsey) Limited (prior to 29 March 2022)
Agenor	Agenor Hive S.L.U
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 solar irradiation vs. budget
Apollo portfolio	21 UK solar assets held within NESH (see the Operating Portfolio - Overview on pages 35 to 36 for further details)
Asset Manager or WiseEnergy	WiseEnergy (Great Britain) Limited and WiseEnergy Italia Srl
Cash dividend cover	The ratio of the Company's cash income to dividends paid or payable in respect of the financial year
CBA	Commonwealth Bank of Australia
Company or NESF	NextEnergy Solar Fund Limited
Company law	Guernsey Company Law, 2008
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
DNOO	Distribution Network Operators Outages
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
Foundation	NextEnergy Foundation
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

Glossary and Definitions continued

GHG	Greenhouse Gas
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
IFRS	International Financial Reporting Standards
Investment Adviser	NextEnergy Capital Limited
Investment Manager	NextEnergy Capital IM Limited
IPO	Initial Public Offering
IRR	Internal Rate of Return
JVP	Joint Venture Partnership
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
NextEnergy Group	The NextEnergy 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

Glossary and Definitions continued

NextPower III	NextPower III L.P.
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
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
PR	Describes the relationship between the actual and theoretical energy outputs of a solar asset (expressed as a percentage)
PPA	Power purchase agreement
Preference shares	The issued preference share capital of the Company
PV	Photovoltaic
Radius portfolio	Five UK solar assets held within NESH IV (see the Operating Portfolio - Overview on pages 35 to 36 for further details)
RCF	Revolving Credit Facility
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)
ROCC 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 assets held in NESH III (see the Operating Portfolio – Overview on pages 35 to 36 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
SFRD	Sustainable Finance Disclosure Regulation
Solis portfolio	Eight Italian solar assets held within NESH V (see the Operating Portfolio – Overview on pages 35 to 36 for further details)
SONIA	Sterling Overnight Index Average
SPVs	Special purpose vehicles that hold the Company's investment portfolio of underlying solar energy infrastructure assets

Glossary and Definitions continued

TCFD	Task Force on Climate-related Financial Disclosures
Thirteen Kings portfolio	13 assets held in NESH III (see the Operating Portfolio – Overview on pages 35 to 36 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

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Corporate Information

The Company

NextEnergy Solar Fund Limited

Registered Office:*
Floor 2
Trafalgar Court
Les Banques
St Peter Port
Guernsey GY1 4LY
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
Josephine Bush
(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

Asset Manager

WiseEnergy
Heathcoat House,
20 Savile Row
London W1S 3PR

Company Secretary and Administrator

Ocorian Administration (Guernsey) Limited**
Floor 2
Trafalgar Court
Les Banques
St Peter Port
Guernsey GY1 4LY

Apex Fund and Corporate Services (Guernsey) Limited***
1 Royal Plaza
Royal Avenue
St Peter Port
Guernsey GY1 2HL

* on 30 March 2022 the registered office of the Company changed from 1 Royal Plaza, Royal Avenue, St Peter Port, Guernsey GY1 2HL
** appointed 30 March 2022
*** resigned 29 March 2022

Independent Auditor

KPMG Channel Islands Limited
Glategny Court
Glategny Esplanade
St Peter Port
Guernsey GY1 1WR

Registrar

Link Market Services (Guernsey) Ltd
Mont Crevelt House
Bulwer Avenue
St Sampson Guernsey
GY2 4LH

Legal Advisers

As to UK Law

Stephenson Harwood LLP
1 Finsbury Square
London EC2M 7SH

As to Guernsey Law

Carey Olsen (Guernsey) LLP
PO Box 98
Carey House Les Banques
St Peter Port
Guernsey GY1 4BZ

Sponsor and Joint Broker

Cenkos Securities plc
6, 7, 8 Tokenhouse Yard
London EC2R 7AS

Joint Broker

RBC Capital Markets Ltd (appointed 8 November 2021)
100 Bishopsgate
London EC2N 4AA

Media and Public Relations Adviser

Camarco
107 Cheapside
London EC2V 6DN

Principal Bankers

Barclays Bank plc
6/8 High Street
St Peter Port
Guernsey GY1 3BE

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