NEXTENERGY SOLAR FUND

Generating a more sustainable future

Annual Report

for the year ended 31 March 2023

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 with the addition of 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 solar+ technologies (such as energy storage) and international solar assets.

Operational

Consistently achieve operational outperformance of the portfolio through 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 in the areas where we operate.

Social

Provide a positive social impact.

Contribute to lowering power prices in the UK and other markets where we operate by increasing energy supplied to the energy market.

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.

Contents

NextEnergy Solar Fund Overview

A specialist solar+ fund listed on the premium segment of the London Stock Exchange and a constituent of the FTSE 250

Provides shareholders with attractive risk-adjusted returns, principally in the form of regular dividends, by investing in a diversified portfolio of utility-scale solar energy and energy storage infrastructure assets

Managed by solar specialists:

- NextEnergy Capital, Investment Adviser
- 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
- 2 joint venture partnerships into UK standalone energy storage

Powering the equivalent of 242,000 homes (equivalent to Nottingham and Brighton combined) with renewable energy for the year

Continuous asset outperformance since IPO

Performance Highlights

Financial Highlights[1]

NAV per ordinary share as at 31 March 2023
114.3p
(31 March 2022: 113.5p)

Ordinary shareholders' NAV as at 31 March 2023
£674.4m
(31 March 2022: £668.5m)

Financial debt gearing as at 31 March 2023[2]
28%
(31 March 2022: 25%)

Dividends per ordinary share for the year ended 31 March 2023
7.52p
(31 March 2022: 7.16p)

Cash dividend cover (pre-scrip dividends) for the year ended 31 March 2023
1.4x
(31 March 2022: 1.2x)

Total gearing as at 31 March 2023[3]
45%
(31 March 2022: 42%)

NAV total return per ordinary share for the year ended 31 March 2023
7.3%
(31 March 2022: 22%)

Ordinary shareholder total return for the year ended 31 March 2023
8.6%
(31 March 2022: 11%)

Ordinary shareholder annualised total return since IPO
7.0%
(31 March 2022: 6.7%)

Operational Highlights

Total capacity installed as at 31 March 2023[5]
865MW
(31 March 2022: 865MW)

Total electricity generation for the year ended 31 March 2023
870GWh
(31 March 2022: 773GWh)

Operating solar assets as at 31 March 2023[6]
99
(31 March 2022: 99)

Generation above budget for the year ended 31 March 2023
3.8%
(31 March 2022: 1.8%)

ESG Highlights

Tonnes of CO_2e emissions avoided p.a.[4]
363,000
(31 March 2022: 328,700)

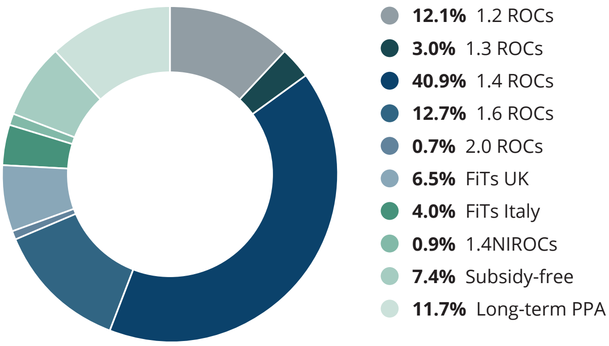
Equivalent UK homes powered for one year[4]
242,000
(31 March 2022: 216,300)

1 Refer to the Alternative Performance Measures on pages 141 – 144 for calculation basis
2 Financial debt gearing excludes the £200m preference shares on a look through basis
3 Total gearing is the aggregate of financial debt, look through 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 (NPIII LP). Inclusion of NESF's 6.21% share of NPIII LP on a look through equivalent basis would increase total capacity by 24MW (2022: 19MW) to 889MW (2022: 884MW)
6 Excluding the $50m commitment into private equity vehicle (NPIII LP)

Snapshot of Our Diversified Portfolio

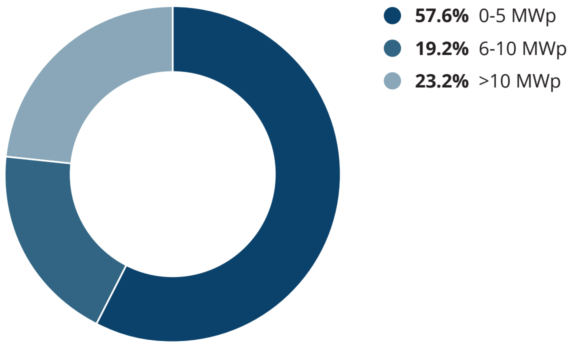
as at 31 March 2023

By Subsidy/PPA (RPI linked) [1]



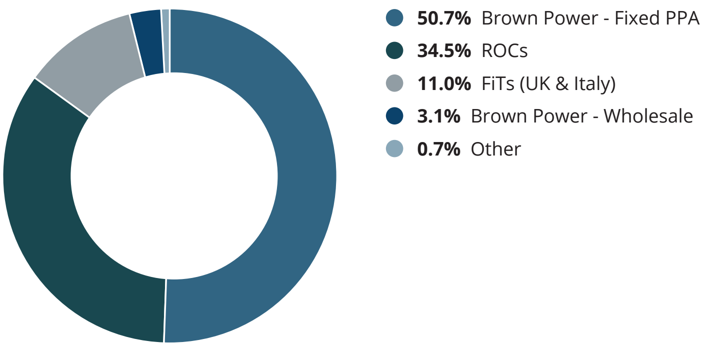
% of assets by MW capacity

By Installed Capacity [1]



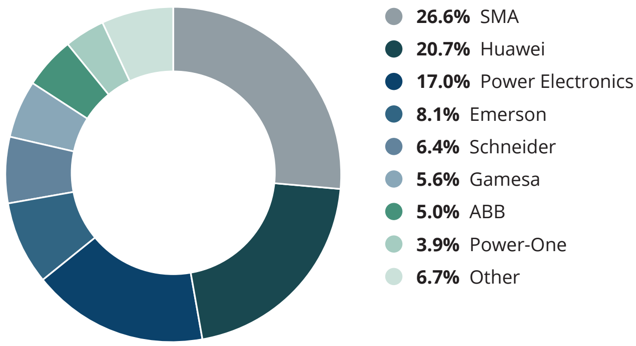
% of assets

By Revenue Type [1]



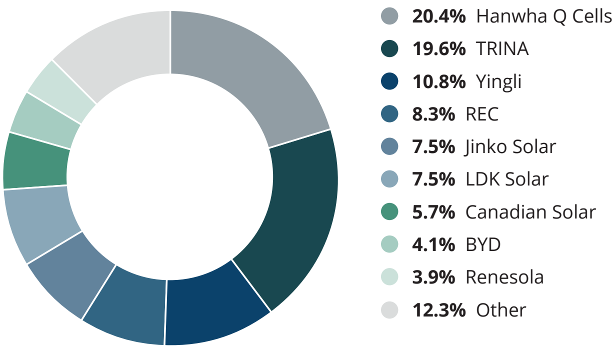
% of total revenue for the year ended 31 March 2023

By Inverter Manufacturer [1]



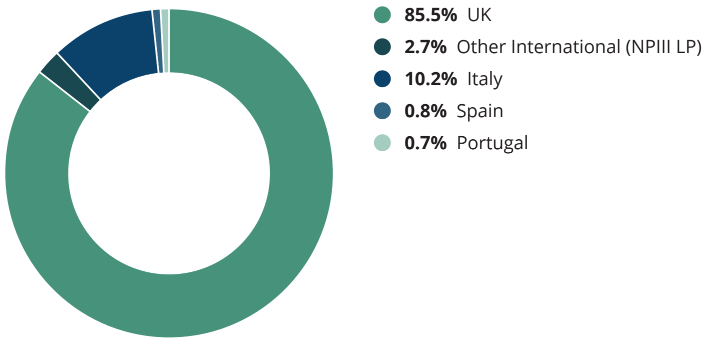
% of assets by MW capacity

By Solar Module Manufacturer [1]



% of assets by MW capacity

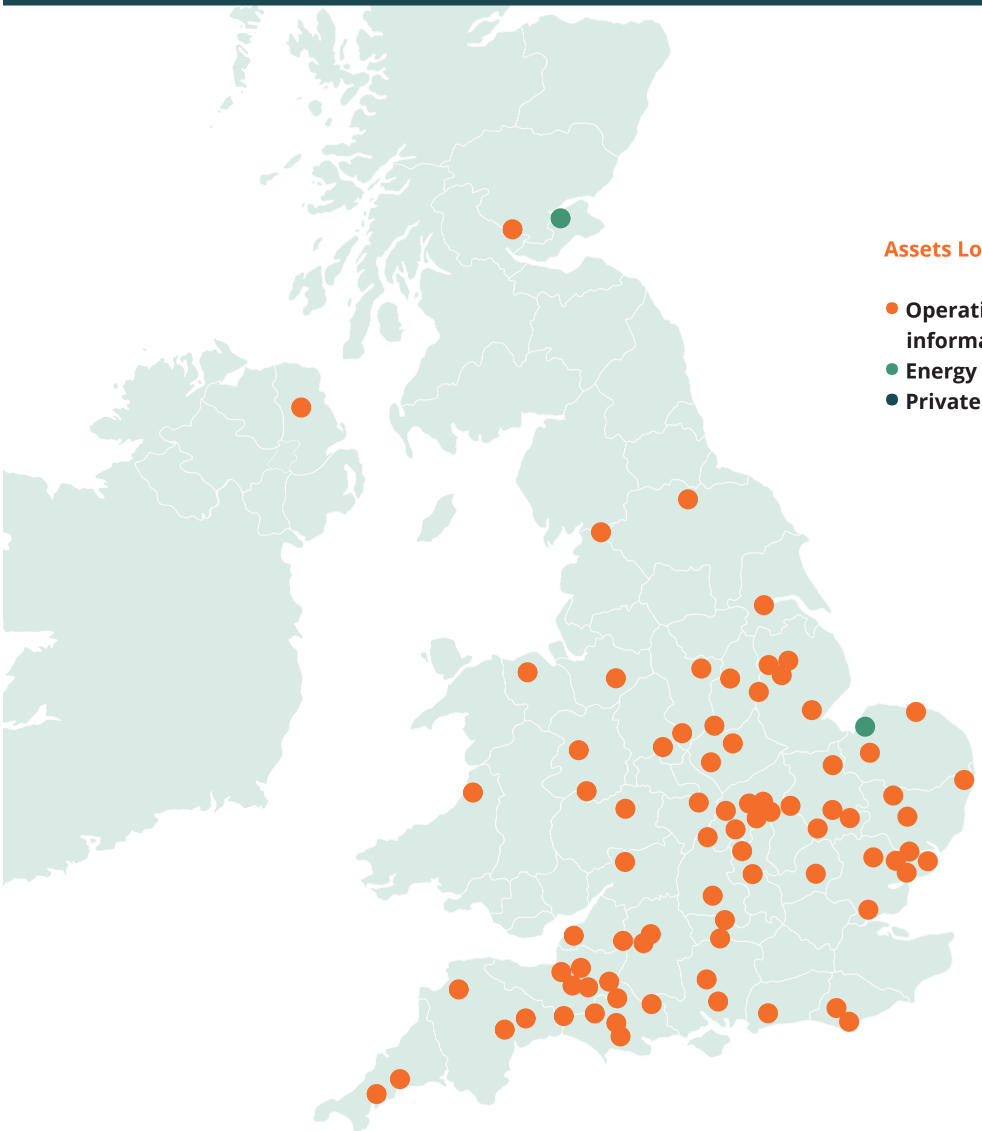
By Location [1]



% of invested capital

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

UK

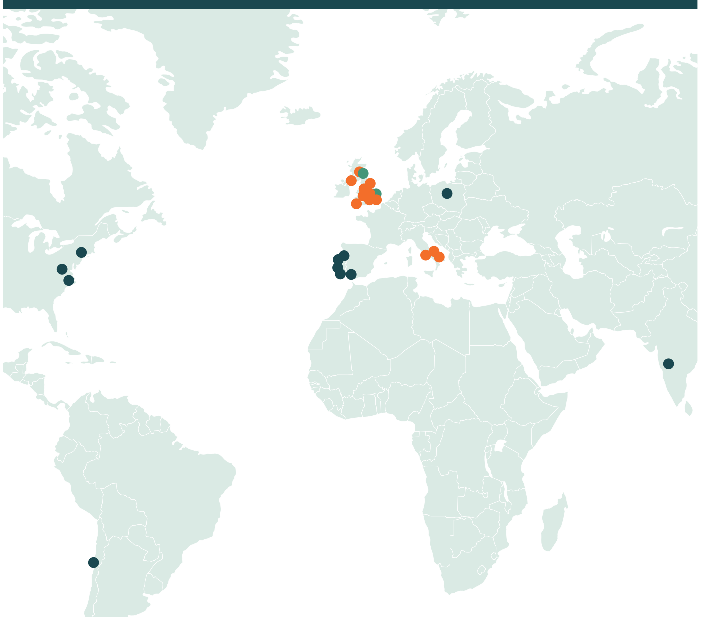


Assets Locations

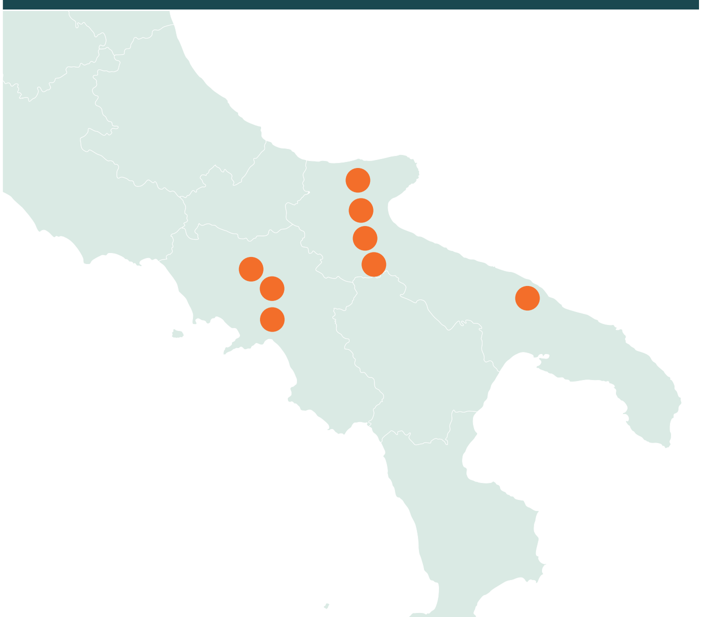
- **Operating Assets (for more information see pages 44 and 45)**
- **Energy Storage Assets**
- **Private OECD Infrastructure Fund Assets**

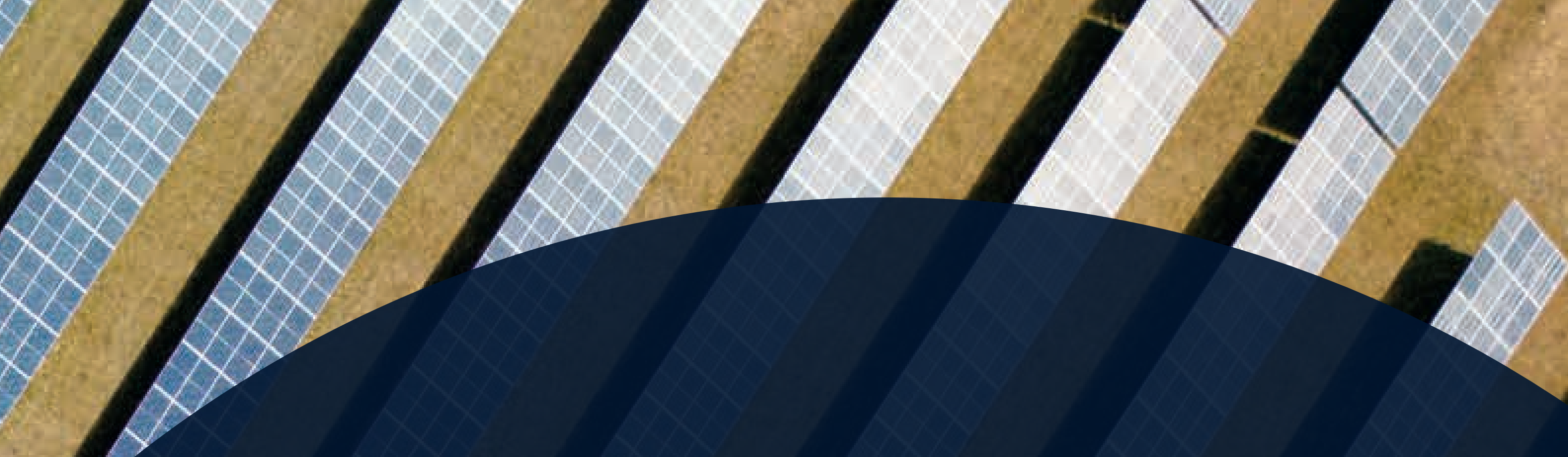
- c.830 MW of assets operational in UK
- c.35 MW of Solar PV assets operational in Italy
- $50m investment into NPIII LP, which holds 149 solar assets globally
- 300 MW of Energy Storage assets under construction / development

The World



Italy





Why Invest in NextEnergy Solar Fund?

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.

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.
- Provides increased energy independence and security.

COST-EFFECTIVE ELECTRICITY GENERATION

- Active portfolio management provides prudent cost of operation, maintenance and replacement of assets.
- Solar is one of the cheapest forms of renewable energy generation and quickest to construct.

CLIMATE CHANGE SOLUTION

- Fundamental to achieving a more sustainable future by accelerating the transition to clean and sustainable energy.
- Meaningful contribution to reducing CO_2 emissions through the generation and storage of clean electricity, reducing reliance on fossil fuels across the grid.
- Investment in solar provides significant biodiversity benefits to the communities that surround our assets.

SCAN ME

Chairman's Statement

Kevin Lyon
Chairman

"The twelve months to 31 March 2023 were a productive period as the Company made significant progress across various strategic initiatives announced during the year to generate value and provide future growth for investors, whilst maintaining a well-covered and attractive dividend. Elevated energy prices, inflation rates and NESF's portfolio outperformance contributed to generating additional revenue for the Company, with NAV growing to £674m, a successful result in the face of the UK Government's Electricity Generator Levy, high interest rates and an uncertain UK energy policy.

NESF's expansion into energy storage saw construction work started at the Company's first stand-alone 50MW battery storage project in Fife, Scotland, due to be energised in the summer of 2023. The Company also acquired the development rights for one of the UK's largest lithium-ion battery storage projects in the East of England at 250MW. The Company actively engaged with investors over the period regarding an increase in its energy storage investment policy limit from 10% of GAV, up to 25%, with the view to increasing this limit later in the year through a vote by shareholders.

Since year end, the Company was the first in the renewables sector to announce a capital recycling programme to accelerate the next phase of the Company's growth. The programme aims to capture significant value from the divestment of a 236MW portfolio of subsidy-free UK solar assets, the proceeds from which will be used to reduce gearing in the short-term, buyback shares to control the Company's current discount if appropriate and lock in optionality for long-term growth opportunities.

The Board and I were delighted to welcome Helen Mahy to the Board of NESF as Chair-elect, a vital component of the Boards succession planning. Helen brings extensive experience in the renewables space and from her role as Chair of The Renewables Infrastructure Group, and I have every confidence that Helen will continue to lead NESF to success in the future.

In a year where the importance of affordable energy was brought to the forefront of everyone's minds, NESF's purpose has never felt so relevant. In recognition of the immediate challenges faced by many across the UK, NESF is supporting those in fuel poverty via its donation to the NextEnergy Foundation ("NEF"). The Company's portfolio continues to contribute towards UK energy security and reduce the impacts of volatile global energy markets on domestic consumers.

As my last statement before stepping down from the Board, I would like to give personal thanks for the support from colleagues and investors alike over the years, and I leave feeling extremely proud of what NESF has achieved since IPO and of the bright future it has in continuing to supply clean energy to the benefit of all our stakeholders."

I am pleased to present the ninth Annual Report for NextEnergy Solar Fund Limited (the "Company", "Fund" or "NESF") for the year ended 31 March 2023.

The Company's performance has been strong throughout the year, despite significant volatility and economic uncertainty. The Company has benefited from elevated power prices and inflation rates that were higher than anticipated. This was combined with outperformance from its existing portfolio of operational assets and progression of a diverse pipeline of solar and battery storage projects currently under development or construction. Furthermore, the Board is delighted that NESF was promoted back to the FTSE 250 index on 16 September 2022, which reflects the resilience of the Company.

Despite many ongoing challenges, the current environment presents a very attractive backdrop for investment in clean energy infrastructure. Increased deployment of renewables is integral to energy independence and security in the UK and globally, the benefits of which are reduced reliance on volatile global power markets and, in turn, reduced costs for consumers. As renewable energy generation capacity increases on the grid there is need for battery storage to bring about stability and flexibility and the company has taken important steps in this space over the period.

Governments around the world continue to drive forward their net zero targets and the production of renewable energy is playing a key role in helping to achieve these ambitions. Indeed, strategies recently published by the UK Government, such as Powering Up Britain and the Green Finance Strategy, clearly outline its goals to support deployment of solar and energy storage capacity. Furthermore, in line with the Independent Review of Net

Zero recommendations, the Government plans to develop and publish a solar roadmap to 2035 to support the significant increase in deployment needed to achieve its 70GW ambition. NESF is in a strong position to contribute to these strategies, providing an alternative to fossil fuels, and capitalise on the opportunities associated with the energy transition in the UK and across Europe.

On 12 May 2023, the Board disclosed to the market that the Company had identified an issue with automated reports, which had led to overstatements of the NAV by up to 2.7p. It is important to note that this was not an issue within the accounting system and it had no impact on the cash flow generated by the business or on its dividend cover. As part of the Board's review, the Audit Committee worked with the Investment Adviser to conduct a full investigation of this issue. The Board is satisfied that this was an isolated incident and has agreed a number of additional steps to further strengthen controls.

The Company's Net Asset Value ("NAV") has remained strong throughout the year, growing to £674.4m (31 March 2022: £668.5m) over the 12 months, even when accounting for the government's Electricity Generator Levy ("EGL"). The combined impact of interest rate increases and uncertainty surrounding UK energy policy amongst other macroeconomic factors has led to the share price trading at a discount to the NAV for a sustained period, offering an attractive entry point for potential investors.

During the year, the Company published its first standalone sustainability report. The report goes beyond the Company's immediate sustainability obligations by providing in-depth details on the Company's sustainability journey, its proprietary approach to biodiversity, and its industry leading ESG initiatives. These deliver a real environmental and social impact. Going forward, the Company intends to publish its sustainability report on an annual basis.

For the year ended 31 March 2023, the Ordinary Shareholder Total Return was 8.6% (31 March 2022: 11.0%) and the Ordinary Shareholder NAV total return was 7.3% (31 March 2022: 22%). The NESF portfolio has continued to outperform budgeted generation, whilst continuing to deliver on its electricity sales strategy to remove short term price volatility and strengthen the Company's dividend cover.

Since IPO, NESF has made a material difference to the UK energy landscape, growing a portfolio of renewable assets of 865MW capacity that has generated a total of 4.9 TWh of clean energy, supporting global net zero goals and generated value to our shareholders. As at 31 March 2023, the annualised Ordinary Shareholder Total Return since IPO was 7.0% (31 March 2022: 6.7%) and the annualised Ordinary Shareholder Net Asset Value ("NAV") total return since IPO was 8.0% (31 March 2022: 8.0%).

The Company has been a pioneer in UK Solar infrastructure and will continue to define the future of renewable energy as it explores new geographies and technologies. The Company is in a strong position to continue to be a market leader in renewables whilst generating further positive environmental and social impact.

Board Succession Planning

Following the year end, NESF appointed Helen Mahy to the Board of Directors as a non-executive Director and Chair Designate. The board is delighted to welcome Helen to NESF and is looking forward to benefiting from her wealth of experience in the renewable energy and infrastructure sectors. Helen has previously served as Group General Counsel and more recently as Chair of The Renewables Infrastructure Group where she served her full nine-year tenure. Helen will stand for election as Chair of NESF from the next AGM in August 2023.

Results and Key Events

The Company has made progress towards its growth goals whilst continuing to offer financial stability during the year. NextEnergy Capital Limited (the "Investment Adviser"), continues to provide dedicated support to the Company. During the year ended 31 March 2023, the Company made significant progress across a range of areas.

To advance its position in battery energy storage, the Company:

- Started construction on the Company's first battery storage project (50MW) in Fife, Scotland through a Joint Venture Partnership ("JVP1") with energy storage specialist EelPower Limited ("EelPower"). The project subsequently achieved selection in the UK Government's latest Capacity Market Auction which secured a proportion of its revenues following energisation and grid-connection in the second half of 2023;
- Advanced its position in the energy storage sector through a 75% stake in the new £200m Joint Venture Partnership with EelPower ("JVP2");
- Acquired the development rights for a high-quality 250MW lithium-ion battery storage project in the East of England through JVP2 for £32.5m; and
- Commenced a co-located battery retrofit programme, identifying potential sites across NESF's current UK operating solar portfolio.

To progress its UK and international solar PV pipeline, the Company:

- Signed its second international co-investment with NPIII LP taking a 13.6% stake in a 210MW solar project currently under construction in Santarém, Portugal; and
- Commenced construction works for Whitecross (36MW) and grid connection preparation works for Hatherden (50MW) and secured Contracts for Difference ("CfD") for

100% of the generating capacity of both these new-build UK solar projects.

To deliver value for shareholders, the Company:

- Achieved a dividend cover of 1.4x for the year ended 31 March 2023;
- Continues to engage with investors positively to increase the Company's energy storage investment policy limit from 10% of Gross Asset Value up to 25%;
- Continued to implement its electricity sales strategy to increase the certainty of revenue streams by locking in strong pricing whilst reducing power price volatility; and
- Secured a £60m increase to its existing £75m Revolving Credit Facility ("RCF") with AIB Group (UK) p.l.c. ("AIB") & NatWest, in addition to signing a two-year extension to its £70m RCF with Santander UK to fund the investment pipeline.

To demonstrate its environmental and social impact, the Company:

- Gained classification under Article 9 of the EU Sustainable Finance Disclosure Regulation and EU Taxonomy Regulation; and
- Released its first standalone sustainability report, which highlights NESF's contribution to biodiversity, climate change and ethical supply chains through its operations.

Following the year ended 31 March 2023, the Company:

- Announced a capital recycling programme and initiated the process for the sale of five UK subsidy-free assets;
- Formally welcomed Helen Mahy CBE to the Board of Directors as a non-executive Director; and
- Announced a long-term Power Purchase Agreement ("PPA") was signed with Statkraft, a leading renewable producer in Europe's energy market, for its international solar co-investment named Santarém.

Increased Dividend Target

In May 2023, the Board of NESF approved a target dividend increase of 11% to 8.35 pence per ordinary share for the year ending 31 March 2024. NESF continues to maintain 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 with all annual dividend targets successfully being achieved whilst remaining well-covered.

Capital Recycling Programme

In April 2023, the Board announced a capital recycling programme to accelerate the next phase of the Company's growth. Through the programme, the Company aims to capture significant value from the divestment of a 236MW portfolio of subsidy-free UK solar assets, the proceeds from which will be used to:

- **Reduce gearing in the short term** to materially reduce current drawings of the Company's revolving credit facilities ("RCF"). Given the significant increase in interest rates in recent months, the Board anticipates using net proceeds from the programme to reduce the amount of drawn RCF where the Company has exposure to the high interest rate environment in the near term. The reduction in gearing will reduce debt service burden, strengthen free cash flows, and further increase dividend cover.
- **Secure optionality for future long-term growth opportunities** providing flexibility to capture higher returning investment opportunities in the future, such as energy storage. The net proceeds of the Programme will also create capacity for the Company to position itself for its next phase of growth, including into value-accretive energy storage. The Company has exclusivity over, or owns the project rights for, the majority of its pipeline of c.£500m UK and international assets across the solar and energy storage space. This includes ownership of the development rights for a high-quality 250MW lithium-ion battery storage project in the East of England, which when constructed will be one of the UK's largest operational standalone battery storage assets.
- **Buyback shares to control the discount** if the share price continues to trade at a material discount to the Company's NAV per share. The Board operates robust discount monitoring and management controls and has noted the prolonged period over which the Company's shares have been trading at a discount to its NAV. The Board continues closely to monitor the current discount and confirms its commitment to buy back shares if the share price continues to trade at a material discount to the Company's net asset value per share.

The Company continues to run a competitive sales process on the five subsidy-free assets that are being sold (breakdown below) and we look forward to updating the market on our progress shortly.

Table breakdown of 236MW subsidy-free portfolio:

Subsidy-free solar asset	Installed Capacity	Status	Location
Hatherden	50MW	Ready-to-build	Hampshire, UK
Whitecross	36MW	Under construction	Lincolnshire, UK
Staughton	50MW	Operational	Bedfordshire, UK
The Grange	50MW	Operational	Nottinghamshire, UK
South Lowfield	50MW	Operational	Yorkshire, UK

Battery Storage Mandate Increase

NESF has been investing in energy storage projects since 2018 and has built up considerable expertise in managing energy storage assets and running them in conjunction with solar plants. NESF is also progressing projects to retrofit energy storage assets onto its existing assets where feasible.

NESF intends to expand its energy storage activities later in the year having consulted with investors over the period. The Company aims to increase its limit in standalone energy storage from 10% of the Gross Asset Value ("GAV"), up to 25%, with all other policy limits remaining the same.

This increase will enable NESF to take advantage of existing energy storage opportunities in the UK via its relationship with EelPower Ltd, which will complement and diversify NESF's existing large portfolio of solar assets.

Standalone Battery Storage Progress

The Company's first 50MW battery storage project, known as Camilla, is currently under construction in Fife, Scotland. The project will initially operate at one hour duration. The Company intends to increase the duration of the project to two hours and current construction works include the infrastructure necessary for that extension.

The project was sourced last year through a Joint Venture Partnership vehicle ("JVP1") with Eelpower Limited ("Eelpower") worth £100m. JVP1 was announced last year and is owned 70% by NESF and 30% by Eelpower. During the year, Camilla was selected to provide battery storage capacity in the UK Government's latest Capacity Market Auction.

In September 2022, the Company announced that it had advanced its position in the energy storage sector through a new £200m JVP2 with Eelpower. JVP2 reflects the successful relationship built with Eelpower, offering enhanced terms by increasing NESF ownership to 75%, with Eelpower holding the remaining 25%. The Company has since announced its first investment through JVP2, the development rights for a high-quality 250MW lithium-ion battery storage project in the East of England, one of the largest energy storage projects announced in the UK to date. The project will take the total current announced standalone battery storage projects in the portfolio to 300MW.

The recent developments in battery storage, including Camilla's success in the Capacity Market Auction, exemplifies the importance of deploying energy storage at scale in conjunction with solar and other grid-scale renewable technologies, strengthening the UK's energy security and supporting the transition to a net-zero carbon economy. The Company's growth strategy anticipated this evolution of the market and the Company has well-developed plans to introduce additional energy storage into its portfolio.

Co-Located Battery Storage Progress

In April 2022, NESF announced a new co-located battery storage retrofit programme across the Company's UK operating solar farms. As part of this programme the first site for a co-located battery project was identified, extending the existing 11MW North Norfolk solar farm to include a 6MW/12MWh battery system. Planning permission for the co-located battery system has been secured and the Company is in discussions with the local Distribution Network Operator ("DNO") to confirm an energisation date. An additional four potential locations for co-located battery storage systems have been identified to date and are being progressed into their development stage.

Generating Value from UK Solar

Since IPO, the Company has been a market leader in capturing value from UK solar. The market continues to evolve significantly over time and, since 2019, the Company has pursued a portfolio of subsidy-free projects, to which it has added significant value. The success of the Company's subsidy-free portfolio demonstrates its ability to respond efficiently and effectively to a changing UK solar market through its expertise in identifying opportunities and maximising risk-adjusted returns.

During the year ended 31 March 2023, the Company commenced grid connection works and construction mobilisation phase at Hatherden, a 50MW subsidy-free solar farm. The Company also commenced construction of Whitecross, a 36MW utility solar asset, located in Lincolnshire. The original construction date of the asset was deferred from H2 2021 due to supply chain risks post Covid-19 which have been sufficiently addressed.

Whitecross and Hatherden have also been selected to be part of the fourth CfD Allocation Round (AR4). The CfDs last for 15-years, are index linked to inflation (CPI) annually, and are scheduled to commence from 31 March 2025 at the AR4 solar PV strike price of £45.99/MWh (set in 2012 equivalent prices). Through its capital recycling programme, NESF intends to crystalise the value it has created for shareholders through these assets.

During the year, NESF also added a 0.18MW commercial rooftop solar asset, Holiday Inn, to its portfolio. It is part of an agreement made with the renewable energy developer, Zestec. The asset is located on a Holiday Inn hotel in Nottinghamshire and benefits from an attractive 25-year PPA for 100% of its generated volume.

Capturing Co-Investments Opportunities

Through its investment in NextPower III ESG ("NPIII LP"), a NextEnergy Capital managed private equity solar infrastructure fund that invests in OECD markets globally, NESF benefits from international diversification in addition to unique co-investment opportunities. Co-investments allow NESF to take direct stakes in international solar assets alongside large international institutional investors on a no fee, no carry basis. This is particularly beneficial as it provides the Company with access to an attractive new pipeline of potential international assets not available to other market participants or investors. To date, co-investments with NPIII LP have amounted to a total of c.€33.5m alongside the Company's US$50m commitment to NPIII LP.

Energisation of the Company's first co-investment, a 24.5% stake in a Spanish 50MW solar project, Agenor Hive S.L. ("Agenor"), is expected to occur in Q3 2023 following its announcement in January 2022.

In May 2022, the Company announced a second co-investment in Portugal, Santarém. The Company acquired a 13.6% 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.

Following the year end, the Company announced that Santarém had secured a long-term Power Purchase Agreement ("PPA") with Statkraft, a leading renewable producer in Europe's energy market. Under this agreement, Statkraft will acquire the electricity production from Santarém for eight years. The PPA builds on the existing successful relationship between NextEnergy Capital and Statkraft, following an earlier signed PPA between the two covering Agenor.

NAV and Operating Results

At the year end, the ordinary shareholders' NAV was £674.4m equivalent to 114.3p per ordinary share (31 March 2022: £668.5m, 113.5p per ordinary share). The change in NAV over the year reflects a large increase in power price forecasts (+14.6p per ordinary share) and changes in inflation (+5.6p per ordinary share). The above NAV drivers were offset by an increase of 1.0% in the discount rate for unlevered operating UK solar assets. The decision was driven by the increasing UK long-term gilt yields, driven by the Bank of England ("BoE") base rate increases over the period. The resulting impact on the NAV was -7.0p per ordinary share. The NAV increase includes the impact of the EGL, announced by the UK government towards the end of 2022.

Profit and comprehensive income for the year was £48.3m (2022: £127.6m) with earnings per ordinary share of 8.2p (2022: 21.7p). Cash dividend cover (pre-scrip dividends) was 1.4x (2022: 1.2x).

Power Prices

The increases in UK and European wholesale power prices from the previous year has continued during the current year. The volatility is attributable to reduced gas supply due to the conflict in Ukraine, which led to widespread import sanctions on Russian oil, gas and related products. This was exacerbated by pre-existing low levels of gas storage across the EU. More recently, the Organisation of the Petroleum Exporting Countries ("OPEC") announced reductions in oil output. Mitigating risk and increasing visibility of future cash flows remains a priority for the Fund. The increase in power price volatility during the calendar year and also in forward pricing has underlined the benefit and value of the Company's power sales strategy through the Investment Adviser's active energy sales desk.

NESF's portfolio's robust performance is backed by inflation-linked subsidies as well as a proactive energy sales strategy, which includes long-term PPAs and rolling short-term hedges over a 36-month period. This strategy of proactive risk mitigation helps to underpin the Company's dividend cover, increase the certainty of revenue streams and mitigate the negative impact of short-term fluctuations in the power markets.

Of the Company's revenues during the year, 52% 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 12 years.

The remaining 48% of the Company's revenues were derived from selling the electricity generated in the open market and, therefore, are exposed to market power price movements until the price has been locked ('hedged'). The Asset Manager's energy sales desk is focused on securing the best terms for NESF's electricity sales to carefully selected counterparties. This flexible approach is designed to protect against adverse short-term price movements whilst also enabling the Company to secure attractive fixed prices for specified future time periods which provides increased certainty on dividend cover.

Looking towards the next three financial years, as at 1 June 2023, the Company has agreed pricing of:

UK hedging summary[1]	FY23/24	FY24/25	FY25/26
Generation hedged (%)	87.9%	44.3%	13.0%
Average fixed price (£/MWh)	£79.0	£91.4	£147.2

[1] Covers 83% of the total portfolio (716MW)

Portfolio Performance

Energy generated during the year was 870 GWh (2022: 773 GWh) and the portfolio achieved a generation outperformance vs budget of 3.8% (2022: 1.8%), increasing revenues by an estimated £4.8m against budget (2022: £2.0m). During the year, solar irradiation across the portfolio was 7.5% above budget (2022: 3.4%).

The Company's UK portfolio performed above expectations with generation outperformance of 3.8% (2022: 1.9%) and the Italian portfolio performed above expectations with generation outperformance of 3.3% (2022: 1.1%).

Capital Structure Strategy

During the year, the Company announced that it had increased the commitments available under its Revolving Credit Facility ("RCF") with AIB Group (UK) p.l.c. ("AIB") & NatWest from £75m to £135m. The additional commitments have been agreed on attractive terms with a margin of 120bps over SONIA ("Sterling Overnight Index Average"), available until June 2024. The Company also signed a two-year extension to its £70m RCF with Santander UK to fund the investment pipeline.

Given the high interest rate environment, the Company is pursuing a prudent capital allocation strategy. The fixed coupon rate for preference shares shelters the Company from continued interest rates volatility in the future. As such, the addition of preference shares has provided value through diversification of it capital stack since their inclusion in 2018. The careful use of RCFs is critical to limit exposure to unhedged interest rates and the Company continues to closely monitor the market to manage the risks effectively. One of the benefits of the capital recycling programme, announced following the year end, will be a reduction in gearing and reduced exposure to high interest rates.

As at 31 March 2023, the Company had £200m of preference shares within its capital structure (2022: £200m). The preference shares, which are counted as financial debt, effectively shield the Company from increases in interest rates and contribute to the Company's strong financial performance for shareholders. The preference shares also reduce the exposure to secured debt financing and provide protection against diminishing power prices compared to traditional debt financing used by peers. The Company continues to benefit from the low cash cost of the preference shares that pay a fixed preferred dividend of 4.75% with no redemption requirements and the Company maintains attractive optionality to redeem at nominal value from 1 April 2030 for a six year period.

The total financial debt represented 28% of Gross Asset Value ("GAV"), on a look through basis, as at 31 March 2023 (2022: 25%). At the same reporting date, the total gearing comprising the total financial debt and the preference shares represented 45% of GAV (2022: 42%) which is within the 50% limit per the investment policy.

Dividends Paid

The Directors have approved a fourth interim dividend of 1.88p per ordinary share, which will be paid on 30 June 2023 to ordinary shareholders on the register as at the close of business on 19 May 2023. Following the payment of the fourth interim dividend, the Company will have paid total dividends of 7.52p per ordinary share in respect of the year ended 31 March 2023 (2022: 7.16p). Since IPO the Company has declared total dividends of £305.8m.

The Company continues to offer a scrip dividend alternative as approved by ordinary shareholders at the 2022 Annual General Meeting ("AGM"), details of which can be found on the Company's website **(nextenergysolarfund.com)**.

Environmental, Social and Governance (ESG)

NESF's commitment to ESG and sustainability remains at the forefront of its strategy and purpose. During the year, the board formed an ESG committee, chaired by Josephine Bush, to dedicate additional standalone discussions towards the progression of the Company's ESG strategy. The Investment Adviser 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 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 (introduced at COP26 and refreshed in the recent Independent Review of Net Zero), NESF's portfolio generated 870 GWh of clean electricity during the year ended 31 March 2023 (2022: 773 GWh), contributing to the avoidance of 363,000 tonnes of CO_2e emissions (2022: 328,700 tonnes CO_2e) and equivalent to powering 242,000 UK homes for an entire year (2022: 216,300). This is roughly equivalent to powering a city with 571,120 inhabitants (e.g. Nottingham and Brighton combined) or removing 120,000 cars off the road for an entire year (2022: 108,690 cars). The above data has been verified by the Green Analytics team of the Macquarie Green Investment Group, a third-party climate related data provider.

Biodiversity

NESF recognises the urgency for action to be taken to reduce the intensity and drivers of biodiversity loss. By valuing the biodiversity baseline condition and understanding nature-dependencies, it is possible to effectively manage nature impacts and ecological footprint to reduce habitat loss.

The Investment Adviser is actively engaged in developing a global biodiversity strategy that will outline the Fund's ambition for biodiversity and set out a framework, which will guide disclosures under the Taskforce for Nature-related Financial Disclosures (TNFD) with informed Science-Based Targets (SBT).

The Investment Adviser is engaged with applying environmental due diligence and governance across all aspects of NESF's investment lifecycle to ensure consistent management of biodiversity risk and opportunity.

This continues to provide auditability, compliance and alignment with international drivers such as the Global Biodiversity Framework, and national policy including the Environmental Improvement Plan 2023. Please refer to our Sustainability Report on the NESF website: nextenergysolarfund.com/esg/transparency-and-reporting/.

Supply Chain Management

Since inception, the ESG Team of the Investment Adviser has been involved as a sponsor and supporter of the Solar Stewardship Initiative (SSI), a multi-stakeholder forum created by Solar Power Europe and Solar Energy UK to promote responsible sourcing in the solar value chain.

The public launch of the SSI took place in October 2022, and the Investment Adviser continues to be involved in the development of the SSI. The initiative is anticipated to be operational by the end of 2023. The Investment Adviser also continues to strengthen its supply chain risk management, with its ESG, procurement, construction and investment teams working closely together to ensure that contractors and suppliers abide by the Adviser's code of conduct and ESG standards.

Positive Social Contribution

NESF contributes to domestic growth and development wherever its assets are located. The Company is dedicated to ensuring best-practice labour standards are applied by all its contractors. In addition to the ESG activities on behalf of NESF and other clients, the NextEnergy Group continues to donate at least 5% of its net profits to the NextEnergy Foundation ("NEF"), which was established in 2017. The Board and I are proud that NESF also supports the Foundation, which included donations totaling £400k for the year ended 31 March 2023. The Foundation participates proactively in the global effort to reduce carbon emissions, provide clean power sources in regions where they are not available, and contribute to alleviate poverty.

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 contribution to climate change mitigation, addressed through its focus on investments in solar assets and battery storage assets. In addition, the Company has a robust ESG integrated process which is aligned with the "Do No Significant Harm" (DNSH) criteria of the EU Taxonomy, and implements strong safeguard on social, community and human right impact across its value chain. In light of this classification, NextEnergy Group has made the relevant disclosures (SFDR Annex III and V) for NESF, available on the Company's website.

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 its full TCFD report on pages of this annual report and has also disclosed the report as a stand-alone document on its website.

Appreciation

The Board would like to thank the Investment Manager and the Investment Adviser, and their employees for their continued hard work during the year; continuing to deliver substantial value to the Company's ambitions to deliver sustained high performance and significant positive impact.

Outlook

The Board, Investment Manager and Investment Adviser believe that the market environment continues to be favourable for the Company. Undoubtedly, macroeconomic and political events have impacted and will continue to impact the renewable energy sector in which the Company operates. The current economic climate provides further evidence for the benefits of solar energy, providing national energy security and independence, which in turn shelters consumers from the volatile global energy markets. As renewables are deployed, the business case for energy storage also strengthens. Battery storage is a highly complementary portfolio technology to Solar PV, and as the profiles are uncorrelated, this provides further diversification to the Company's portfolio from a technology, revenue and geographic perspective.

The Company has a strong pipeline of international growth opportunities on a direct and co-investment basis, as well as its pipeline of solar and energy storage assets in the UK. The pipeline has been composed to complement the existing portfolio, diversify the risk profile and enhance shareholder returns.

The Company has positioned itself well through its strategic initiatives and active management throughout the year, and I am excited to see NESF expand into its next stage of growth, going from strength to strength over the coming years.

Kevin Lyon
Chairman
16 June 2023

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(b) to the Financial Statements on page 122.

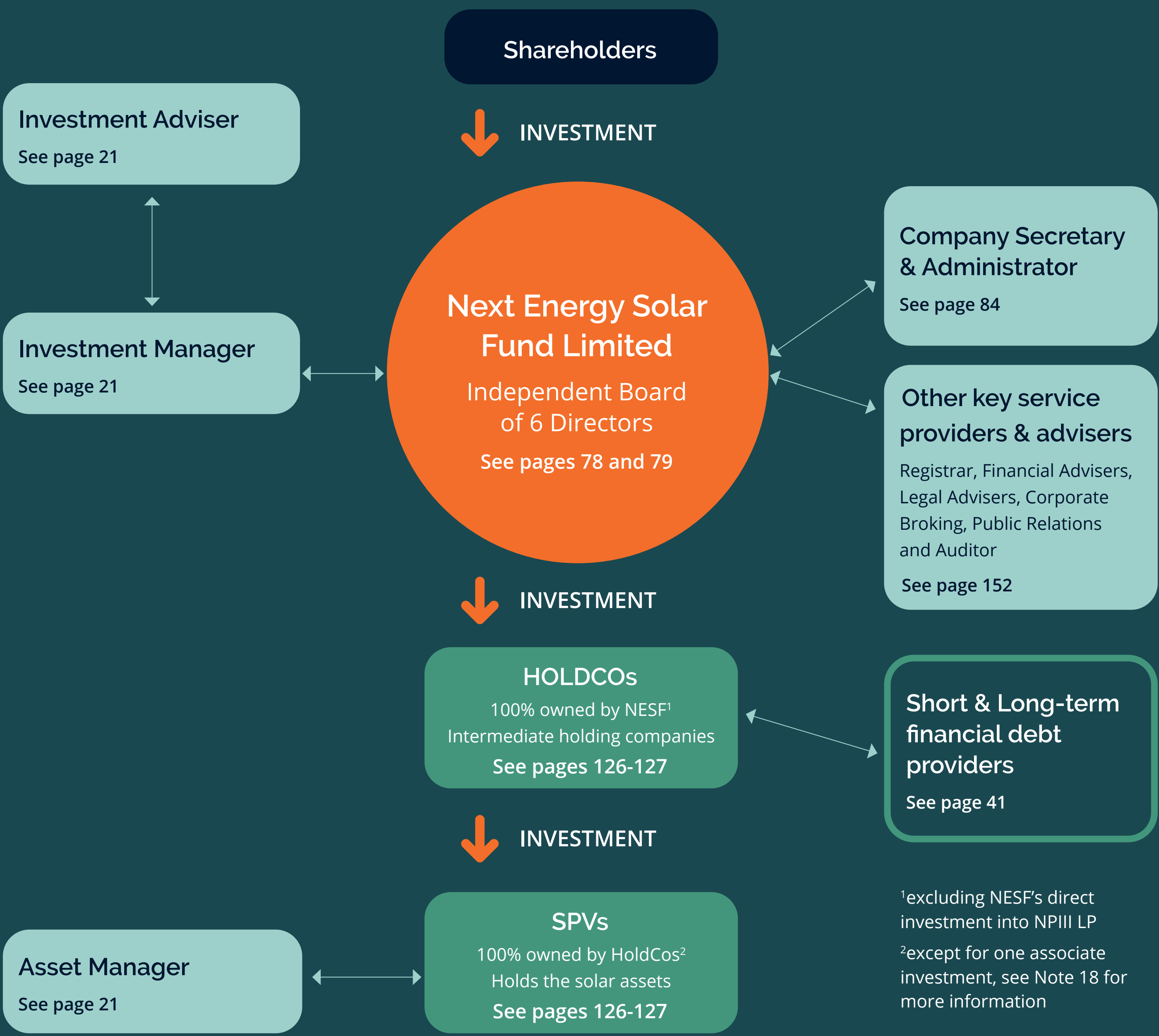
The Company makes its investments through intermediate holding companies ("HoldCos"), underlying special purpose vehicles ("SPVs") and a singular direct investment that hold the solar assets. The NESF Group comprises the Company, the HoldCos, the SPVs and the direct investments.

As explained in note 2(d) to the Financial Statements on page 115, as the Company is an investment entity as described by International Financial Reporting Standards ("IFRS") 10, the Company does not prepare consolidated Financial Statements and, instead, holds its investments 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 NPIII LP

[2]except for one associate investment, see Note 18 for more information

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 certain 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 82-84.

Management of the Company's Investment Activities and Assets

The Investment Manager, Investment Adviser and Asset Manager are shown in the diagram on page 18 and their key roles are shown on page 21. They are all members of 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 and battery storage sectors. Since its inception, it has been active in the development, construction and ownership of solar and battery storage assets.

As at 31 March 2023 the NextEnergy Group had assets under management of c.$3.4 billion with a cumulative operating generating capacity of more than 1.4GW. In addition to the Company, it manages the private equity fund, NPIII LP, which invests in solar assets globally. The fund achieved a total capital raise of $896m, which exceeded its target of $750m. NPIII LP currently has an operating capacity of c.390MW.

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 Investment Adviser has since secured the UK Infrastructure Bank as a cornerstone investor for a private 10-year solar infrastructure fund, NextPower UK ESG ("NP UK"). The fund, which focuses on subsidy-free UK solar, has currently secured £595m in committed capital, which exceeds its target of £500m, and will continue to fundraise up to the hard cap of £1bn.

The NextEnergy Group's team of over 270 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 over 70 years' industry experience between them.

Since it was founded, the NextEnergy Group has provided asset management, technical due diligence and other services to over 2,855 solar power and energy storage assets, totalling an installed capacity in excess of 4.3GW. 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 technical, financial and commercial data to analyse clients' data and generate insights, all of which help to protect and enhance the long-term quality and performance. This software, its systems and processes, together with specialist staff with extensive renewables experience, allows the Asset Manager to deliver market leading results.

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

Administration of the Company

The Board has delegated administration, fund accounting and company secretarial services to the Administrator. 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 84 of the Corporate Governance Report.

Michael Bonte-Friedheim is Founding Partner and CEO of the NextEnergy Group.

He has over 25 years' specialist experience in the power and energy sector.

Aldo Beolchini is Managing Partner and CIO of the NextEnergy Group.

He has over 21 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.

Investment Manager Management Agreement with the Company see note 1 in the Financial Statements on page 114 NEXTENERGY CAPITAL	• Acting as the Company's Alternative Investment Fund Manager ("AIFM") • Discretion to make investments in accordance with the Company's Investment Policy, subject to investment recommendations 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 HoldCos and SPVs WISE ENERGY	• 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 Investment Adviser

Dividend Policy, Scrip Dividends and Dividend Target for Financial Year Ending 31 March 2024

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 2024 will be set out in a separate circular that is expected to be sent to ordinary shareholders in or around August 2023. Once published, a copy of the circular will also be available on the Company's website **(nextenergysolarfund.com)**.

The target dividend for the financial year ending 31 March 2024 is 8.35 pence per ordinary share, an increase of 11% compared to the financial year ended 31 March 2023.

Five Year Record

	Year Ended 31 March				
Financial Key Performance Indicators	**2019**	**2020**	**2021**	**2022**	**2023**
Ordinary shares in issue	581.7m	584.2m	586.9m	589.1m	590.3m
Ordinary share price	117.5p	101.5p	99.6p	103.4p	104.8p
Market capitalisation of ordinary shares	£683m	£593m	£585m	£609m	£619m
NAV per ordinary share [1]	110.9p	99.0p	98.9p	113.5p	114.3p
Total ordinary NAV [1]	£645m	£579m	£581m	£668m	£674m
Premium/(discount) to NAV [1]	6.0%	2.5%	0.7%	(8.9%)	(8.3%)
Earnings per ordinary share	12.37p	(5.09p)	6.87p	21.69p	8.20p
Dividend per ordinary share	6.65p	6.87p	7.05p	7.16p	7.52p
Dividend yield [1]	5.7%	6.8%	7.1%	6.9%	7.2%
Cash dividend cover - pre scrip dividends [1]	1.3x	1.2x	1.1x	1.2x	1.4x
Preference shares in issue	100m	200m	200m	200m	200m
Financial debt outstanding at subsidiaries level	£269m	£214m	£246m	£283m	£345m
Financial debt (financial debt/GAV) [1]	27%	22%	24%	25%	28%
Gearing (financial debt + preference shares/GAV) [1]	36%	42%	43%	42%	45%
GAV	£1,014m	£991m	£1,025m	£1,150m	£1,218m
Weighted average cost of capital	5.4%	5.5%	5.4%	5.3%	5.7%
Ordinary shareholder total return - cumulative since IPO [3]	46.7%	37.5%	42.6%	53.6%	62.4%
Ordinary shareholder total return - annualised since IPO [3]	9.5%	6.3%	6.1%	6.7%	7.0%
Ordinary shareholder total return	11.8%	-7.8%	5.1%	11.0%	8.6%
Ordinary NAV total return [1]	11.8%	-4.5%	7.0%	22.0%	7.3%
Ordinary NAV total return - annualised since IPO [3]	8.1%	5.9%	6.0%	8.0%	8.0%
Ongoing charges ratio [1]	1.1%	1.1%	1.1%	1.1%	1.1%
Weighted average discount rate	7.0%	6.8%	6.3%	6.3%	7.3%
Operational Key Performance Indicators					
Invested capital [1]	£896m	£950m	£999m	£1,039m	£1,134m
Number of operating assets	87	90	94	99	99
Total installed capacity	691 MW	755 MW	814 MW	865 MW[2]	865 MW[2]
Annual generation	693 GWh	712 GWh	738 GWh	773 GWh	870 GWh
% increase (year-on-year)	54%	3%	3%	4%	13%
Generation since IPO	1.8 TWh	2.5 TWh	3.2 TWh	4.0 TWh	4.9 TWh
Solar irradiation (delta vs. budget)	9.0%	4.0%	5.5%	3.4%	7.5%
Generation (delta vs. budget)	9.1%	4.7%	6.2%	1.8%	3.8%
Asset Management Alpha [1]	0.1%	0.7%	0.7%	-1.6%	-3.7%
Remaining weighted average useful life	25.2 years	26.9 years	27.5 years	27.3 years	26.3 years

1 Alternative performance measures - see pages 141 – 144
2 Excludes share in private equity vehicle (NPIII LP). Inclusion of NESF's share of NPIII LP would increase capacity by 24MW (2022: 19MW) to 889MW (2022: 884MW)
3 Return figures since IPO calculated based on dividends paid

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 and are looking to increase this up to 25%.
- **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 28 to 42.

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 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.

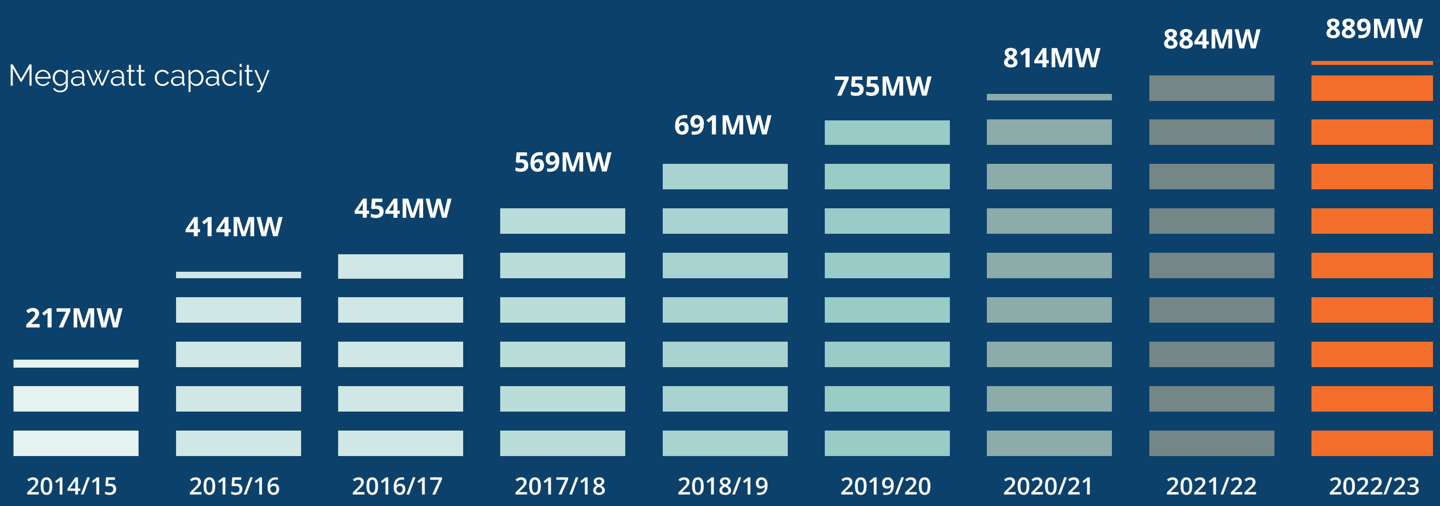
Where investments are made in currencies other than sterling, currency hedging may be carried out to seek to provide protection to the level of sterling dividends and other distributions that the Company aims to pay on its shares and in order to reduce the risk of currency fluctuations and the volatility 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.

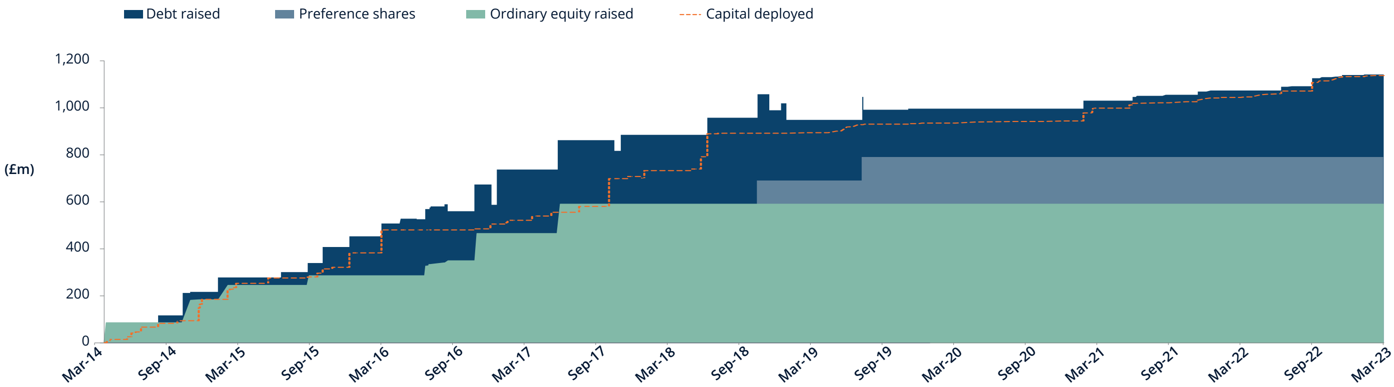
Installed Capacity since IPO[1]



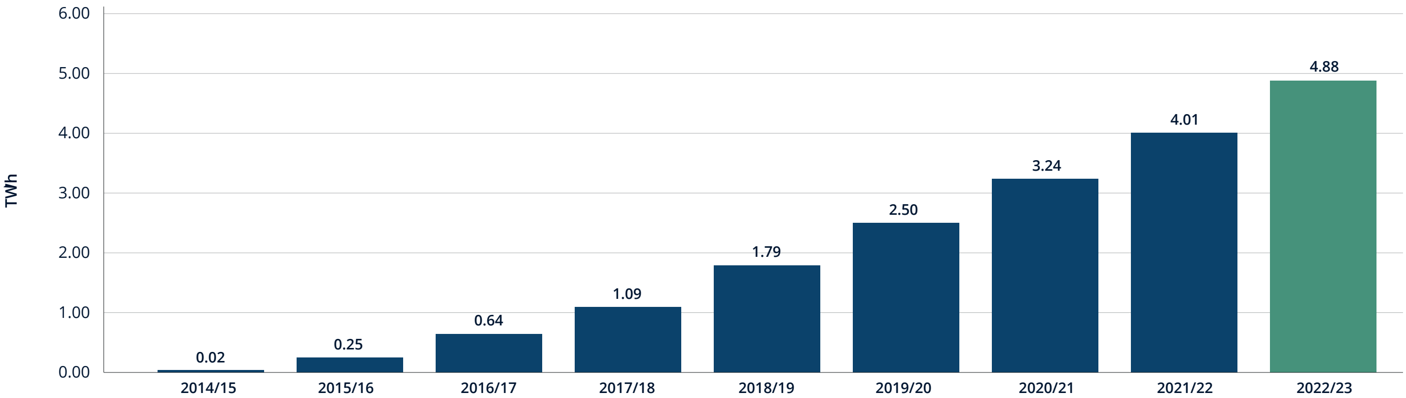
1 Includes 6.21% share in private equity vehicle (NPIII LP). As at 31 March 2023, NESF's share of NPIII LP increases total installed capacity by 24MW (2022: 19MW) to 889MW (2022: 884MW)

Our Investment Strategy and Track Record

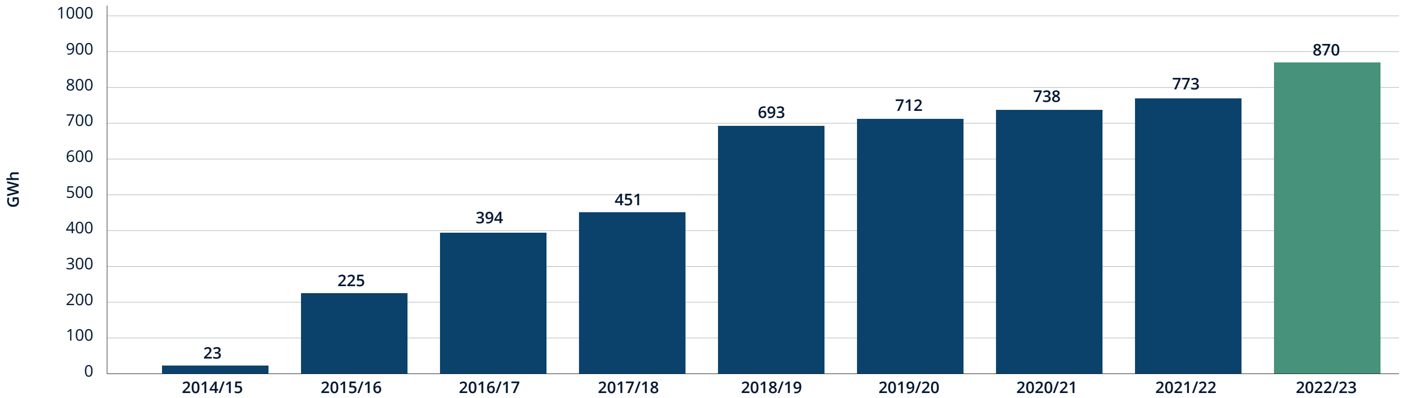
Capital Deployment Timeline since IPO



Total Cumulative Generation since IPO (TWh)[1]



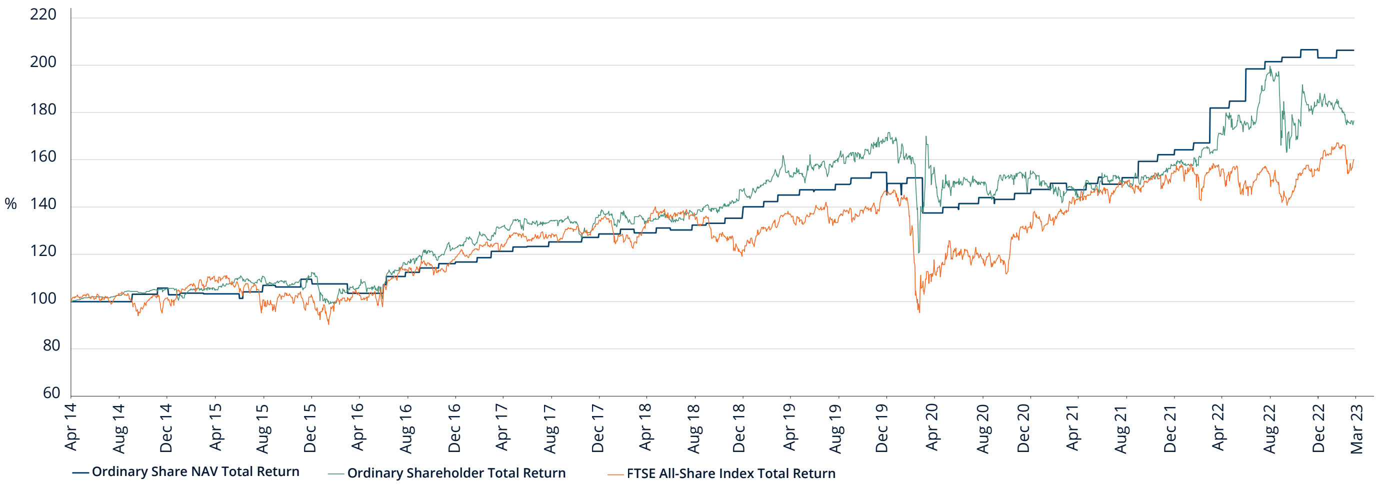
Annual Generation since IPO (GWh)[1]



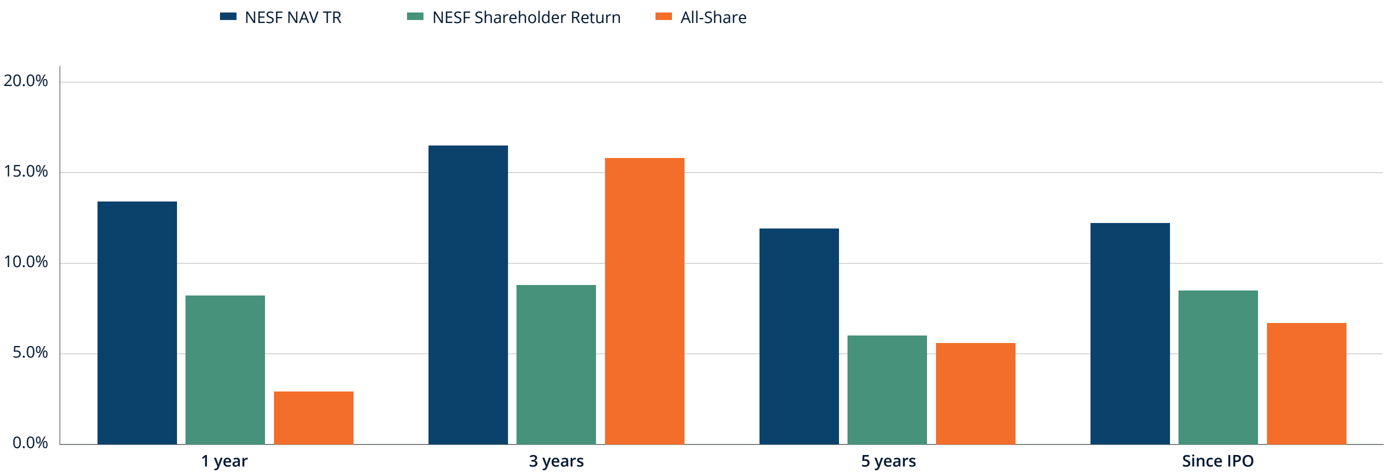
1 Excluding share in private equity vehicle (NPIII LP) on a look through basis

Performance since IPO[1]

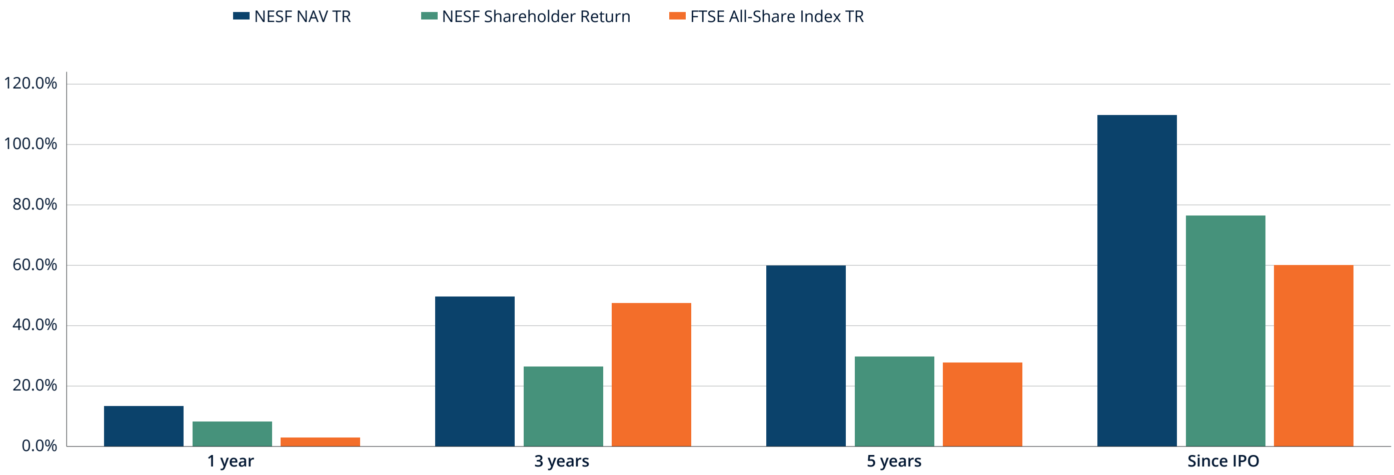
NESF total return vs FTSE all-share index total return



Compound annual return (%)



Cumulative performance (%)



1 To ensure like-for-like comparisons, all the total returns in the charts assume dividends have been reinvested | Source: Morningstar

Investment Adviser's Report

NextEnergy Group is a leading specialist solar and energy storage 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. $3.4 bn of assets under management and employs over 270 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 have in excess of 70 years' combined industry experience.

Michael Bonte-Friedheim is Founding Partner and CEO of NextEnergy Group

Aldo Beolchini is Managing Partner and Chief Investment Officer of NextEnergy Capital

Giulia Guidi is Head of ESG at NextEnergy Capital

Ross Grier is Chief Operating Officer of NextEnergy Capital

Introduction

NextEnergy Capital Limited, the Investment Adviser, continues to provide dedicated support to the Company. This has enabled NESF to deliver a strong performance, capitalise on value-accretive opportunities and successfully navigate the complex challenges faced during a year characterised by significant market volatility and political instability. The Investment Adviser closely monitors political and economic developments and continues to dynamically assess potential future opportunities and risks for the Company.

As at 31 March 2023, the NAV per ordinary share was 114.3p (2022: 113.5p). The change in NAV over the annual period includes increases in both power price forecasts (+14.6p per ordinary share) and short-term inflation forecasts (+5.6p per ordinary share). A rising interest rate environment and increases in UK long-term gilt yields led to a 1.0% increase to the discount rate applied to unlevered operating UK solar assets, offsetting some of the positive movement from power prices and inflation (-7.0p per ordinary share).

As disclosed in the RNS dated 12 May 2023, the Board and the Investment Adviser identified a historic overstatement in the NAV. This issue has been fully addressed and the current and historic NAV has been adjusted accordingly. As a result the Investment Adviser has completed a full investigation of this issue and of the Company's controls and processes, working in conjunction with the Audit Committee. Based on the detailed and thorough work undertaken by the Investment Adviser and the Audit Committee, the Board is satisfied that this was an isolated incident and that the controls and valuation tools remain robust. The Investment Adviser has also incorporated additional controls to provide the Board with further reassurance. In addition, the Investment Manager has repaid the management fee that had been based on the higher NAV figure, which amounted to a total of £133,000. Further details can be found on page 35.

Investment Highlights

During the year, the Company has continued to advance a significant pipeline of UK solar assets, international solar assets, UK battery storage assets as well as international solar co-investment opportunities through NESF's commitment to NPIII LP.

UK Solar Investments

NESF has pioneered investment into UK subsidy-free solar since 2017, paving the way for continued renewable investment in the UK following the withdrawal of subsidy regimes. This effort has been crucial in attracting new investment into the sector, advancing the UK's net zero ambitions and energy security. NESF has made substantial progress across its pipeline of post-subsidy solar assets and accrued significant value. Following a successful year of progressing the portfolio, the Company plans to crystallise the returns by divesting five subsidy free assets and recycling the capital into further value-accretive opportunities.

During the year, the Company commenced construction of Whitecross, a 36MW utility solar asset, located in Lincolnshire. The Company also commenced grid connection works and the construction mobilisation phase of Hatherden, a 50MW subsidy-free solar farm in Hampshire. Alongside three other assets in the NESF portfolio, Whitecross and Hatherden contribute towards a selection of subsidy-free projects totaling 150MW. The other three assets being High Garrett (8.4MW), Hall Farm 2 (5.4MW) and Staughton (50MW). 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.

Whitecross and Hatherden have been selected to be part of the fourth CfD Allocation Round (AR4). The CfD programme lasts for 15-years and is annually index linked to inflation (CPI). It is scheduled to commence from 31 March 2025 at the AR4 solar PV strike price of £45.99/MWh (set in 2012 equivalent prices).

During the year, NESF added a commercial rooftop solar asset to its portfolio, secured through an existing agreement made with the renewable energy developer, Zestec. Holiday Inn is a 0.18MW asset located on a Holiday Inn in Nottinghamshire and benefits from an attractive 25-year power purchase agreement ("PPA") for 100% of its generated volume.

Newfield, a 0.18MW commercial rooftop solar asset, was removed from the portfolio following termination of the lease by the landlord. The Company has received appropriate compensation in line with the termination clause in the lease agreement.

The NextEnergy Group's Energy Sales desk is responsible for managing the strategy for the sale of electricity from the subsidy-free operating assets without long-term contracts. Details on the power price risk management strategy can be found in note 22b of the Financial Statements on pages 132-133.

International Solar Co-investments

The Company has continued to pursue geographical diversification through its existing $50m commitment ($38.1m drawn as at 31 March 2023) into NPIII LP. NPIII LP is a US$806m private equity solar fund focused on utility scale solar assets in OECD markets with a portfolio of operational and in-construction solar assets. Its US$50m commitment provides the Company with access to attractive co-investment opportunities on a direct investment basis alongside NPIII LP and other limited partners in the NPIII LP fund, on a no-fee, no carry basis.

In May 2022, the Company announced its second co-investment alongside NPIII LP, taking a 13.6% stake in a 210MW solar asset known as Santarém in Portugal. Energisation of the project is expected to take place in 2023. Once energised, Santarém will benefit from a long-term PPA for the sale of electricity which has been signed with Statkraft, a leading renewable producer in Europe's energy market.

Energisation of the Company's first co-investment, a 25% stake in a Spanish 50MW solar project, Agenor Hive S.L. ("Agenor"), is expected to occur in Q3 2023 following its announcement in January 2022. These co-investments will enable the fund to benefit from:

- Low revenue risk through entering PPAs with high-credit counterparties; and
- Additional geographical diversification.

Standalone UK Battery Storage Investments

NESF has continued its strategic expansion into energy storage through its strong relationship with Eelpower Limited ("Eelpower"), which has provided the Company with access to leading expertise in the industry.

The Company's first £100m Joint Venture Partnership ("JVP1") was announced on 26 April 2022 and is owned 70% by NESF and 30% by Eelpower. Its first 50MW battery storage project through JVP1, called Camilla, is currently under construction in Fife, Scotland. Camilla has been selected to provide battery storage capacity in the UK Government's latest Capacity Market Auction. The contracts are expected to deliver revenues of £557k over winter 2023 and £576k per annum over 2026 to 2032, adding to Camilla's existing Capacity Market contract for delivery in winter 2025-26 worth £305k. As a result, Camilla will support the grid with critical flexibility during stress events in winter 2023 and for six winters from October 2026. These contracts will provide a stable foundation for the operation of the asset.

In September 2022, NESF entered its second £200m Joint Venture Partnership ("JVP2") with Eelpower. NESF owns 75% of JVP2, with Eelpower holding the remaining 25%. The Company subsequently announced its first successful acquisition through JVP2 of the development rights, permits, and initial grid milestones for a 250MW portfolio of high-quality battery storage projects and grid connections in the East of England for £32.5m.

Once constructed, the project will provide vital grid balancing services. Furthermore, the project will harness electricity at low import prices and export electricity at times of low generation and high prices, benefiting from excess generation from neighbouring offshore wind. The project provides a very attractive return profile for the Company's portfolio.

The Directors have concluded that both Joint Venture Partnerships meet the control requirements of the relative accounting standards and are therefore accounted for as subsidiaries note 4 of the Financial Statements on pages 119 to 120.

Co-located UK Battery Storage Investments

Due to the high complementarity between solar generation and battery storage, the Company is also pursuing a co-located battery storage retrofit programme for its existing portfolio of 99 UK operational assets. Solar assets exhibit a very predictable generation profile throughout the day; therefore, batteries can better optimise when it charges and subsequently dispatches power throughout the day, allowing the battery to capture arbitrage opportunities.

In April 2022, the Company selected the first site for a co-located battery storage project and has plans to 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 and discussions are ongoing with the local distribution network operator to confirm an energisation date. 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.

Outlook and Capital Recycling Programme

Market research published during the reporting period, such as the IEA World Energy Outlook 2022, supports the Company's goals for deployment of new clean energy projects and forecasts substantial increases in capacity of renewables out to 2030. Furthermore, the UK national grid's future energy scenarios forecasts growth in capacity to continue, with energy storage increasing the most from 1.6 GW in 2021 to as much as 20 GW by 2030 and 35 GW by 2050. This economic and political landscape strengthen the case for investment in renewables for the foreseeable future. It is in this context that the Company is seeking to maximise the value of its existing portfolio and capture higher returning investment opportunities through a capital recycling programme (the "Programme") that was launched in April 2023.

The Company has been a market leader in subsidy-free UK solar and has created value through the construction and energisation of its pipeline. The Board and Investment Adviser do not consider this value to be truly reflected in the Company's recent share price. Therefore, NESF is aiming to divest a portfolio of five subsidy-free assets (Hatherden, Whitecross, Staughton, The Grange, and South Lowfield). The Programme is expected to deliver NAV accretive returns by realising the value generated through these investments. The Company will retain two operational subsidy-free assets and remains committed to its remaining subsidy-free solar pipeline.

The proceeds from this transaction will be utilised in the following ways:

- **Reduce Gearing:** In light of significant increases in interest rates over the year, the Board anticipates using net proceeds from the Programme to reduce the amount of drawn RCF where the Company has exposure to the high interest rate environment in the near term. The reduction in gearing will reduce debt service burden, strengthen free cash flows, and further increase dividend cover.
- **Growth Opportunities:** Some of the proceeds from the Programme will allow the Company to position itself ready for its next phase of growth, including value-accretive energy storage. Battery storage is a highly complementary technology to Solar PV, and the profiles of both are uncorrelated, providing further diversification to the Company's portfolio from a

technology, revenue and geographic perspective. The Company has exclusivity over, or owns the project rights for, the majority of its pipeline of c.£500m UK and international assets across the solar and energy storage space. This includes ownership of the development rights for a high-quality 250MW battery storage project in the East of England, which when constructed will be one of the UK's largest operational standalone battery storage assets.

- The investment opportunities aim to achieve robust financial returns, increase dividend cover and add geographical, technological, and revenue diversification to the NESF portfolio.
- **Commitment to buyback shares:** The Board and the Investment Adviser continue to closely monitor the current discount and confirms its commitment to buy back shares if the share price continues to trade at a material discount to the Company's NAV per share.

Portfolio Performance

During the year, solar irradiation across the entire portfolio was 7.5% above expectation (2022: 3.4%), and generation was 3.8% above budget (2022: 1.8%). The additional generation increased revenues by an estimated £4.8m (2022: £2.0m) and provided an additional +31.6GWh of clean electricity across the portfolio (providing enough energy to power 8,500 homes for the year). Generation Alpha during the year has been impacted by supply chain constraints, particularly due to continuing delays and long lead times as a result of the Covid-19 pandemic.

The outperformance of the portfolio during the year was strong and involved navigation of significant challenges. Without Distribution Network Operator Outages ("DNOOs"), portfolio generation would have been c.4.8% above budget. Distribution Network Operators ("DNOs") are regionally based licensed companies (there are six across Great Britain) with each responsible for a specific region. DNOs complete rolling programmes of preventative maintenance and upgrade works to ensure stability of the energy supplied to consumers. In order to keep their staff safe, they often need to de-energise power lines to complete these works.

The Asset Manager delivers dynamic monitoring and active performance management for assets that have successfully passed Preliminary Acceptance Certificate ("PAC") in accordance with the Engineering, Procurement and Construction ("EPC") contract. The three rooftop portfolios have been excluded as the monitoring of small assets is not economically viable. Similarly, the generation performance of assets that are yet to pass PAC are not reported by the Asset Manager.

FY2023	Irradiation (delta vs. budget)	Asset Management Alpha	Generation (delta vs. budget)
UK portfolio	+7.7%	-3.8%	+3.8%
Italy portfolio	+5.9%	-2.6%	+3.3%
Total	**+7.5%**	**-3.7%**	**+3.8%**

12 months ended 31 March	No. of assets monitored	Irradiation (delta vs. budget)	Asset Management Alpha	Generation (delta vs. budget)
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%
2023	90	+7.5%	-3.7%	+3.8%
Cumulative from IPO to March 2023	**90**	**+3.5%**	**+0.9%**	**+4.4%**

Portfolio Optimisation

The Asset Manager focusses on implementing technical improvements across the portfolio, reducing operating costs through utilising existing insurance contracts and re-negotiating contractual terms by entering into new agreements with suppliers. Throughout the year, the Asset Manager has leveraged on its experience and understanding of renewables to deliver high levels of performance across NESF's operating portfolio.

Asset Optimisation

During 2022, NESF conducted a market leading tender aiming to drive down the cost of O&M. 18 assets totalling c.165 MWp have been rolled into the new framework, driving down costs from £6.7k/MWp to £5.8k/MWp, a saving of 14%, despite the high levels of inflation during the year.

The Company's Asset Manager utilised its understanding of the challenges faced by the O&M industry and the subsequent impacts to costs. The approach facilitates cost reductions whilst helping to further drive the leading performance of the assets. Overall, through the O&M tender process, six leading O&M contractors were selected to deliver in the short to medium term for NESF. These O&Ms have been strategically selected to offer:

- Economies of scale whilst simultaneously not exposing the fund to over-consolidation risk;
- Coverage of all technologies across the NESF portfolio in order to drive performance; and
- Appropriate geographical coverage for the fund.

During the year, six insurance claims were successfully settled and closed out for storm damages. The Company received a total settlement of £537k.

The Company has initiated a programme to replace aging inverters across its portfolio, prioritising those which have experienced increased failure rates, such as Emerson inverters. In total the Company currently anticipates replacing inverters for up to 13 assets (with a combined capacity of up to 135MW) over the next three years. The Investment Adviser and Asset Manager regularly review performance across the portfolio to identify opportunities to support and enhance long-term asset health as part of a rolling programme of strategic re-investment.

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, 25 OFGEM audits have been successfully concluded without adverse impact to ROC or FiT accreditations. The NextEnergy Group has staff who are experienced in dealing with the ongoing audits. Engagement with OFGEM is through professional advisers and senior NextEnergy Group staff. The Asset Manager has identified and mapped contractual recourse associated with identified risk of loss for completed and ongoing audits.

Short/Medium-term Power Purchase Agreements

NESF continues to lock in power price hedges over a 36-month period. This risk mitigation helps secure and underpin both dividend commitments and dividend cover, whilst reducing volatility and increasing visibility of cash flows.

NextEnergy Group's energy sales desk ensures that the Company's electricity sales strategy increases the certainty of revenue streams whilst mitigating the negative impact of short-term fluctuations in the power markets. Secured pricing comprises fixed price contracts and hedging under trading frameworks.

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

UK hedging summary[1]	FY2023/ 2024	FY2024/ 2025	FY2025/ 2026
Generation hedged (%)	87.9%	44.3%	13.0%
Average fixed price (£/MWh)	£79.0	£91.4	£147.2

[1] covers 83% of the total portfolio (716MW) as at 1 June 2023

For the year ended 31 March 2023, the Italian portfolio derived c. 81% of revenues from subsidies (principally FiTs) and c. 19% of revenues resulted from the sale of electricity under fixed price agreements. For calendar year 2023, c.62% of the Italian portfolio has fixed price agreements in place for H1 2023 at a weighted average fixed price of €84.0/MWh. For H2 2023, 100% of the Italian portfolio has fixed price agreements in place at a weighted average fixed price of €135.2/MWh.

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 Company's 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 NPIII LP which is valued using the estimated attributable NAV. Assets which are 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 Company incorporates third parties in the process. A review is arranged with the auditors on a semi-annual basis. The auditors conduct an independent review of the interim financial statements and an audit of the annual report and financial statements. On a periodic basis, a specialist third-party modelling company conducts a detailed review and validates the Fund's model, to provide assurance of its structural integrity and confirms it is correctly updated and maintained.

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

Processes and Controls

Corporate governance of the Fund is critical to the process surrounding the valuation and involves many stakeholders. On a quarterly basis, the fund model is used to produce a valuation of the Investments, which involves an extensive internal review performed by the Investment Adviser. Following production of the NAV, multiple reviewers are responsible for ensuring that all changes to the Company's portfolio are reflected and explained appropriately. These changes include:

- Inputs and assumptions, which are updated to correctly reflect the project documents and the acquisition case. For new assets acquired since the previous valuation, the main input source is the acquisition documents used to build the acquisition model created by the Investment Analyst. The Investment Adviser will therefore be responsible for ensuring that the inputs of their acquisition model have been correctly transferred to the Fund model and the acquisition contracts are cross-checked against one another;

- Changes to inputs for existing assets, which must be explained by project documents. These changes might include:
  - Project Life: Planning and lease extensions secured since the acquisition of the asset;
  - Project Yield: Remediation performed after acquisition;
  - Project Operating Expenses: New or amended contracts for O&M, Asset Management, Insurance and G&A secured during the period; and
  - Project Capital expenditures (actual costs incurred and changes to expected milestone dates); and

- Updates to data provided by third party advisers and sources. The Company continues to capitalise on the expertise of third-parties and ensure fairness in the process through the independence of assumptions.

Following internal review, the Investment Adviser arranges a committee meeting to scrutinise movements in the valuation during the period and consider long-term assumptions, such as the discount rate. The Investment Adviser subsequently presents the valuation to the Board of Directors of the Investment Manager, explaining the movements in the portfolio valuation and the NAV during the period. Following approval, the Investment Adviser presents to the NESF Board of Directors. Both presentations show the valuation of the portfolio, split by asset and include the NAV bridges (as shown on page 38). If satisfied with the responses to queries, the NAV is approved for public dissemination. All board and committee meetings are minuted and documented.

Portfolio valuation – key assumptions	As at 31 March 2023	As at 31 March 2022
UK long-term inflation	2.25%	2.25%
UK short-term inflation (1 year horizon)	4.9%	8.0%
Weighted average discount rate	7.3%	6.3%
Remaining weighted average useful life	26.3 years	27.3 years
UK short-term power price average (2023-2027)	£105.2/MWh	£86.1/MWh (real 2023)
UK long-term power price average (2028-2042)	£50.9/MWh	£50.6/MWh (real 2023)
Italy power price average (20 years)	€92.6/MWh	€64.0/MWh (real 2023)
UK corporation tax rate	25%	19% until 2023, 25% thereafter

Forecast power price methodology

For the UK portfolio, the Company uses multiple sources for UK power price forecasts. Where PPAs exist, PPA prices are used where they have been secured. For periods where there are no PPAs in place, short-term market forward prices are used. After two years, the Company integrates 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 ("Consultants") used by the Company in publishing quarterly or ad hoc updates following any significant market development.

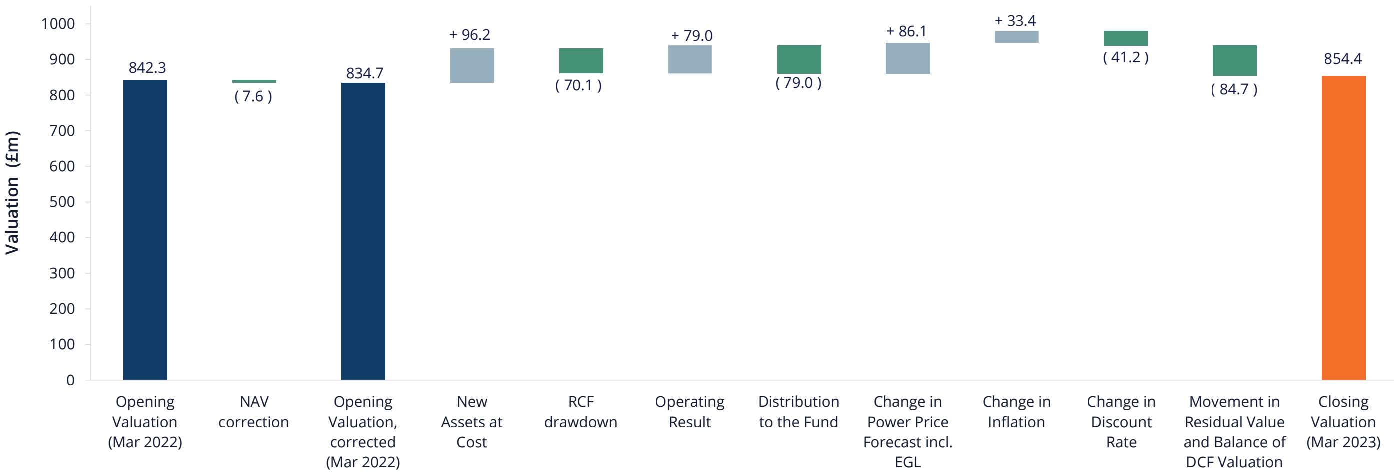
For the Italian portfolio, a leading independent energy market consultant's long-term projections are used to derive the power curve adopted in the valuation.

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.

Valuation Correction

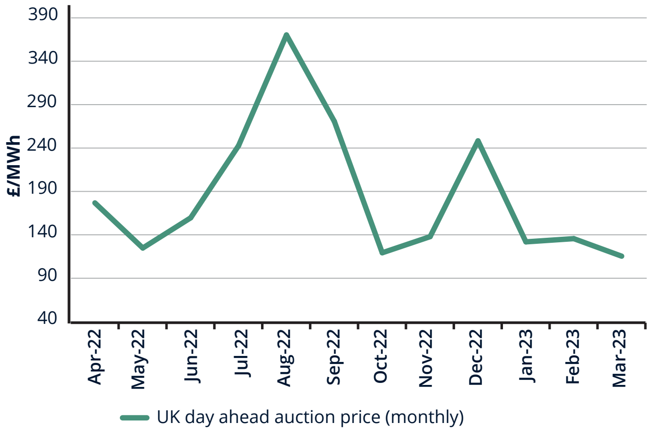
As part of the Company's continual improvement of internal systems, an internal review identified that a report generated by a new reporting module had overstated historic NAV calculations leading to an excess of working capital being reported. This was not an issue with the accounting system; the Board and the Investment Adviser have investigated it fully and are confident that the accounting across the Company and its SPVs remains robust.

Portfolio Valuation Bridge March 2022 - March 2023



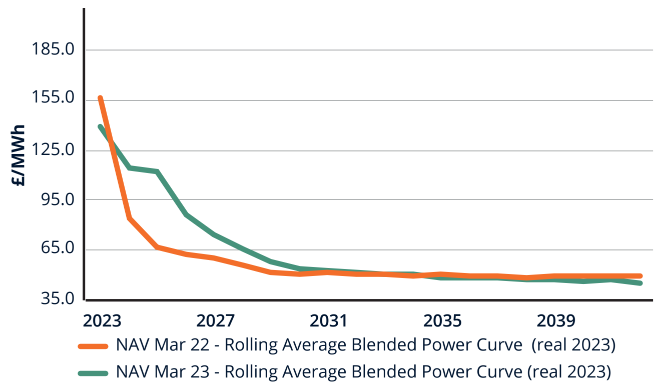
Historic - UK power prices

UK electricity day ahead prices decreased from £176.8/MWh in April 2022 to £115.4/MWh in April 2023. (Source: N2EX - UK baseload – day ahead).



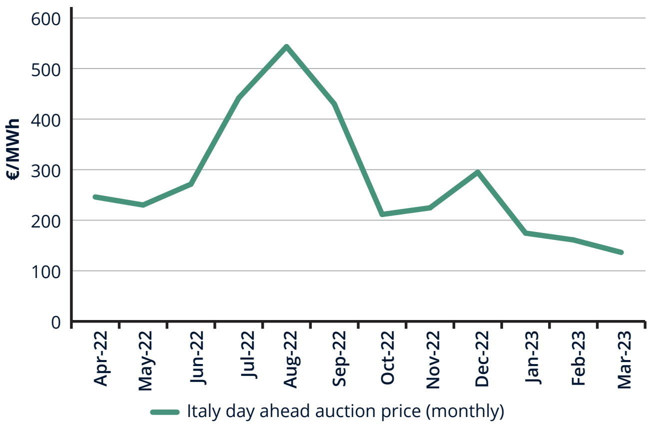
Forecast UK power prices (real 2023)

The Company's current UK 20 year average power price forecast represents an increase of 8.4% compared to that used at the end of the previous financial period.



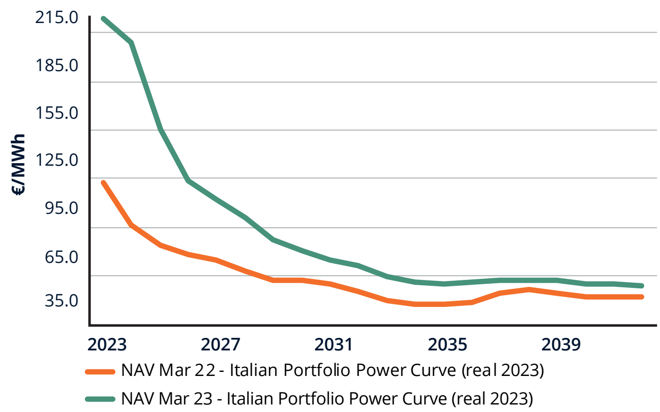
Historic - Italian power prices

Italian electricity day ahead prices decreased from €246.0/MWh in April 2022 to €136.4/MWh in March 2023 (see graph below). (Source: Gestore Marcati Energetici – purchasing price).



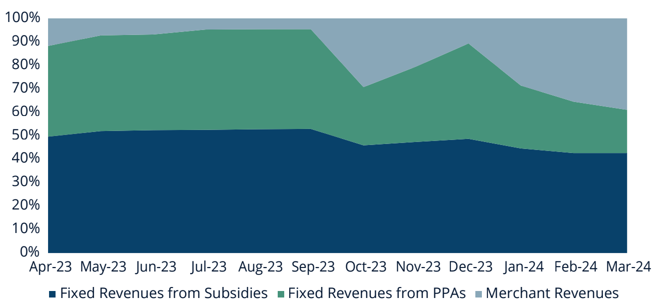
Forecast Italian power price (real 2023)

The Company's current Italian 20 year average power price forecast represents an increase of 44.8% compared to that used at the end of the previous financial year.



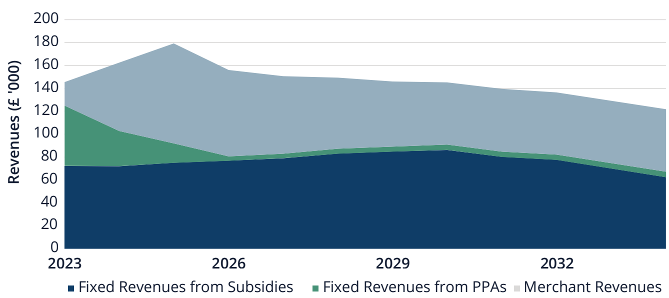
% of NESF revenue fixed until 31 March 2024

(as at 31 March 2023)



NESF 10-year forecast revenue breakdown

(as at 31 March 2023)



Discount rate

During the year, the UK rate of inflation increased significantly. In the context of higher interest rates in response to changes to the Bank of England ("BoE") base rate, the yield on UK long-term gilts has also increased, putting upward pressure on discount rates. The BoE Monetary Policy Committee announced on 23 March 2023 an increase to the BOE base rate to 4.25%. Therefore, during the year, the Company increased the discount rate for unlevered operating UK solar assets by 1.0% to 6.75% (31 March 2022: 5.75%). This change is in line with the increases in discount rates observed by the Investment Adviser in the sector in which the Company operates, and continues its robust approach to valuing the portfolio.

Discount rate assumptions	Premium	As at 31 March 2023	As at 31 March 2022
UK unlevered	-	6.75%	5.75%
UK levered	0.7-1.0%	7.45-7.75%	6.45-6.75%
Italy unlevered[1]	1.5%	8.25%	7.25%
Subsidy-free (uncontracted)[2]	1.0%	7.75%	6.75%
Life extensions[3]	1.0%	7.75-8.75%	6.75-7.75%

1 Unlevered discount rate for Italian operating assets implying 1.5% 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 7.3% (31 March 2022: 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 levered portfolios. However, for the purposes of transparency, the Company's pre-tax WACC as at 31 March 2023 was 5.7% (31 March 2022: 5.3%).

The Company has not included the impact of the discount rates used in the NPIII LP investment, as the Company has no control or influence over these rates and a weighted average discount rate is not produced by NPIII LP, as its 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 asset (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 initially values each solar asset on the basis of the minimum performance ratio ("PR") guaranteed by the vendor, or that estimated by the appointed technical adviser during the acquisition due diligence. These estimates have been generally lower than the actual PR that the Company has been experiencing during subsequent operations. We therefore deem it appropriate to adopt the actual PR after two years of operating history when, typically, the plants have satisfied tests and received Final Acceptance Certification ("FAC").

As at 31 March 2023, 71 solar assets (totalling 630MW) have achieved FAC and their actual PR was used in the discounted cash flow valuation.

FAC timeline for remaining assets	Capacity (MW)
Financial quarter ending December 2023	75
2024 onwards	138
Total	**213**

Net Asset Value

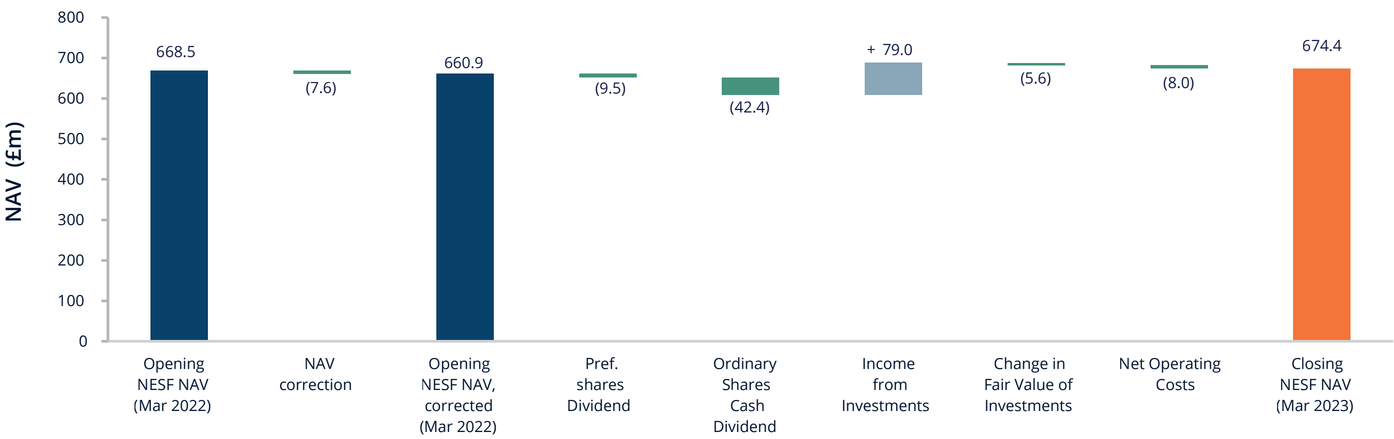
The Company's NAV is calculated quarterly and based on the valuation of the investment portfolio provided by the Investment Adviser and the other assets and liabilities of the Company calculated by the Administrator. The NAV is reviewed and approved by the Investment Manager and the Board. All variables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

In accordance with IFRS 10, the Company reports its financial results as an Investment entity and on a non-consolidated basis (see note 2d to the Financial Statements on pages 115-116). The change in fair value of its assets during the period is taken through the Statement of Comprehensive Income.

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

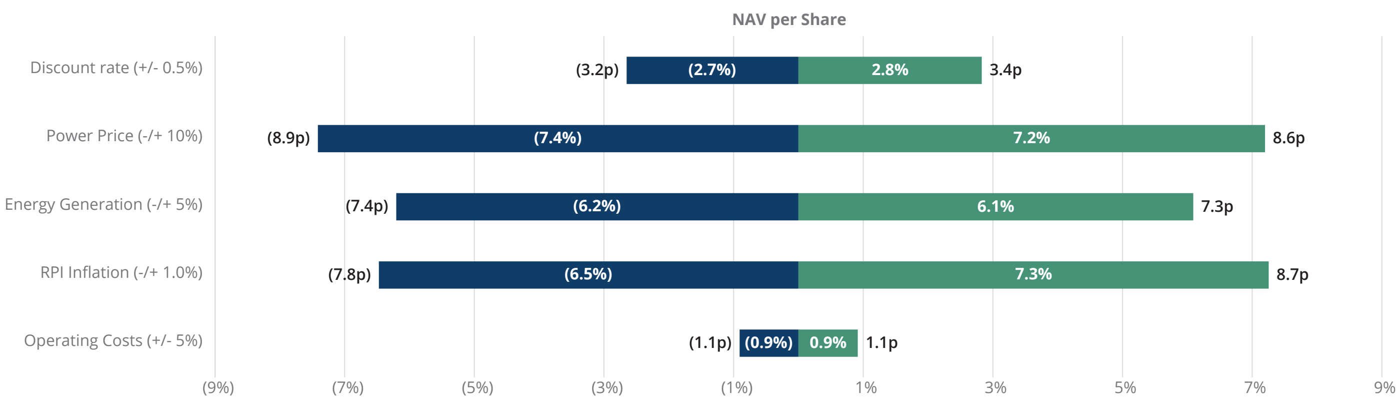
- An increase in short-term (2023-2027) UK power price forecasts provided by Consultants, being 22.2% higher than assumptions at 31 March 2022;
- The increase in discount rate for unlevered operating UK solar assets;
- The upward revision in short-term inflation forecasts;
- The operating results achieved by the Company's solar assets; and
- The dividends declared and operating costs incurred during the year.

NAV bridge for the year ended 31 March 2023



NAV sensitivity analysis as at 31 March 2023

The chart below shows the impact of the key sensitivities on the NAV per ordinary share. Additional sensitivity analyses can be found in note 19b to the Financial Statements on pages 128-131.



Cash Flow generation

The Company generates revenues through the sale of electricity to the markets and the subsidies provided under various subsidy regimes (ROC, NIROC and FiT). Both revenue streams are underpinned by two main factors:

- The actual energy generated (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 2023			**Actual per MW[1]**		**Budget per MW[1]**		**Delta vs. Budget**	**Comments**
Solar Irradiation	[A]	(kWh/m²)	1,277		1,188		**+7.5%**	Actual solar irradiation for the year
Conversion Factor[2]	[B]	(%)	78.8%		81.6%		**(3.5%)**	Represents Performance Ratio for the year
Metered Generation	[C] = [A x B]	(kWh)	1,007		970		**+3.8%**	Actual generation measured at the meter for the year
			Power price	**Subsidies**	**Power price**	**Subsidies**		
Realised Prices	[D]	(£/ MWh)	88.0	75.2	97.8	76.3	**(1.4%)** *subsidies* **(10.1%)** *power price*	Implied average power price and subsidies across entire portfolio (including ROC recycle and Embedded benefits)
Revenues (Subsidies, PPAs, Etc.)	[E] = [C x D]	(£'000)	88.6	75.7	94.9	74.0	**2.3%** *subsidies* **(6.7%)** *power price*	Actual revenues at portfolio level for the year (unaudited figures per MW)
Total Revenues	[E]	(£'000)	164.3		168.9		**(2.8%)**	
Operating Expenses	[F]	(£'000)	(34.7)		(34.2) [4]		**+1.6%**	Actual costs at portfolio level for the year (unaudited figures per MW)
EBITDA[3]	G] = [E – F	(£'000)	129.5		134.7		**(3.9%)**	Actual EBITDA for the year (unaudited figures per MW)
EBITDA Margin[3]			78.9%		79.8%			

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 plant performance ratio with availability issues incorporated, which reflects all system shut-downs for maintenance, failures or grid outages
3 EBITDA is a reference to EBITDA at the SPV levels
4 Budgeted operating expenses are based on the acquisition case of the assets

Operating results

Profit before tax was £48.3m (2022: £127.6m) with earnings per ordinary share of 8.20p (2022: 21.69p).

Operating expenses and ongoing charges

The operating expenses, excluding preference share dividends paid by the Company, for the year amounted to £8.2m (2022: £6.7m). The Company's ongoing charges was 1.1% (2022: 1.1%). The budgeted ongoing charges for the financial year ending 31 March 2024 is 1.1%. The ongoing charges has been calculated in accordance with the Association of Investment Companies recommended methodology and is an Alternative Performance Measure (see page 144).

Cash flow analysis

As at 31 March 2023, the Company held cash of £14.4m at an A+ credit rated financial institution (2022: £19.6m).

Cash received from assets in the period covered the operating expenses, the preference share dividends, dividends declared to ordinary shareholders in respect of the year ended 31 March 2023 and part of the investment into HoldCos.

Cash flows of the Company	**Year end 31 March 2023 £'000**	**Year end 31 March 2022 £'000**
Company cash balance at 1 April	**19,608**	**10,809**
Investment in HoldCos	(26,920)	6,877
Received from HoldCos	81,460	57,735
Directors' fees	(293)	(212)
Investment Management fees	(5,875)	(4,979)
Administrative Expenses	(1,730)	(1,281)
Dividends paid in cash to ordinary shareholders	(42,396)	(39,841)
Preference share dividends	(9,500)	(9,500)
Company cash balance at 31 March	**14,354**	**19,608**

Group Operating SPV's

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

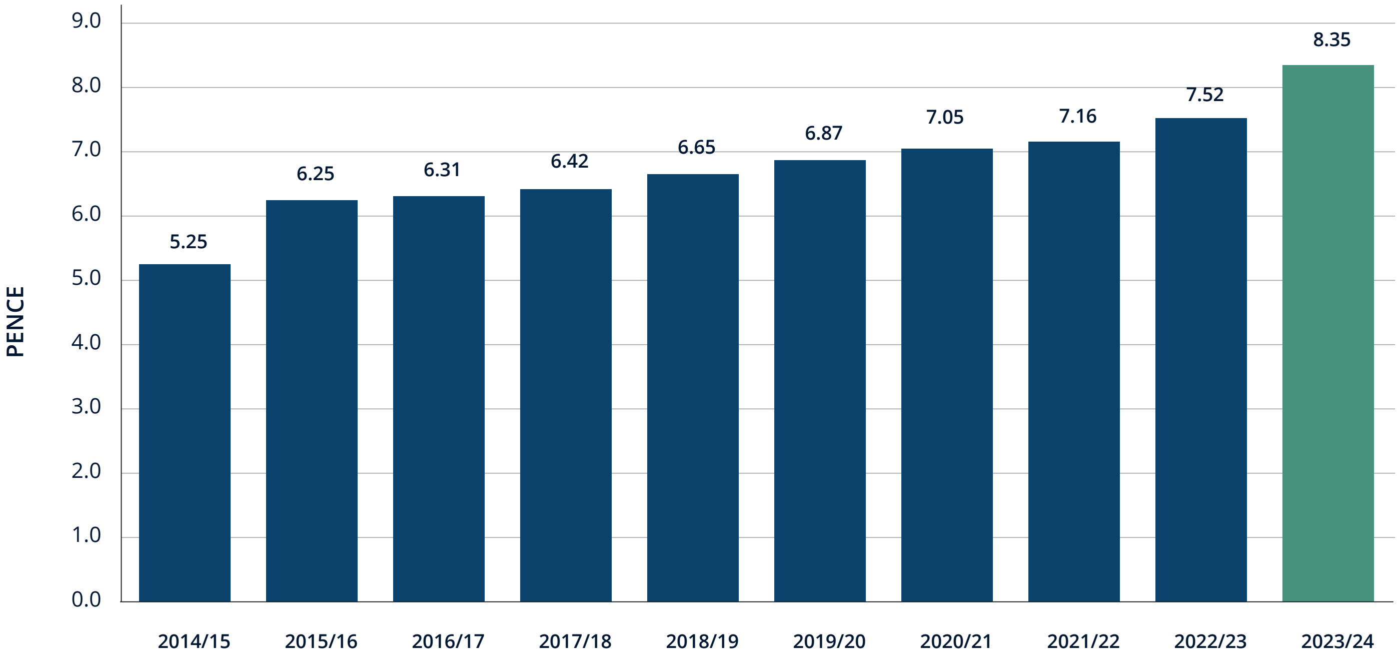
	Year end 31 March 2023 (unaudited) £'000	Year end 31 March 2022 (audited) £'000
Total NESF Group revenue	141,205	114,220
EBITDA	111,332	89,819
EBIT	52,819	38,575
Cash income for the year	**78,519**	**65,792**

Cash Dividend Cover

Year ended 31 March 2023	£'000	Pre-scrip dividends £'000
Cash income for year[1]	78,519	
Net operating expenses for year	(8,209)	
Preference shares dividend	(9,500)	
Net cash income available for distribution	60,810	
Ordinary shares dividend paid during year		43,807
Cash dividend cover[2]		**1.4x**

1 Cash income differs from the Income in the Statement of Comprehensive Income as the latter is prepared on an accruals basis. See page 142 for further information.
2 Alternative Performance Measures

Dividend per ordinary share track record



Financing

Financial debt

In June 2022, the NESF Group signed a two-year extension to its £70m RCF with Santander UK, now available until July 2024. In September 2022, the NESF Group secured £60m additional commitments under an existing RCF from £75m to £135m, available until June 2024.

At 31 March 2023, the Company's subsidiaries (including NPIII LP) had financial debt outstanding of £345m (2022: £283m), on a look-through basis, as shown in the table overleaf. Due to a combination of low debt levels and RPI linked subsidies, debt covenants at the HoldCos level would only be breached at very low power prices (less than c.£20/MWh). No covenant breaches have occurred during the period.

Preference shares

At 31 March 2023, the Company had £200m of preference shares outstanding (2022: £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 cash flow, 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 include:

- 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 fee is payable in respect of the preference shares. The terms of the preference shares can be found in note 23 to the Financial Statements on page 135.

Total gearing

The financial debt, together with the preference shares, represented a total gearing level of 45% (2022: 42%), which is below the maximum limit of 50% in the Company's Investment Policy.

Events After the Balance Sheet Date

On 11 May 2023, the NESF Board approved a dividend of 1.88 pence per ordinary share for the quarter ended 31 March 2023 to be paid on 30 June 2023 to ordinary shareholders on the register as at the close of business on 19 May 2023.

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
MIDIS / CBA / NAB	Fully-amortising long-term debt[3]	NESH	21 (241MW)	43.0%	Medium-term	48.4	35.1	Dec-26	2.91%[4]
					Floating long-term	24.2	24.2	Jun-35	3.68%[4]
					Index-linked long-term	38.7	33.4[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)	38.8%	Inflation-linked	27.5	18.9[5]	Sep-34	RPI + 1.44%
					Fixed long-term	27.5	21.7	Sep-34	4.11%
Total long-term debt						**212.5**	**171.3**		
Banco Santander	Revolving credit facility	NESH VI	13 (100MW)	N/a	N/a	70.0	31.3	Jun-24	SONIA + 1.60%
Natwest/ AIB	Revolving credit facility	NESH III	19 (226MW)	N/a	N/a	135.0	135.0	Jun-24	SONIA + 1.20%
Total short-term debt						**205.0**	**166.3**		
NPIII LP look through debt	N/a		N/a	N/a	N/a	N/a	7.7[6]		
Total debt							**345.3**		

1NESF has 326MW under long-term debt financing, 326MW under short-term debt financing and 214MW without debt financing (excludes NPIII LP look through debt)
2 Loan to Value defined as 'Debt outstanding / GAV'
3 Long-term debt is fully amortised over the period secured assets receive subsidies (ROCs and others)
4 Applicable rate represents the swap rate
5 Represents the "real" outstanding debt balance. The "nominal" outstanding debt balances are included in the debt balances provided in Note 22b to the financial statements
6 The total combined short and long-term debt in relation to NESF's commitment into NPIII (on a look through equivalent basis)

Alignment of interest

As at 1 June 2023, NextEnergy Group employees held 1,532,060 shares in NESF.

NextEnergy Capital Limited

16 June 2023

SCAN ME

Operating Portfolio

Power Plant		Location	Acquisition date	Subsidy/PPA[1]	Installed capacity (MW)	Cost (£m)	Remaining useful life of asset (Years)
1	Higher Hatherleigh	Somerset	Apr-14	1.6	6.1	7.3[3]	15.0
2	Shacks Barn	Northamptonshire	May-14	2.0	6.3	8.2[3]	14.3
3	Gover Farm	Cornwall	Jan-15	1.4	9.4	11.1[3]	16.7
4	Bilsham	West Sussex	Jan-15	1.4	15.2	18.9[3]	21.2
5	Brickyard	Warwickshire	Jan-15	1.4	3.8	4.1[3]	16.6
6	Ellough	Suffolk	Jul-14	1.6	14.9	20.0[3]	25.9
7	Poulshot	Wiltshire	Apr-15	1.4	14.5	15.7[3]	15.9
8	Condover	Shropshire	May-15	1.4	10.2	11.7[3]	16.6
9	Llwyndu	Ceredigion	Jul-15	1.4	8.0	9.4	26.7
10	Cock Hill Farm	Wiltshire	Jul-15	1.4	20.0	23.6[3]	16.4
11	Boxted Airfield	Essex	Apr-15	1.4	18.8	20.6[3]	17.0
12	Langenhoe	Essex	Apr-15	1.4	21.2	22.9[3]	32.0
13	Park View	Devon	Jul-15	1.4	6.5	7.7[3]	31.8
14	Croydon	Cambridgeshire	Apr-15	1.4	16.5	17.8[3]	16.7
15	Hawkers Farm	Somerset	Jun-15	1.4	11.9	14.5[3]	17.0
16	Glebe Farm	Bedfordshire	Apr-15	1.4	33.7	40.5[3]	26.7
17	Bowerhouse	Somerset	May-15	1.4	9.3	11.1[3]	32.0
18	Wellingborough	Northamptonshire	Jun-15	1.4	8.5	10.8[3]	16.2
19	Birch Farm	Essex	Sep-15	FiTs UK	5.0	5.3[3]	17.2
20	Thurlestone Leicester	Leicestershire	Oct-15	FiTs UK	1.8	2.3	10.1
21	North Farm	Dorset	Oct-15	1.4	11.5	14.5[3]	31.7
22	Ellough Phase 2	Suffolk	Aug-16	1.3	8.0	8.0[3]	32.6
23	Hall Farm	Leicestershire	Nov-15	FiTs UK	5.0	5.0[3]	37.4
24	Decoy Farm	Lincolnshire	Mar-16	FiTs UK	5.0	5.2[3]	33.0
25	Green Farm	Essex	Dec-16	FiTs UK	5.0	5.8	18.0
26	Fenland	Cambridgeshire	Jan-16	1.4	20.4	23.9[2,4]	17.3
27	Green End	Cambridgeshire	Jan-16	1.4	24.8	29.0[2,4]	17.4
28	Tower Hill	Gloucestershire	Jan-16	1.4	8.1	8.8[2,4]	17.0
29	Branston	Lincolnshire	Mar-16	1.4	18.9		31.9
30	Great Wilbraham	Cambridgeshire	Mar-16	1.4	38.1		31.9
31	Berwick	East Sussex	Mar-16	1.4	8.2	97.9[2,5]	18.5
32	Bottom Plain	Dorset	Mar-16	1.4	10.1		32.2
33	Emberton	Buckinghamshire	Mar-16	1.4	9.0		37.1
34	Kentishes	Essex	Jul-17	1.2	5.0	4.5	37.0
35	Mill Farm	Hertfordshire	Jul-17	1.2	5.0	4.2	33.8
36	Bowden	Somerset	Sep-17	1.2	5.0	5.6	33.9
37	Stalbridge	Dorset	Jan-17	1.2	5.0	5.4	33.8
38	Aller Court	Somerset	Sep-17	1.2	5.0	5.5	19.0
39	Rampisham	Dorset	Sep-17	1.2	5.0	5.8	19.5
40	Wasing	Berkshire	Aug-17	1.2	5.0	5.3	23.7
41	Flixborough	South Humberside	Aug-17	1.2	5.0	5.1	24.8
42	Hill Farm	Oxfordshire	Mar-17	1.2	5.0	5.5	28.9
43	Forest Farm	Hampshire	Mar-17	FiTs UK	3.0	3.3	29.0
44	Birch CIC	Essex	May-17	FiTs UK	1.7	1.7	17.2
45	Barnby	Nottinghamshire	Aug-17	1.2	5.0	5.4	19.3
46	Bilsthorpe	Nottinghamshire	Aug-17	1.2	5.0	5.4	19.7
47	Wickfield	Wiltshire	Mar-17	1.2	4.9	5.6	20.1
48	Bay Farm	Suffolk	Sep-17	1.6	8.1	10.5	31.9
49	Honnington	Suffolk	Sep-17	1.6	13.6	16.0	31.8

Power Plant		Location	Acquisition date	Subsidy/PPA[1]	Installed capacity (MW)	Cost (£m)	Remaining useful life of asset (Years)
50	Macchia Rotonda	Apulia	Dec-17	FiTs Italy	6.6		12.8
51	Lacovangelo	Apulia	Dec-17	FiTs Italy	3.5		13.1
52	Armiento	Apulia	Dec-17	FiTs Italy	1.9		13.1
53	Inicorbaf	Apulia	Dec-17	FiTs Italy	3.0	116.2[2,6]	12.9
54	Gioia del Colle	Campania	Dec-17	FiTs Italy	6.5		13.6
55	Carinola	Apulia	Dec-17	FiTs Italy	3.0		13.6
56	Marcianise	Campania	Dec-17	FiTs Italy	5.0		13.5
57	Riardo	Campania	Dec-17	FiTs Italy	5.0		13.5
58	Gilley's Dam	Cornwall	Nov-17	1.3	5.0	6.4	31.7
59	Pickhill Bridge	Clwyd	Dec-17	1.2	3.6	3.7	34.5
60	North Norfolk	Norfolk	Dec-17	1.6	11.0	14.6	21.6
61	Axe View	Devon	Dec-17	1.2	5.0	5.6	24.4
62	Low Bentham	Lancashire	Dec-17	1.2	5.0	5.4	22.9
63	Henley	Shropshire	Jan-18	1.2	5.0	5.2	23.2
64	Pierces Farm	Berkshire	May-18	FiTs UK	1.7	1.2	16.1
65	Salcey Farm	Buckinghamshire	May-18	1.4	5.5	6.5	16.1
66	Thornborough	Buckinghamshire	Jul-18	1.2	5.0	5.7	18.7
67	Temple Normanton	Derbyshire	Jul-18	1.2	4.9	5.6	18.3
68	Fiskerton Phase 1	Lincolnshire	Jul-18	1.3	13.0	16.6	27.0
69	Huddlesford HF	Staffordshire	Jul-18	1.2	0.9	0.9	17.8
70	Little Irchester	Northamptonshire	Jul-18	1.2	4.7	5.9	18.8
71	Balhearty	Clackmannanshire	Jul-18	FiTs UK	4.8	2.6	27.8
72	Brafield	Northamptonshire	Jul-18	1.2	4.9	5.8	33.2
73	Huddlesford PL	Staffordshire	Jul-18	1.2	0.9	0.9	18.0
74	Sywell	Northamptonshire	Jul-18	1.2	5.0	5.9	18.1
75	Coton Park	Derbyshire	Jul-18	FiTs UK	2.5	1.1	18.1
76	Hook	Somerset	Aug-18	1.6	15.3	21.8[2]	31.0
77	Blenches	Wiltshire	Aug-18	1.6	6.1	7.8[2]	15.7
78	Whitley	Somerset	Aug-18	1.6	7.6	10.4[2]	30.8
79	Burrowton	Devon	Aug-18	1.6	5.4	7.3[2]	30.5
80	Saundercroft	Devon	Aug-18	1.6	7.2	9.6[2]	30.9
81	Raglington	Hampshire	Aug-18	1.6	5.7	8.1[2]	30.8
82	Knockworthy	Cornwall	Aug-18	FiTs UK	4.6	6.6[2]	15.0
83	Chilton Cantello	Somerset	Aug-18	FiTs UK	5.0	9.0[2]	29.3
84	Crossways	Dorset	Aug-18	FiTs UK	5.0	10.0[2]	29.3
85	Wyld Meadow	Dorset	Aug-18	FiTs UK	4.8	7.1[2]	29.8
86	Ermis	Rooftop Portfolio	Jul-18	FiTs UK	1.0	3.0	13.6
87	Angelia	Rooftop Portfolio	Jul-18	FiTs UK	0.2	0.6	13.5
88	Ballygarvey	County Antrim	Jul-19	1.4 NIROCs	8.2	8.5	24.8
89	Hall Farm 2	Leicestershire	Aug-19	Subsidy-free	5.4	2.5	36.3
90	Staughton	Bedfordshire	Dec-19	Subsidy-free	50.0	27.4	35.9
91	High Garrett	Essex	Oct-20	Subsidy-free	8.4	4.1	37.1
92	Marham	Norfolk	Jan 21	Long-term PPA	1.0	0.7	22.8
93	Sutterton	Lincolnshire	Mar 21	Long-term PPA	0.4	0.3	22.9
94	The Grange	Nottinghamshire	Feb 21	Long-term PPA	50.0	32.1	37.8
95	South Lowfield	Yorkshire	Jun-21	Long-term PPA	50.0	29.6	38.2
96	JSC (NZ)[1]	Worcestershire	Mar-19	FiTs UK	0.04	0.04	16.4
97	Karcher (NZ)[1]	Oxfordshire	Nov-19	Subsidy-free	0.3	0.2	22.0
98	Dolphin (NZ)[1]	East Sussex	Jul-21	Subsidy-free	0.2	0.2	23.6
99	Holiday Inn (NZ)[1]	Northamptonshire	Apr-22	Long-term PPA	0.18	0.2	24.1
Subtotal					**865.0**	**999.4**	**26.3[7]**
100	NPIII LP	OECD Markets	Jun-21	Multiple long-term PPAs	24.0[8]	31.0	n/a
Total					**889.0**	**1030.4**	**26.3[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 24MW represents the proportion of NPIII operational assets owned by NESF on a look through equivalent basis as at 31 March 2023. NPIII is a portfolio of assets at different stages of their project life cycle

Portfolio Generation Performance

				Year Ended 31 March 2023		Since acquisition	
	Power Plant	Operational date	Generation (GWh)	Irradiation delta (%)	Generation delta (%)	Irradiation delta (%)	Generation delta (%)
1	Higher Hatherleigh	Apr-13	5.6	3.7	-1.6	1.7	3.8
2	Shacks Barn	Mar-13	6.2	5.9	10.8	3.0	8.3
3	Gover Farm	Oct-14	8.5	8.6	-4.8	3.9	0.5
4	Bilsham	Nov-14	16.7	8.7	10.1	5.5	6.4
5	Brickyard	Nov-14	3.5	6.1	4.0	3.6	5.7
6	Ellough	Mar-14	14.8	6.4	4.8	1.5	5.1
7	Poulshot	Mar-15	13.7	2.4	3.9	1.0	5.0
8	Condover	Mar-15	9.3	2.6	0.2	0.6	0.9
9	Llwyndu	Feb-15	8.0	-0.5	8.7	-2.7	4.4
10	Cock Hill Farm	Mar-15	20.2	4.4	7.8	3.2	5.4
11	Boxted Airfield	Mar-15	19.0	7.1	8.8	3.7	5.9
12	Langenhoe	Mar-15	22.5	11.4	13.7	6.7	9.6
13	Park View	Mar-15	6.6	2.6	3.3	-0.9	1.5
14	Croydon	Mar-15	16.5	11.5	12.9	6.8	7.5
15	Hawkers Farm	Mar-15	12.3	3.3	6.7	1.0	4.1
16	Glebe Farm	Mar-15	35.2	13.7	16.8	7.3	12.6
17	Bowerhouse	Mar-15	8.4	6.1	-4.5	3.5	-0.7
18	Wellingborough	Mar-14	8.7	8.3	13.7	3.2	6.2
19	Birch Farm	Jun-15	5.1	9.8	9.5	4.9	6.7
20	Thurlestone Leicester[1]	Apr-13	1.5	-0.6	2.7	-0.6	0.2
21	North Farm	Mar-15	11.5	0.5	-4.7	-2.2	-4.3
22	Ellough Phase 2	Jan-16	8.7	12.4	16.7	8.8	13.2
23	Hall Farm	Aug-16	4.4	6.8	2.9	4.2	0.8
24	Decoy Farm	Nov-15	5.2	10.6	15.1	5.6	10.3
25	Green Farm	Mar-16	5.0	6.5	2.7	3.9	3.8
26	Fenland	Feb-15	20.6	9.3	8.5	5.6	9.1
27	Green End	Mar-15	24.0	9.1	4.3	5.2	3.2
28	Tower Hill	Mar-15	8.1	3.1	8.0	3.3	7.1
29	Branston	Mar-15	19.5	10.9	12.8	6.7	7.7
30	Great Wilbraham	Mar-15	37.6	9.6	5.9	5.8	5.4
31	Berwick	Mar-15	9.1	5.6	7.0	4.7	9.0
32	Bottom Plain	Dec-14	10.1	6.5	0.0	3.8	3.2
33	Emberton	Mar-15	8.8	9.3	4.1	4.8	2.6
34	Kentishes	Dec-16	5.3	10.1	8.1	6.1	6.5
35	Mill Farm	Dec-16	5.4	13.4	15.8	8.9	11.2
36	Bowden	Mar-17	5.2	1.9	-0.3	0.5	0.9
37	Stalbridge	Mar-17	5.3	1.5	4.9	0.8	5.9
38	Aller Court	Mar-17	5.2	3.5	4.0	3.4	4.8
39	Rampisham	Mar-17	5.3	-0.9	-0.2	-1.8	-1.0
40	Wasing	Mar-17	5.3	7.1	8.8	5.7	8.9
41	Flixborough	Mar-17	5.1	8.5	10.0	5.9	8.2
42	Hill Farm	Mar-17	5.3	7.1	11.8	6.2	9.0
43	Forest Farm	Mar-17	3.2	6.8	10.6	4.8	8.9
44	Birch CIC	Jun-15	1.7	9.8	6.9	5.8	5.0
45	Barnby	Mar-17	5.0	8.3	9.2	5.1	5.5
46	Bilsthorpe	Mar-17	5.0	7.5	8.3	4.7	6.4
47	Wickfield	Mar-17	4.8	5.7	2.0	5.2	4.2
48	Bay Farm	Mar-14	8.1	8.9	11.1	6.9	8.7
49	Honnington	Mar-14	14.1	8.8	10.9	4.4	5.1
50	Macchia Rotonda	Feb-11	9.1	8.2	-2.2	6.5	1.8
51	Iacovangelo	Apr-11	5.2	6.4	3.8	4.8	5.6

Power Plant		Operational date	Generation (GWh)	Year Ended 31 March 2023 Irradiation delta (%)	Year Ended 31 March 2023 Generation delta (%)	Since acquisition Irradiation delta (%)	Since acquisition Generation delta (%)
52	Armiento	Apr-11	2.9	7.2	7.7	5.6	7.5
53	Inicorbaf	Mar-11	4.7	9.1	7.7	6.2	6.7
54	Gioia del Colle	Oct-11	9.4	3.8	2.2	1.5	3.5
55	Carinola	Oct-11	4.3	4.5	6.7	2.8	4.4
56	Marcianise	Sep-11	7.3	5.0	7.5	3.0	4.4
57	Riardo	Sep-11	7.1	4.5	1.3	2.5	0.5
58	Gilley's Dam	Mar-16	4.7	-4.3	-9.0	-4.4	-3.6
59	Pickhill Bridge	Mar-17	3.6	4.5	7.8	4.7	8.1
60	North Norfolk	Jan-14	9.6	11.7	-7.1	7.2	4.0
61	Axe View	Mar-17	5.1	6.5	6.9	5.8	7.2
62	Low Bentham	Mar-17	4.4	-0.9	-2.9	1.8	2.2
63	Henley	Mar-17	4.8	3.1	4.7	3.2	5.8
64	Pierces Farm	Mar-15	1.7	4.7	7.4	3.3	7.0
65	Salcey Farm	Sep-14	5.3	8.8	2.8	8.0	4.8
66	Thornborough	Mar-16	4.3	3.5	-9.2	4.4	-8.0
67	Temple Normanton	Mar-16	4.0	5.2	-11.1	4.5	-6.2
68	Fiskerton Phase 1	Mar-15	12.0	9.5	-3.2	8.0	-0.1
69	Huddlesford HF	Mar-16	0.9	7.0	7.4	5.9	5.4
70	Little Irchester	Mar-16	3.9	4.8	-15.5	4.3	-7.4
71	Balhearty[4]	Mar-16	-	-	-	-0.7	-31.7
72	Brafield	Mar-16	4.9	11.4	1.3	7.7	1.2
73	Huddlesford PL	Mar-16	0.9	6.1	3.0	5.4	2.5
74	Sywell	Dec-15	5.2	8.1	8.0	6.3	3.5
75	Coton Park	Dec-15	2.3	1.4	5.2	2.5	4.7
76	Hook	Mar-14	14.1	3.8	-8.5	3.5	-1.2
77	Blenches	Mar-14	5.6	5.0	0.2	4.6	4.5
78	Whitley	Mar-14	6.9	11.3	-7.6	6.9	-1.8
79	Burrowton	Mar-14	11.8	3.7	-7.5	4.2	-0.7
80	Saundercroft	Mar-14					
81	Raglington	Mar-13	4.9	5.2	-18.8	3.6	-12.5
82	Knockworthy	Mar-13	3.5	4.8	-26.0	2.4	-13.4
83	Chilton Cantello	Jul-12	4.9	10.1	-5.3	6.0	2.9
84	Crossways	Jul-12	4.9	5.1	-10.8	3.9	0.2
85	Wyld Meadow	Jul-12	3.9	1.2	-23.4	-0.5	-7.6
86	Ermis[1]	Oct-11	0.8	4.0	4.8	3.9	-2.0
87	Angelia[1]	Oct-11	0.2	9.4	4.3	8.6	4.9
88	Ballygarvey	Mar-18	5.9	-0.7	-6.1	1.2	-2.8
89	Hall Farm 2	Aug-19	4.9	12.6	9.3	11.3	2.3
90	Staughton	Dec-19	53.4	18.0	16.3	12.8	10.2
91	High Garrett	Oct-20	8.9	12.9	11.4	9.6	5.3
92	Marham	Jan-21	1.0	0.0	2.5	-0.9	-3.9
93	Sutterton	Mar-21	0.5	6.4	6.6	3.1	6.2
94	The Grange	Jan-21	52.6	9.1	0.5	6.7	-4.3
95	South Lowfield	Jun-21	48.8	3.3	-0.9	-0.1	-3.3
96	JSC (NZ)[1]	Mar-19	0.0	-2.9	-1.0	-3.0	-0.9
97	Karcher (NZ)[1]	Nov-19	0.3	2.6	-3.3	2.5	-3.4
98	Dolphin (NZ)[1]	Jul-21	0.2	7.9	0.8	7.3	0.2
99	Holiday Inn (NZ)[1]	Apr-22	0.2	6.5	1.5	-0.9	1.5
Subtotal			**870**	**7.5**	**3.8**	**3.5**	**4.4**
	NPIII LP[3]	Multiple	-	-	-	-	-
Total			**870**	**7.5**	**3.8**	**3.5**	**4.4**

1 Rooftop asset which is not monitored for irradiation
2 An asset which is yet to pass provisional acceptance clearance (PAC) are not reported by the Asset Manager
3 NPIII LP performance not included
4 Due to damage caused by Storm Arwen in November 2021 and Storm Eunice in February 2022, Balhearty was taken offline and is in the process of being repaired by a chosen EPC contractor

Sustainability and ESG

Foreword from ESG Committee Chair

In 2022, the world emerged from the Pandemic, only to enter an energy crisis. Simultaneously, the increasing impact of climate change continued to be felt, with a record-breaking heatwave across Europe, and the war in Ukraine making the energy trilemma more challenging to address.

The importance of transitioning to clean energy generation is only increasing. Solar PV and energy storage are vital to this transition. Both technologies contribute to global energy security and independence, while ensuring affordable power for homes and businesses. Policy developments have recognised this: the British government outlined an ambition for the UK to deploy 70GW of solar capacity by 2035 – to which NESF will make a major contribution – while the EU has declared a target of 600GW of solar by 2030.

The level of these targets is a welcome reflection of the importance of a clean energy supply. Furthermore, it comes with a responsibility to ensure the highest Environmental, Social and Governance ("ESG") standards. For example, debates on land use, biodiversity loss and social standards in supply chains have accompanied the setting of these deployment targets, as policymakers grapple with how to expand the role of solar in global energy systems. It is vital that as we make progress on climate change, we also drive accountability, and ensure everyone benefits. By way of example, through its leadership of, and significant resource commitment to, the Solar Stewardship Initiative, NEC is able to contribute to the development of market leading practices in end to end supply chain transparency.

The climate and local communities are at the heart of our decision-making, and NESF is determined to deliver a positive ESG impact across its operations. NESF is particularly proud of the work it is doing across its landed estate to assess its biodiversity footprint. This includes the development of methodologies for the assessment of biodiversity impacts and dependencies, data gathering and enhancement opportunities with the potential to enable the issuance of biodiversity credits, which are potentially traceable instruments.

Our commitment to ensuring that our work reflects the evolving international ESG agenda and standards is reflected in our public disclosures and commitment to enhanced reporting under frameworks such as the Taskforce for Nature Related Financial Disclosures. This includes disclosure of our robust ESG risk management and proprietary due diligence procedures.

The Company's ESG performance continues to be led by NextEnergy Capital's Head of ESG, Giulia Guidi. This is monitored by the Board, including through the creation of the ESG Committee, which I chair. The ESG team has expanded further in the last year (including a dedicated biodiversity specialist), and is continuing to deliver on NESF's comprehensive ESG strategy. NESF also contributes to the NextEnergy Foundation, which supports environmental and social impact projects around the world.

NESF is classified as an Article 9 Fund under the EU Sustainable Finance Disclosure Regulation, and has sustainable investment as its objective. ESG is central to NESF's mission, and I am confident that NESF will continue expanding on its positive impact into the future.

Josephine Bush

Josephine Bush
16 June 2023

An introduction to NESF ESG achievements by Ross Grier, UK Managing Director, and Michael Bonte-Friedheim, CEO and Founder of NextEnergy Group

Over the last 12 months, the Fund progressed its pipeline of solar assets and expanded into battery storage in line with our core mission to deliver new clean energy for Britain's society. We believe in showing the impact of this in detail, and as such, our new reporting and disclosure initiatives in 2022 included the publication of our first-ever dedicated NESF Sustainability Report.

The Report illustrates that the breadth and depth of our sustainability work continues to increase, and so we are delighted that the NESF ESG team has doubled in size. As well as ensuring that our ESG approach is best in class, the team is deeply involved in industry-wide projects, such as the Solar Stewardship Initiative, which launched publicly in October 2022 and is developing a solar-specific supply chain assurance mechanism.

Further progress identified in our 2022 Sustainability Report includes the development of a proprietary due diligence tool. This tool is focused on environmental and social screening and will be used to understand the nature-related, climate, and social impacts of potential NESF investments; including the continued collection of granular data on our emissions avoided – which is independently calculated by the Macquarie Green Investment Group – and developing our engagement with contractors on their performance. As NESF is an EU SFDR Article 9 classified fund, we continue to ensure that all relevant disclosures are made. We have also updated the NESF website to include a dedicated ESG section, including all related reporting, enabling clear access for investors to the information they need to understand our ESG approach in detail.

NESF goes from strength to strength, and we are excited to present further information on our current and future impact in this year's Annual Sustainability Report, which will be published in summer 2023.

NESF ESG at a Glance 2022/23

Environmental Performance

870GWh clean energy generated	363 ktCO_2e avoided	45 Universal Biodiversity Management Plan sites
C. 50% of the NESF portfolio is grazed	Habitat provisions: 65 bird boxes installed, 66 bug hotels, 22 bat boxes, 24 raptor boxes, 6 owl boxes, 22 hibernacula created and c.26 beehives, all of which are additional to statutory planning obligations.	

Social Performance

£103,668 community funding (through SPVs)	£400,000 donated to the Foundation

Governance Performance

27 Board Meetings, including Committee of Board and ad-hoc meetings	Gender diversity 50% female at board level	2 ESG Board Committee meetings

SCAN ME

ESG Approach

Our Priorities

There are three pillars to NESF's responsible business activities: climate change, biodiversity and human rights. Each pillar is materially relevant to NESF, and presents opportunities to make a positive impact. NESF assets are helping to address climate change, and ensure future generations can enjoy the planet in the same state that it is now. They support the local environment, because NESF champions biodiversity on its solar farms, which transforms energy infrastructure into a haven for flora and fauna. NESF also reports on potential climate risk, via the Task Force on Climate-related Financial Disclosures, and monitors water management and the circular economy as part of its investments. NESF works to promote and protect human rights, in its own activities and throughout the supply chain. The Company also promotes strong community engagement, and supports broader positive social impact, through the employment and other opportunities which NESF assets generate for local communities.

A key priority is also to continue to promote diversity and inclusion and good governance practice: NESF has no direct employees, but data on governance indicators relating to the NextEnergy Group was included in the first NESF Sustainability Report, and the Fund will continue to increase transparency on this topic.

These priorities are incorporated at every stage of NESF's work:

- **NESF pursues robust risk management, and proactively contributes to the environment and society:** ESG due diligence is fully integrated into investment decision-making and projects are developed to the highest ethical standards. This includes seeking every opportunity to address climate change, improve biodiversity, monitor water impacts, follow circular economy best practices, and support local communities. NESF support to communities also includes grantmaking via the NextEnergy Group charitable arm, the NextEnergy Foundation. More information on the Foundation is available at nextenergyfoundation.org.

- **NESF provides thought leadership and supports industry action:** the Investment Adviser is an active member of the UK and EU solar trade associations, Solar Energy UK (SEUK) and SolarPower Europe (SPE). It is also a signatory to the UN Principles for Responsible Investment, a supporter of the Task Force on Climate Related Transparency Disclosures, and Terra Carta, and a member of the Institutional Investors Group on Climate Change. NESF's SPV Director is Chair of the SEUK Natural Capital Working Group, and the Head of ESG is Chair of the Responsible Sourcing Task Group. She is also a member of the coordination group for the Solar Stewardship Initiative, of which NextEnergy Capital is a sponsor and supporter.

- **The Investment Adviser engages independent experts to verify impact:** for example, carbon emissions avoided are calculated by the Macquarie Green Investment Group. NESF makes extensive public disclosures to UK and international regulators, and to international bodies such as the UN, and takes on new reporting responsibilities on a rolling basis.

Team expansion: The NESF ESG team has doubled in size in the last 12 months, to six people. This reflects our commitment to ensuring a robust sustainability approach is maintained at the heart of our work as the Fund expands. In 2022 the team recruited a mix of internal and external hires, and now consists of a Head of ESG, Vice President, two Associates, and two Analysts. Overall, the team has 50 years of combined experience across a range of social, environmental and sustainability issues relating to the energy sector.

Keeping Current

As global approaches to ESG evolve and mature, it is important to ensure that our processes are continually monitored and updated in line with best practice. The Investment Adviser is committed to ensuring that priorities such as its three pillars of responsible business remain up to date, and that it is proactively identifying areas to contribute to including: people, the planet and society. As such, the Fund's Investment Adviser is currently undertaking a strategic review of its sustainability strategy and approach. This is being carried out with external assistance and is due to be completed by the end of 2023. The outcome of this review will provide valuable insights on NESF's overall approach to ESG, ensuring it reflects the current and future ESG landscape, and is relevant to its business objectives. Details of this will be outlined in future reporting.

Governance

Responsibility for NESF's ESG risk management, reporting and stakeholder engagement falls within the Investment Adviser's ESG team. The Head of ESG, Giulia Guidi, reports to NextEnergy Capital's CEO and she actively engages with the NESF ESG Committee, to discuss the strategy, performance, and reporting of the Fund, including implementing the Sustainable Investment Policy for NESF. She sits on the Company's Investment Committee, and takes an active role in the investment decision-making process, meeting weekly with the investment team and at least bi-weekly with senior managers of the Company to discuss emerging ESG issues and how best NESF can have a positive impact on global society.

NESF has built strong governance around the issues described in this report, based on a four-step process: identify, manage, report and engage.

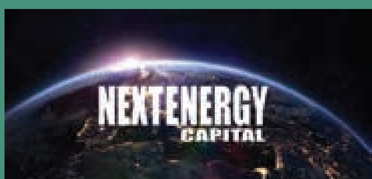
The ESG team works alongside the investment and development teams, construction and procurement managers, asset operators, portfolio and SPV managers, and our dedicated biodiversity specialists.

An overview of the NESF Governance structure is below.

NEXTENERGY SOLAR FUND

Our Structure

- Independent Board of Directors
- ESG Committee
- Audit Committee
- Remuneration and Nominations Committee
- Management Engagement Committee



Investment Manager and Adviser

- Investment Committee
- NEC IM Board

Operating Asset Manager

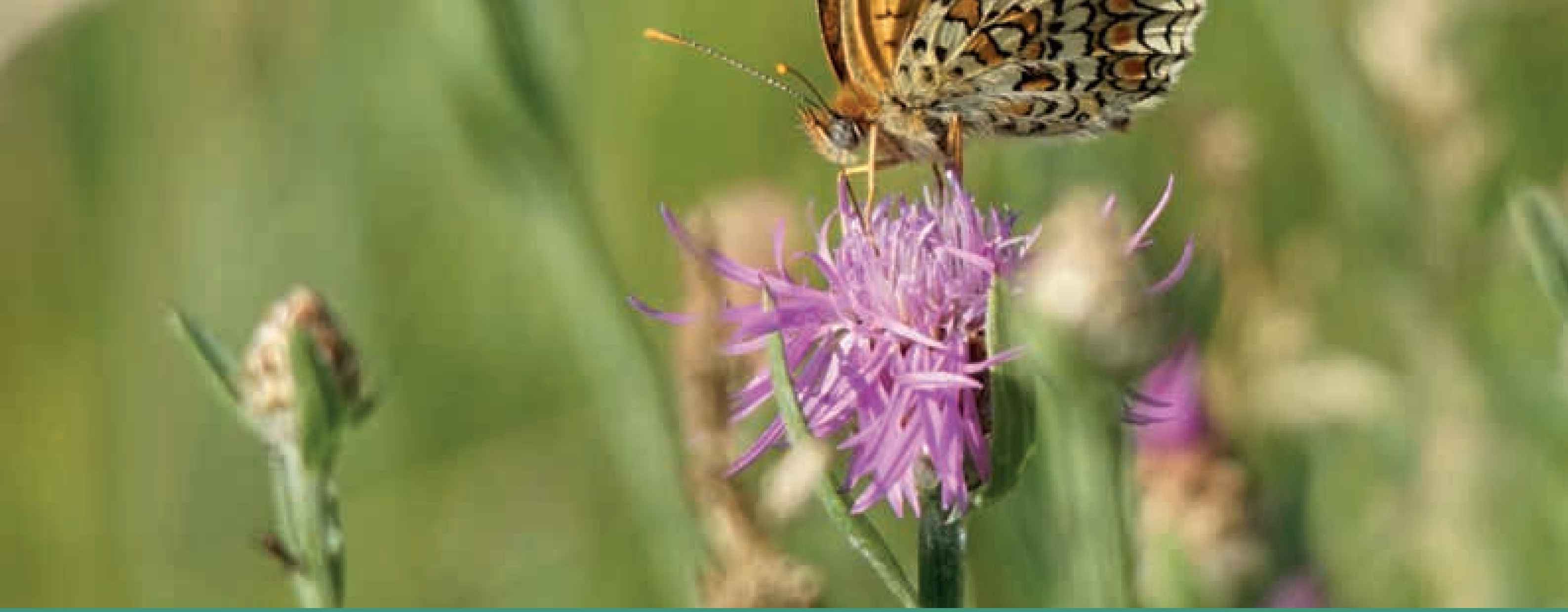
NESF has made strong progress against its ESG objectives in the last 12 months. In 2022/23, the Investment Adviser developed a proprietary screening and due diligence tool to examine potential assets for risks and opportunities. The Investment Adviser also initiated an enhanced review of its supply chain partners, to understand the potential upstream impact in more detail. 53 NESF sites now have additional biodiversity enhancements in place or planned to be fully implemented by the end of 2023. Sites such as the Condover solar farm simultaneously produce clean energy, provide new habitats for flora and fauna, and enable seasonal grazing by livestock. The Investment Adviser was pleased to show Government officials the Condover site in Spring 2023 to discuss these benefits.

Work to quantify the environmental impact of these initiatives continues, and the investment benefits will accrue, with, for example, the anticipated launch in Autumn 2023 of the UK's biodiversity credits trading scheme. This has the potential to create a direct mechanism to monetise the natural capital benefits NESF generates.

NEC has also commissioned an external study that will culminate in a strategy and approach for nature and biodiversity. This assessment will identify the interface between NESF assets and nature, to establish key impacts and dependencies across the business. Metrics to measure biodiversity performance will be established as part of science-based target setting, and these will be designed to align with international standards, TNFD disclosure requirements, and organisational goals. For NESF, this will provide an ambitious but achievable plan for biodiversity, together with a framework for delivery.

NESF is also at the heart of industry initiatives to advance sustainability. For example, a major supply chain achievement which NextEnergy Capital has contributed to is the public launch of the Solar Stewardship Initiative (SSI) in October 2022. The SSI is a joint initiative of Solar Energy UK (SEUK) and SolarPower Europe (SPE) to further develop a sustainable solar sector, including establishing a mechanism for end-to-end supply chain transparency. The launch of the SSI was a significant milestone, and the ambition of the initiative to have a supply chain assurance system in place by the end of 2023. NESF's Investment Adviser, NextEnergy Capital, has provided strategic, operational and financial input to the SSI as one of its sponsors and supporters, and the NextEnergy Capital Head of ESG, Giulia Guidi, is one of its coordinators.

Reflecting this progress, NESF is considering new endorsements: for example by preparing applications to schemes which designate and endorse investment into initiatives which promote nature.



NESF Contribution to Community Impacts

The NextEnergy Foundation ("NEF", "the Foundation") is an international charity which was founded in 2016. The Foundation's mission is to participate proactively in the global effort to reduce carbon emissions, provide clean power sources in regions where they are not yet available, and contribute to poverty alleviation. NextEnergy Group donates at least 5% of its net annual profits to the Foundation, and NESF has supported the Foundation since 2019.

This year, the Company donated £400,000 to the Foundation, four times as much as the 2022 total of £100,000. The donation is being deployed into projects which are directly aligned to NESF's sustainability pillars and objectives. Approved projects include installing solar systems on schools in Ghana and Malawi; financing a pilot for pay-as-you-go solar home systems in last mile communities in Malawi; and, supporting refugee-led energy solutions in refugee and internally-displaced peoples camps in sub-Saharan Africa.

In addition, NESF's donation in 2022 was directed towards fuel poverty alleviation in the UK and emergency responses to the war between Russia and Ukraine. The NextEnergy Foundation is identifying projects to extend its support to these causes this year with the Company's donation.

Quarterly meetings are held between the Chair of the NESF ESG Committee Josephine Bush, and NESF Director Jo Peacegood, and NEF's Secretary and selected Trustees. The meetings strengthen the governance around the identification of, monitoring and reporting on projects supported with NESF's funds.

Biodiversity

In addition to the continued roll-out of the Universal Biodiversity Management Plan and Exemplar Site programme, NESF supports a range of nature research and conservation initiatives. For example, in collaboration with Wildlife Windows, last year two owl boxes at Bottom Plain Solar farm, Dorset, were fitted with cameras. Powered by solar panels, the cameras provide a live stream via a 4G broadband connection, with the aim of recording any nesting activity. A highlight this year has been the successful uptake of a nest box by a breeding pair of barn owls, demonstrating that NESF sites provide suitable nesting and foraging habitat for this species, which is protected under the Wildlife and Countryside Act 1981. NESF will continue to monitor activity throughout the breeding season to ensure that its sites adopt appropriate nature-positive management and design solutions, and support the Global Biodiversity Framework in the recovery and conservation of species.

Further Information

The dedicated NESF Sustainability Report, due to be published in summer 2023, will include a comprehensive description of NESF ESG work, including further detail on project due diligence, supplier review and environmental and social management procedures. This will build on the 2022 edition of the NESF Sustainability Report, the first such dedicated publication.

More broadly, NESF and NextEnergy Capital make extensive disclosures relating to their sustainable investments. These include policies on climate change and supplier expectations, reporting against the UN Principles for Responsible Investment and Sustainable Development Goals, and submissions to the Task Force on Climate Related Financial Disclosures and the EU's Sustainable Finance Disclosures Regulation.

The latest publications relating to these, and other initiatives are linked below. NESF will continue to report in detail, and this information will be updated on a rolling basis.

NESF disclosure and reporting:

NESF Sustainability Report 2022

NESF TCFD Report 2022

NESF – Annex III Pre-Contractual Disclosure For Article 9 Fund

NESF – Annex V Periodic Disclosure for Article 9 Fund

NESF – ESG Disclosures

NESF Investment Adviser disclosure and reporting:

NextEnergy Capital UN Sustainable Development Goals Report 2022

NextEnergy Capital PRI 2021 report

NextEnergy Capital Sustainable Investment Policies

NextEnergy Capital Supplier Code of Conduct

NextEnergy Capital ESG Disclosure 09.03.21

Solar Energy UK supply chain statement

Solar Industry Forced Labor Prevention Pledge

Solar Stewardship Initiative Joint Industry Endorsement Statement

NESF ESG in Figures:

Tonnes of CO_2e emissions avoided p.a.

363,000

(31 March 2022: 328,700)

Equivalent UK homes powered for one year

242,000

(31 March 2022: 216,300)

Total emissions avoided Since 2014 (ktCO_2e)

2,181

(31 March 2022: 1,818)

Total fossil fuel avoided since 2015 kilotonnes of oil equivalent (ktoe)

929.4

(31 March 2022: 769.1)

Universal Biodiversity Management Plan sites [1]

45

(31 March 2022: 30)

Total exemplar biodiversity projects [2]

8

(31 March 2022: 6)

Community funding (through SPVs)

£104k

(31 March 2022: £91k)

Proportion of the portfolio grazed

c.50%

(31 March 2022: N/A)

Donation to the NextEnergy Foundation

£400k

(31 March 2022: £100k)

1. With a further 15 to be implemented in Autumn 2023
2. Six sites are fully implemented. The remaining two are in progress and are proposed for completion in 2023

Metric	Units	FY2018	FY2019	FY2020	FY2021	FY2022	FY2023
GHG avoided	ktCO_2e	211.2	299.4	307.7	317.6	328.7	363.0
NOx avoided	tonnes	193.1	267.5	274.4	283.4	296.3	331.1
SOx avoided	tonnes	365.9	499.2	511.9	527.5	549.7	612.4
PM2,5	tonnes	15.9	22.6	23.2	24.0	25.2	28.3
PM10	tonnes	4.0	5.6	5.8	5.9	6.2	6.9
Fossil Fuels avoided	kilotonnes of oil equivalent (ktoe)	90.0	127.7	131.2	135.9	142.8	160.3
	million barrels	0.66	0.94	0.96	1.00	1.05	1.20

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 its 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 CO2 and other greenhouse gas emissions occur in the coming decades". This was further reinforced by the IPCC's AR6 Synthesis Report, released in March 2023. The transition to a low-carbon economy is central to making meaningful reductions in global greenhouse gas concentrations, minimising long-term climate change impacts, and enabling a development trajectory that is sustainable on a global scale. This is reinforced by the UK government's recent commitment to 70GW of installed solar capacity by 2035.

NESF 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 EU and UK net-zero target by 2050.

To be a leader in ESG and responsible investment, accountability is paramount. The Investment Adviser has continued to deliver transparent reporting and enhanced existing disclosures, reporting on the Company's impact and contribution to the Sustainable Development Goals and an ESG disclosures document to confirm compliance with EU SDFR, particularly Article 9, as well as fund-level EU SFDR Principle Adverse Indicators and Green Impact Reports, which disclose 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

NESF and NextEnergy Capital recognise that climate impacts should no longer be considered non-financial and have 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/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 Investment Adviser 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 2023, 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 oversees climate-related risks and opportunities
2. The Investment Manager assesses and manages climate-related risks and opportunities

Board

The NESF board has overall responsibility for NESF's performance and management. 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 changes in climate risk 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. The Governance Framework in the Governance section of the Annual Report sets out the board and committee structure, as well as the chair and responsibilities of the ESG Committee.

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 the corporate Sustainability Framework, which is based on three pillars - Climate Change, Biodiversity and Human Rights. Continuing this emphasis on business principles, the NextEnergy Capital ESG team has developed a Climate Change Position Statement, which was first published in March 2021. The Statement sets the ambitions, the reference standards, and the practice that the Manager adopts when dealing with climate-related risks and opportunities. The Manager's commitment to minimising both physical and transitional climate 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 of the Investment Adviser are responsible for actioning NESF's climate ambitions, while the Head of ESG is responsible for the strategy execution and for updating the NESF Board and Investment Committee members on recent climate-related activities and progress. The Head of ESG is a member of the NextEnergy 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.

NextEnergy Capital coordinates stewardship practices amongst senior management with an external public affairs agency. This partnership enables NextEnergy Capital, as an Investment Manager, to work closely with the government and its advisers to highlight the benefits of solar as an asset class, and an important part of the energy mix. In addition, NEC 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 Adviser 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 Engineering, Procurement, and Construction ("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. Reports 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

Climate-Related Risks and Opportunities

The Company understands that climate change poses risks and opportunities across all asset investments and can interact with multiple stakeholders. Through its commitment to providing clean energy, the Company is well-placed to help curb global carbon emissions, support biodiversity and maintain or improve land quality. Conversely, there are risks associated with such a transition

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

and the potential physical consequences associated with rising temperatures.

The table below covers the key risks and opportunities, identified by NESF, faced over the short, medium and long term.

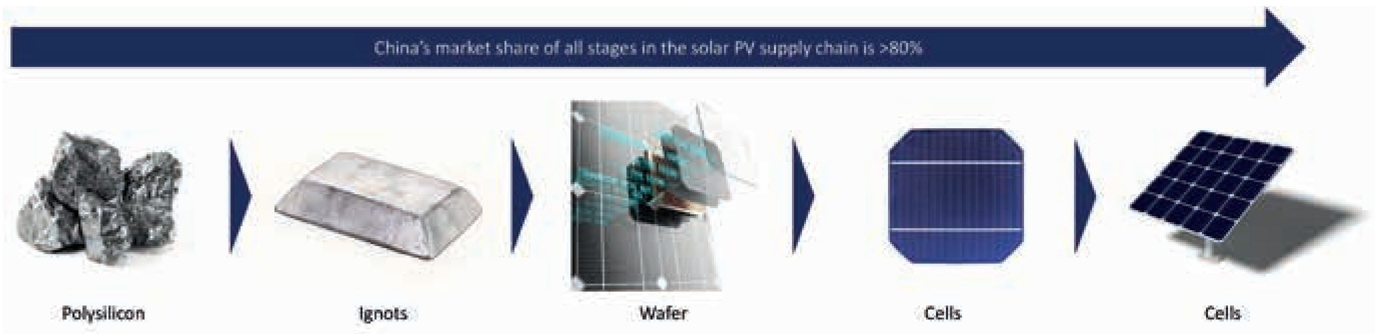
Term	Risk Type	Risks	Opportunities
Short *< 5 years*	**Physical**	The short-term risks are limited in severity as climate change risks are expected to develop over the medium to long term. Observed weather events to date suggest that the short term would see a continuation and slight increase in extreme weather events (flash floods and heat waves). These have the potential to interrupt cash flows and damage assets. There is an expectation that higher irradiance, whilst increasing yield, will increase wear and degradation of parts, shortening useful life and increasing failure rates. To mitigate, this requires a maturation of the spare parts strategy and other investments in asset health as well as strategic assessment of relationships with key component manufacturers, installers, and maintenance providers.	Increased irradiation should enhance the energy yield from the portfolio. Coupled with storage this could represent a positive cash flow opportunity. Short-term planning and monitoring of the actual climate pathway will enable the portfolio to be positioned for resilience to future physical risks. Adaption can take many forms and there are opportunities to enhance resilience whilst also improving biodiversity, which in turn helps to mitigate climate change. Early mitigation actions, such as those described in the risk section, can provide a competitive advantage vs organisations who do not take action (ensuring robust spare part supply chains, securing access to parts and ensuring ongoing operation of plants).
	Transition	Government policy in jurisdictions the portfolio is exposed to, is to achieve net zero by 2050. This can primarily be considered an opportunity, but these policies will cause significant disruption to the energy mix and that can present a risk to power prices.	Renewable energy is clearly a vital component of meeting government net zero policies. The increase in demand for clean energy is the primary transition opportunity for the portfolio and future development.
Medium *5-10 years*	**Physical**	These risks are dependent on which climate pathway develops but potential risks include: **Water stress –** Italian assets exposed to extreme annual water stress, cleaning panels becomes difficult, efficiency drops and power output declines. **Flooding –** UK assets are exposed to a heightened risk of flooding with the potential damage assets and restrict access to sites for maintenance. **Temperature –** Italian assets exposed to rising temperatures and an increase in days with +35ºC, reducing efficiency and power output declines.	The primary opportunity that climate change presents for the portfolio is an expected increase in electricity demand. Industrial cooling, in particular, can be linked to physical climate change and will increase electricity demand. This is in addition to further demands through the transition opportunities (eg electric cars). There are innovations, such as agrivoltaics[1], that can develop into opportunities depending on asset-specific micro-climates. Raising panels provides adaption to flood risk and presents an agriculture/biodiversity opportunity beneath them. In hotter climates the shade presents an opportunity for crop growth which wouldn't otherwise be possible and evaporation from the crops cools the panels. The interplay with transition opportunity will also develop as physical climate change impacts become more observable, they will spur increased policy reaction and create transition opportunities (eg an increase in clean energy demand).
	Transition	There is a high degree of ambition in some transitional policies and as the implementation deadlines move closer there is a risk that policies are delayed. This may mean expected increases in demand for renewable electricity do not occur.	Government policy across a range of sectors will take effect in this period. In the UK, the Government has adopted a policy of transitioning to electric vehicles by banning the sale of new fossil fuel cars (excluding hybrids) by 2030. They have also banned the installation of gas boilers in new build homes from 2025, promoting low-carbon alternatives. They are also promoting the uptake of low carbon alternatives to gas boilers in homes, (such as heat pumps), with the government setting a target of 600,000 installations per year by 2028. The impact of this is an increase on overall clean electricity demand, especially when coupled with net zero policy, instigating a significant shift to renewables. This will create an opportunity for clean energy generation and storage

1 What's agrivoltaic farming? Growing crops under solar panels | World Economic Forum (weforum.org)

Term	Risk Type	Risks	Opportunities
Long *> 10 years*	**Physical**	The long-term risks are highly dependent on the climate change pathway that develops. The IPCC released their latest AR6 Synthesis Report in 2023, modelled pathways based on policies implemented by the end of 2020 are consistent with global warming of 3.2°C. This level of warming will exacerbate all of the risks identified in the medium term. In addition, instances of extreme weather events will increase significantly and resulting disruption will likely interrupt cash flows and damage assets. Adaption costs would be significant.	As with risks, the physical opportunities will develop in line with the climate pathway that manifests. These will be in line with those that have been identified in the medium term.
	Transition	The levels of uncertainty around long term policy positions create a risk. Depending on climate pathways that transpire, there could be dramatic shifts in policy. For example, if the expected impacts of an RCP8.5 scenario start to play out then governments may take emergency actions with far reaching consequences to try and recover the situation. The portfolio should naturally be positioned well, as the demand for clean energy should be ever present, but this would still present a challenging policy landscape to navigate and could have broader economic impacts.	If a controlled, orderly transition to net zero is enacted then the portfolio should benefit from high demand for clean energy. The impact of economies moving to net zero should limit temperature increases to below 2ºC and reduce the physical risks too.

Supply Chain

The solar PV supply chain has a high degree of concentration risk in China with certain stages of the supply chain further concentrated within specific regions of China. This is demonstrated in the figure below[1].



China's market share of the polysilicon, ingot, and water stages of the supply chain will soon reach 95% of the global market. The Xinjiang province accounts for 40% of global polysilicon manufacturing.

The concentration of polysilicon production in Xinjiang province (40% of global production) creates a particular vulnerability. The Xinjiang province already experiences extreme heat (temperatures of 40 ºC) and significant floods. Should manufacturing and supply of polysilicon be disrupted by an increase in such events, then it is likely there would be a significant decrease in the supply of solar PV panels and a corresponding price increase.

The actual panel manufacturing is also highly concentrated with 80% of global supply coming from China and one in seven panels manufactured by a single company.

As the risk for climate to materially impact the global solar PV supply is so high, it requires consideration at the sector and governmental level on an international basis. NESF, through the Investment Adviser, actively

1 https://iea.blob.core.windows.net/assets/d2ee601d-6b1a-4cd2-a0e8-db02dc64332c/SpecialReportonSolarPVGlobalSupplyChains.pdf

participates in sector-wide initiatives to address supply chain vulnerabilities.

For operational assets, the supply chain considerations above become relevant for sites where repairs or upgrades are required. The demand for parts is expected to increase as irradiation increases but the vulnerability of the supply chain for these parts also increases in certain climate scenarios. The concentration risk on parts suppliers means that interruptions due to extreme events are possible and this can lead to loss of revenue if sites are not operational. Additional considerations for operational sites are the impact on the operations and maintenance suppliers. These suppliers are diversified across the portfolio but one activity these contractors undertake is the cleaning of panels to improve their performance. For assets located in Italy, where temperature increase will exacerbate water scarcity, it is likely cleaning the panels will become less frequent and efficiency will drop as a result. Water efficient alternatives are being actively explored (e.g. dry cleaning and water recycling).

Portfolio Investments

The productivity of a solar asset is highest when irradiance and temperature conditions are optimal. 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 strong location for the efficiency of solar assets. However, increased temperatures could lead to increased heat losses and inefficiency of NESF assets. Likewise, the Company's portfolio of eight Italian assets and its co-investment in Spain could face similar challenges.

These challenges can be mitigated with active asset management, ensuring the optimal condition of parts through maintenance and securing supply of replacement parts as required. This will enable the portfolio to take advantage of increased irradiation for higher yields. When coupled with storage and noting the expected increase in clean energy demand, the portfolio should be well positioned to exploit these opportunities.

The Company's asset manager, WiseEnergy, closely monitors the portfolio's assets throughout the year, measuring and monitoring many parameters, indicators and metrics covering both proactive and reactive considerations. This includes, but is not limited to, irradiation, generation, maintenance routines, audits and availability. This enables the Company to identify assets at risk and implement mitigation strategies to maximise optimal production in the future.

1 Source: World Resource Institute's Aqueduct 3.0 database

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.

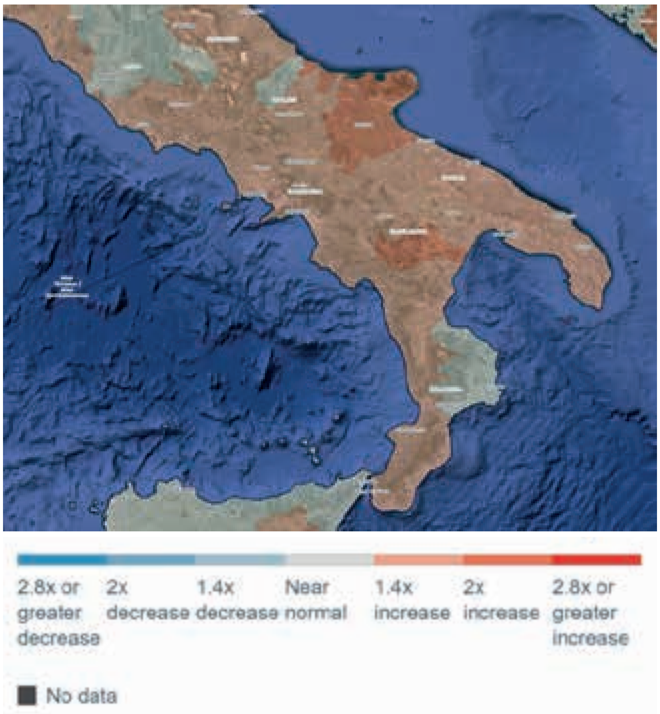
Water-related risks

The portfolio is concentrated in southern England and southern Italy. These two geographies will have different exposures to the physical risks of climate change. One of the primary considerations is water which can take the form of a surplus (flooding) or deficit (drought/stress).

Water stress

The assets in southern Italy have particular exposure to water stress as a result of increasing temperatures. Using the World Resource Institute's Aqueduct tool the change in water stress has been assessed. The tool uses a baseline of c.50 years of actual data (last updated in 2019). The forecast change periods are up to 2030 and 2040 using a range of climate scenarios. The maps below show the change in a pessimistic scenario, SSP3 RCP8.5.

Italy 2030[1] Water Stress:



The 2030 map shows a 1.4x increase in water stress across the region where the Italian solar assets are located with some small areas reaching 2x. This directly impacts the ability to clean panels, impairing their efficiency. It also makes the region more vulnerable to extreme events (flash floods from storms, earthquake vulnerabilities and socio-economic impacts as labour moves away from the area).

Italy 2040[1] Water Stress:

The 2040 map shows the expansion of regions with a 2x increase in water stress and some regions exceeding a 2.8x increase over baseline. This exacerbates the issues identified in the 2030 map.

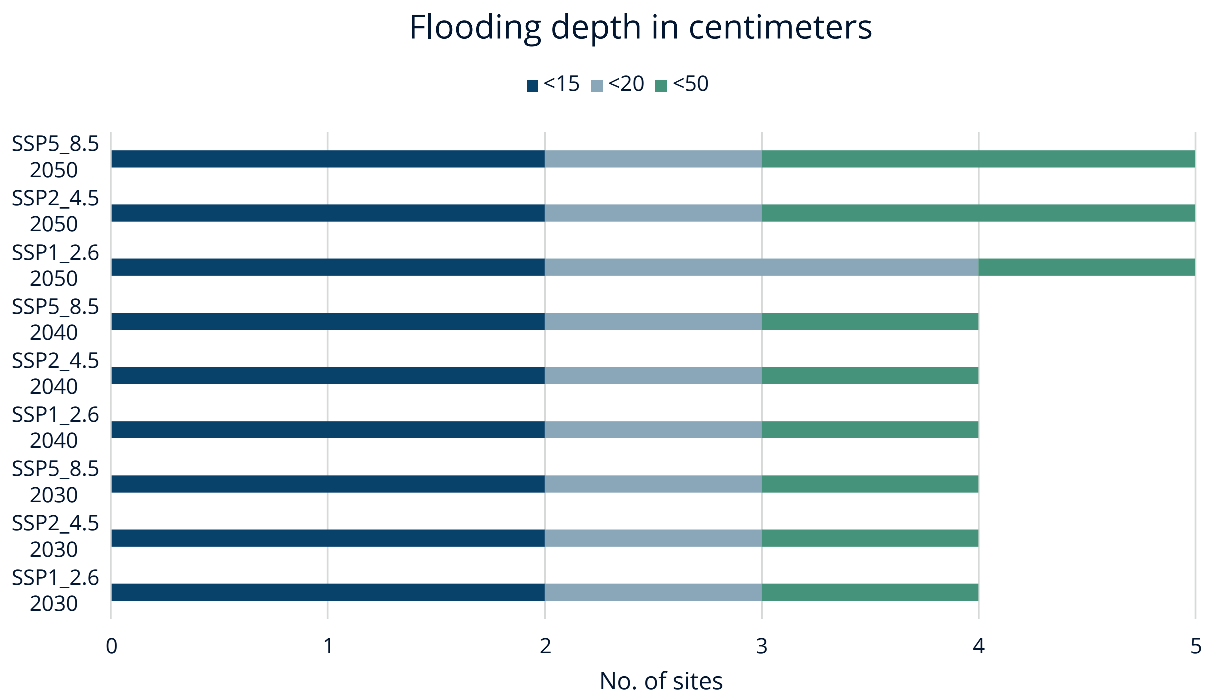
Both these maps show a pessimistic or what can be considered a worst-case scenario based on inaction from governments globally. Understanding the impacts of this scenario means mitigation actions can be planned if this scenario plays out.

The water stress levels observed in Italy correlate to expected temperature increases in those regions, essentially the heat is causing the stress. In the UK, where the majority of assets are located, the expected heat increase has a different impact. Water stress levels are expected to decrease vs the baseline. This inverse movement is due to an increase in precipitation in the UK in that scenario.

Flood risk

Water risk in the UK is based more on a surplus rather than a deficit so flood impact needs to be considered. The whole portfolio (including the Italian assets) has been assessed for location-specific flood risk in a variety of different climate scenarios. The flood risk assessment considers pluvial (precipitation related), fluvial (river overflows) and coastal sources of flooding. These are analysed at three different points in time (2030, 2040 and 2050) across three different climate scenarios (SSP1 2.6, SSP2 4.5 and SSP5 8.5 degrees). The data set is analysed to identify the sites at highest risk of flooding from a 1 in 100 year event under those scenarios.

Flood risk results:



1 Source: World Resource Institute's Aqueduct 3.0 database

The analysis identified four sites at risk of flooding in 2030 and 2040 and five sites in 2050. Of these, only one site was at risk of flooding by more than 50cm in depth in 2030 and 2040 but in 2050 for SSP2 4.5 and SSP5 8.5-degree scenarios two sites faced a flooding risk of more than 50cm in depth. Further analysis identified that the risk for one site in all scenarios was fluvial and the additional site in 2050 was costal flooding.

The initial data sweep is based on a radius around the site. For those sites identified at risk of flooding, a terrain mapping analysis has been undertaken. This shows the specific areas of the site which are at risk based on the terrain and proximity to source (rivers or coast). In most cases, it is only part of the site that is at risk. This level of detail allows consideration of appropriate flood defence measures. The situation can then be monitored over time and if the temperature scenario develops then the likelihood of the risk materialising increases, and mitigating action may need to be taken. At this stage, the cost of mitigation adjusted for the probability of the scenarios occurring and discounted back to present value would not be a material financial risk to the portfolio.

Pluvial Flooding SSP4.5 2040[1]:

Coastal Flooding SSP4.5 2040[1]:

The example flood maps are for the same site in an SSP4.5 degree scenario in 2040. They show two different types of flooding, the first is Pluvial. This type of flooding does not directly impact the site but does cut off access to it from the only two approaches. Whilst this limits the damage to the panels and equipment it does mean that no maintenance can be done during the flooding period. Flooding of surrounding areas can indirectly impact site performance and restricted maintenance could lead to a loss of revenue.

The second map shows the impact of coastal flooding in the same scenario and time period. This particular site is located on the coast of East Anglia. The coastal flooding is expected to be severe and whilst most of the site is clear, there a few incursions of water onto the site. This will likely cause damage and, as in the pluvial flooding, access to the site is also restricted.

The analysis highlights the sites most at risk and helps to identify the specific impacts from the risk. If these temperature scenarios become likely the fund is in a better position to plan adaption or mitigation actions.

1 Fathom Global Flood Map | Flood Modeling & Flood Hazard Data

Financial Planning

The Company continues to monitor risks in the linkage between financing, cash flows and climate change. 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 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 electricity price fluctuations. The Company has agreed fixed UK pricing (hedged) covering 88% of budgeted generation for the 2023/24 financial year, 44% of budgeted generation for the 2024/25 financial year and 13% for the 2025/26 financial year.

By contrast, this volatility could provide a significant opportunity for 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 Gross Asset Value, with active discussions with investors relating to increasing this limit to 25%.

The Intergovernmental Panel on Climate Change ("IPCC") uses Representative Concentration Pathways ("RCPs") as a basis for modelling future consequences of man-made greenhouse gas emissions and reflects a wide range of possible outcomes. There are 4 key scenarios: RCP2.6, RCP 4.5, 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 man-made climate change. These scenarios assume the 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. However, insurance premiums may increase significantly if the instances of losses go up due to extreme weather.

The Company's Net Asset Value ("NAV") sensitivity analysis shows that a 10% decrease in power prices leads to a 8.9p decrease in the NAV per share and a 10% increase in power prices leads to a 8.6p increase in the NAV per share.

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. 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 useful life of 26.3 and is 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 5.6% decrease in the NAV and a 5% increase in irradiation lead to a 5.4% 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 of NESF is focused on generating positive climate-related impacts through the reduction of carbon emissions associated with the clean energy generated by 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. NEC has reviewed the Company's risk appetite to reflect the climate ambitions that has been expressed to stakeholders and have aligned it with NEC'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 and climatic risks associated with the 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 Adviser will provide a climate change risk assessment report, which will inform the 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.

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 Adviser's ESG team have worked with an external consultant to develop an internal climate risk rating system that is aligned with the TCFD guidelines , a summary of which is overleaf. 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)

Metrics and Targets

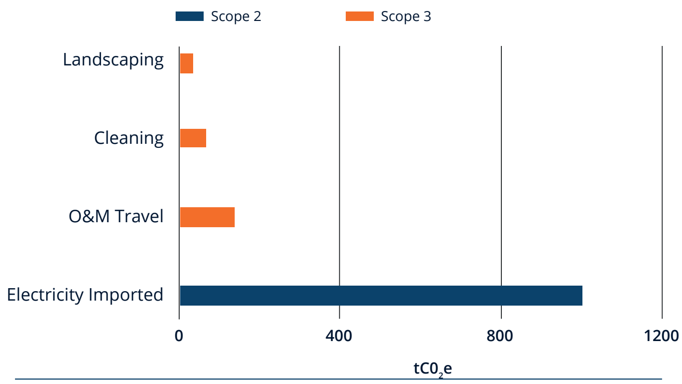
1. Disclose the metrics used by the organisation to assess climate-related risks and opportunities
2. Disclose Scope 1, Scope 2, and if appropriate, Scope 3 greenhouse gas emissions, and the related risks
3. Describe the targets used by the organisation to manage climate-related risks and opportunities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

We recognise the value in considering ESG metrics when identifying potential investment risks 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, include fuel company-owned vehicles and air-conditioning leaks.
- Scope 2: Indirect emissions from the 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 fund manager aim to obtain the GHG emission data directly from suppliers, although it is anticipated that this process will take time to achieve 100% coverage.

Material GHG emission inventory



Note: This graph is limited to operational emissions only. Supply chain and construction emissions are currently not included within this graph. NESF is in the process of expanding its coverage to include these considerations moving forward.

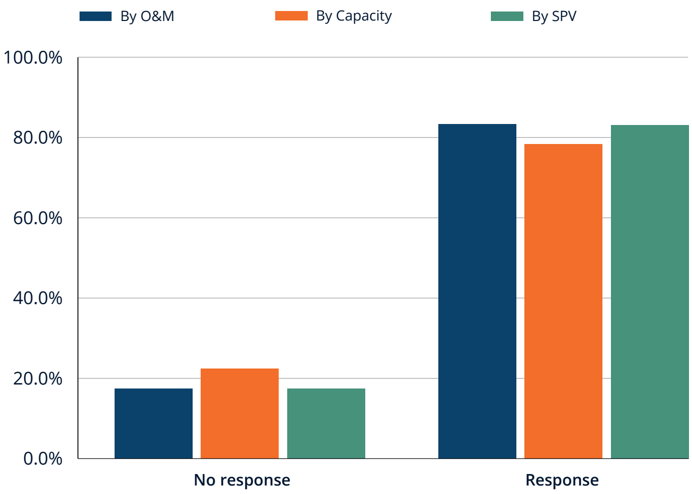
The chart above shows that total emissions were 1,319 tCO_2e of which the majority relates to scope 2 imported electricity. The sites import electricity for operational activities (CCTV, monitoring equipment etc). The Company is actively exploring opportunities to source renewable energy to reduce these emissions. Scope 3 activities relate to outsourced arrangements with operations and maintenance contractors (service visits etc).

Description	Metric
Scope 1 GHG Emissions	NA[1]
Scope 2 GHG Emissions	1,169 tCO_2e
Scope 3 GHG Emissions	150 tCO_2e
Carbon Footprint	1.02 tCO_2e
GHG Intensity	6.68 tCO_2e

1 The investee companies are SPVs that hold solar PV projects. The construction and operation of these are outsourced to third parties so no scope 1 emissions are incurred

The calculation of these emissions is based on data collected from suppliers. The chart below shows the response rate in the current year's collection process. Overall coverage is approximately 80% and the Company is actively engaging with suppliers to improve this going forward.

Data collection response rate analysis



Within the responses, there are further limitations. Rooftop/micro solar sites and sites with construction activity (repairs etc.) are not included in the current year. A collection plan is being implemented to capture this data in the future. Further limitations exist where data fields collected are unavailable (for example, fuel usage isn't tracked by all suppliers).

Data gaps and limitations have been addressed through estimates (except rooftop/micro solar sites and construction, which are omissions in the current year). For the remaining activities, estimates were developed in accordance with relevant guidance and standards (e.g. the Greenhouse Gas Protocol). Electricity imported is based on metered data and emission factors from the utility provider or DEFRA.

Data collection and quality is a complex and evolving process. The Company has taken significant steps during the year to improve this process and plans further such steps in the coming year.

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 target commitments.

Outlook

The Company is aware of the potential for the effective management of climate risks and opportunities to impact returns and has therefore improved its disclosures in the current year and will seek to further enhance its TCFD disclosures in the future. The Company continued to develop a comprehensive scenario analysis during the year that will help quantify climate risks faced over time. Insights into water stress and flooding risk have been developed already, representing a significant step forward in scenario analysis. This work continues and will involve a deeper assessment of supply chain vulnerability in climate scenarios, considering location specific factors. Mitigation actions for risks identified in this report, and as a result of further analysis, will be investigated so that the timing and cost implications can be factored into future planning.

The Company intends to expand its metrics to include scope 3 emissions, which will give clarity on upstream and downstream emissions within its value chain. The Investment Manager has begun engaging with its suppliers in order to take action to reduce such emissions. 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.

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
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
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

Key Stakeholders	Why they are important to us	How we engage with them
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
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 48 to 75 • Review and challenge by the ESG Committee
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 approach to and effectiveness of our risk management and internal control systems bi-annually as a minimum.

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.

Principal and Emerging Risks

Details of the emerging and principal risks we face that have the potential to materially affect our business are set out below. All risks are principal risks, except those specifically stated. 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
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 and exhibits low inter-year volatility. 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.
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.

Operational and Strategic Risks

Risks	Summary	Mitigation
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. For the year ended 31 March 2023, 52% of revenues were derived from government subsidies and long-term PPAs. The remaining 48% of the Company's revenues were derived from selling the electricity generated to carefully selected counterparties in the open market. 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 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 1 June 2023, the Company had secured fixed price agreements covering 87.9% of its electricity generation for the 2023/24 financial year and 44.3% for the 2024/25 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.
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.
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 reduce the effect of degradation. Also, NESF has contract warranties to secure the design performance of the assets.

External and Market Risks

Risks	Summary	Mitigation
Adverse changes in government policy and political uncertainty *(principal or emerging)*	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. Supply chain shortages in solar equipment could prohibit construction of new projects and drive-up acquisition prices of existing assets.	The Investment Manager and the Board believe Brexit to have a very limited effect on the Company's financial and operating prospects. The Investment Manager 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. 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. The 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.
Adverse changes to regulatory framework for solar PV *(principal or emerging)*	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.
Changes to tax legislation and rates *(principal or emerging)*	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. As a result of the elevated power prices exhibited during 2022, the UK government announced the Electrical Generator Levy ("EGL"), which is a temporary 45% charge on exceptional receipts generated from the production of wholesale electricity. Exceptional receipts will be defined as wholesale electricity sold at an average price in excess of £75 per MWh over an accounting period. 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.
Health and Safety *(principal or emerging)*	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. The Investment Manager, Investment Adviser and the Asset Manager monitor adherence to the standards. Insurance policies are in place and reviewed to increase cover where necessary.
Climate-related risks *(emerging risk)*	These are detailed in the Task-Force on Climate-Related Financial Disclosure ("TCFD") report on pages 58-59.	

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 Adviser Report and notes to the Financial Statements.

The Company's cash balance as at 31 March 2023 was £14.4m, all of which was readily available. It also had immediately available but undrawn amounts under the Group's debt facilities of a further £39m. The NESF Group had capital commitments totalling £26.5m at the year end. A significant portion 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 to 16 June 2024, of the following individual and combined two scenarios were reviewed by the Directors and were deemed appropriate market standard stress tests:

- Sale of Subsidy Free Assets as part of the capital recycling programme
- Sale of Subsidy Free Assets and Share Buyback as part of the capital recycling programme

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. The Board has also carried out a robust assessment of the emerging and principal risks.

In reviewing the Company's viability, the Directors have assessed its viability for the period to 31 March 2028. 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 to the long-term nature of the Company's investment strategy.

The Company owns a portfolio of solar energy infrastructure assets in the UK, Italy, Portugal 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 Adviser and the Board review this as part of their business planning and to assess 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 up to £205m that expire in 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 70 to 72 that, both individually and in aggregate, could prevent the Company from delivering on its investment strategy. The emerging and principal risks that are subject to the sensitivity analysis are outlined in note 19b of the Financial Statements, 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 2028.

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.

Viability Statement

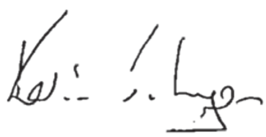
Having considered the five-year forecast cash flows and covenant compliance, the impact of the sensitivities in combination and the emerging and principal risks facing the Company, the Directors confirm that they have a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the period to 31 March 2028.

Ukraine Conflict

The Company's portfolio has no direct exposure to either Ukraine or Russia. The Board and Investment Adviser continue to monitor the situation closely and consider the wider consequences on power prices and energy affordability.

Approval

This Strategic Report was approved by the Board on 16 June 2023 and signed on its behalf by:



Kevin Lyon
Chairman

Governance

Introduction from the Chairman

I am pleased to present the Company's Corporate Governance Report, which comprises pages 76-109, for the year ended 31 March 2023.

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 Helen Mahy in April 2023 to add to the energy sector 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 Lintstock Limited in 2021. Further information on this year's evaluation process and its findings can be found under 'Annual Performance Evaluations' on page 88.

Audit Committee
Patrick Firth is the appointed Chair of the Audit Committee. Further information on the Audit Committee can be found on pages 96-99.

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 92-95

Management Engagement Committee
Joanne Peacegood is the appointed Chair of the Management Engagement Committee. Further information on the Management Engagement Committee can be found on page 77.

ESG Committee
The ESG Committee was formed in October 2022, with Josephine Bush appointed Chair. Further information on the ESG committee can be found on page 77.

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 68-69. The most recent shareholder perception study was undertaken by Rothschild & Co in April 2021. We continue to look at how we engage with all of our key stakeholders to ensure that our engagement is both appropriate for the Company's business and dynamic so that we can respond as the business and our key stakeholders' views evolve.

Kevin Lyon
Chairman
16 June 2023

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 January 2014)
Principal Responsibilities: To provide 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)
Helen Mahy (since 1 April 2023)

SCHEDULED BOARD MEETINGS: 4 p.a.

PRINCIPAL RESPONSIBILITIES:
To promote the long-term sustainable success of NESF, generating value for shareholders whilst having regard to the interest 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

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
Joanne Peacegood
(since 2021)

SCHEDULED MEETINGS:
1 p.a.

PRINCIPAL RESPONSIBILITIES
To evaluate, at least annually, the performance and continuing appointment 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

Board of Directors

Kevin Lyon

Chairman

Resident:
UK

Appointed:
22 January 2014

Independent:
Yes

Relevant Skills and Experience:

Over 35 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 30 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 KultraLab Limited, a technology led behavioural science consultancy.

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

Non-Executive Director of retailer SpaceNK.

Vic Holmes

Senior Independent Director

Resident:
Guernsey

Appointed:
22 January 2014

Independent:
Yes

Relevant Skills and Experience:

Over 40 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.

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.

Principal External Appointments:

Non-Executive Director of Riverstone Energy Limited, India Capital Growth Fund Limited and CT UK Capital and Income Investment Trust plc.

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.

Previously Audit Engagement Leader, Risk & Quality Director, Controls Assurance and Innovation & Technology Director.

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

Principal External Appointments:

Non-Executive Director roles include Private Equity, Debt, Hedge, Real Estate, Utilities, Asset Managers, Volta Finance Limited and Chair of Castelnau Group Limited.

Immediate past Chair of the Guernsey Investment & Fund Association and Deputy Chair of the Guernsey International Business Association.

Member of the AIC Channel Islands Committee.

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 Limited (ASX listed).

Non-Executive director of Net Zero Now Limited and Foresight Sustainable Forestry Company PLC.

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

Helen Mahy CBE

Non-Executive Director

Resident:
UK

Appointed:
1 April 2023

Independent:
Yes

Relevant Skills and Experience:

Over 20 years of experience in the energy sector.

Helen has previously served as Group General Counsel and Company Secretary of National Grid plc, and more recently as Chairman of The Renewables Infrastructure Group having served her full nine-year tenure.

Helen is a qualified barrister and was an Associate of the Chartered Insurance Institute. In 2015, she was awarded a CBE for services to business, particularly relating to diversity in the workplace.

Previous Directorships include SVG Capital plc, Primary Health Properties plc, Bonheur ASA and she was also Chair of MedicX Fund Limited

Principal External Appointments:

Non-Executive Director of SSE plc and chairs the Safety, Sustainability, Health and Environment Advisory Committee.

Non-Executive Director of Gowling WLG (UK) LLP.

Chair of the Global Media Campaign to End FGM.

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 (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 2023.

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 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 2 and 23 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 33);
- the key considerations relating to new investment opportunities (see 'Investment Highlights' in the Investment Adviser's Report on pages 28-31);
- 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 70-72); and
- the sustainability of the Company's business model (see 'the Going Concern and Viability section' on pages 74-75).

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 18-21 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 28-42;
- 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 70-72;
- 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 68-69;
- 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 on how they foster these relationships are included on pages 68-69;
- information on how the Company's operations impact on the environment and the communities in which its solar assets are located are included in the Sustainability and ESG section on pages 48-75; and
- a summary of the Board's principal activities during the year under review is included under 'Principal Roles' on page 85.

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 Chair (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, including Vic Holmes in his role as the non-executive chairman of Ocorian Administration (Guernsey) Limited, Administrator of the Company.

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

Division of Responsibilities

Board

The Board comprises six Directors, all of whom are Non-Executive and Independent, and is chaired by Kevin Lyon. The biographies of the Directors are on pages 78 and 79.

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.

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 80);
- 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 2023 appraisal of the Chairman can be found under 'Annual Performance Evaluations' on page 88.

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 88 and 89 for information on the 2023 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 96-99.
- **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 92-95.

Board Nominations

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 **(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.

Helen Mahy's Appointment as Chair Designate

A rigorous process was undertaken with the assistance of an independent 3rd party recruitment specialist to select a Director that demonstrates board experience at FTSE-level, Chair experience, sector-specific knowledge and a strong track record of delivering results to fill the role of the Chair following the end of the current Chair's tenure since IPO. The process involved selecting a candidate with this skillset to help deliver the Company's growth strategy.

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 NPIII LP 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' notice. The Investment Adviser's appointment is terminable by the Investment Adviser 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 21);
- 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 14-15 and in the portfolio highlights on page 28);
- assessment of key service providers;
- approving the Annual and Interim Reports;
- the Board and Committee Composition and Evaluation (see 'Board Composition and Evaluation' on page 88); 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 96-99. 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 2023.

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 pages 88 and 89.
- **Succession planning:** Details of the intended succession plan can be found under "Succession Planning" on page 87.

Meeting Attendance

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

In addition to the scheduled Board meetings, there were 15 ad hoc Board meetings, 1 ad hoc meeting of the Audit Committee and 1 ad hoc meeting for each of the Remuneration and Nominations Committee, Management Engagement Committee and Environmental, Social & Governance 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	Remuneration and Nominations Committee	Environmental, Social & Governance Committee
Kevin Lyon	4/4	3/3	1	1	1
Vic Holmes	4/4	3/3	1	1	1
Patrick Firth	4/4	3/3	1	1	1
Joanne Peacegood	4/4	3/3	1	1	1
Josephine Bush	4/4	2/3	1	1	1
Helen Mahy*	n/a	n/a	n/a	n/a	n/a

*Helen Mahy was not yet an appointed Director during the year ended 31 March 2023

Board Composition, Independence and Succession

The Board currently comprises six 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 78 and 79.

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, Josephine Bush has held her position since 1 January 2022, and Helen Mahy has held her position since 1 April 2023. 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.

Details of changes to the Board during the year under review can be found under 'Board Composition and Evaluation' on page 88.

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 on page 86. 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. The priority when making new appointments is to identify the candidate with the best range of skills, experience and knowledge to complement those of the existing Directors.

At the date of this report the Board comprised 3 men and 3 women, all Non-Executive Directors who are considered to be independent of the Investment Manager and free from any business or other relationship that could materially interfere with the exercise of their independent judgement. Currently, the Management and Engagement Committee and Environmental, Social & Governance Committee are both chaired by women. It is intended that Helen Mahy will be appointed as Chair of the Board following the Company's Annual General Meeting in August 2023. The Board are cognisant that it does not currently have ethnic representation, contrary to the new FCA diversity guidelines, and this will be a key focus during future succession planning.

Board Tenure

Three of our six Directors reached 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.

The date of appointment of each Director can be found in their biographies on pages 78 and 79.

Succession Planning

The Board remains aware of the AIC guidance around Board member tenure and continues to take positive action to address this by implementing a carefully devised succession plan that facilitates in the transition of corporate knowledge and Board independence, whilst ensuring the benefits of bringing new perspectives and diversity.
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. Helen Mahy was appointed to the Board on 1 April 2023 and, upon election, will succeed Kevin Lyon as chair from the August 2023 AGM.

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 six 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 undertakes 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 meets 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 reviews 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 Helen Mahy be elected and all other Directors be re-elected at the AGM, apart from Mr Lyon who is due to step down as Chairman at the AGM as his tenure comes to an end. Following the latest Board evaluation process, the Board recommended that Ms Mahy and Ms Bush visit the Company's various solar and battery power sites located throughout the UK.

Chairman

The Chair is Kevin Lyon. His primary role as Chair is to provide leadership to the Board. The principal responsibilities of the Chair are set out on page 82.

Upon the review of the Chairman, the 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 Management Agreement and its continued appointment of the Investment Adviser were in the best interests of shareholders as a whole and the Company's wider stakeholders.

Details of the fees payable to the Investment Manager and related entities can be found in notes 5 and 26 to the Financial Statements on pages 120 and 137.

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. This review is undertaken by the Management Engagement Committee, chaired by Joanne Peacegood. A formal review took place in Q2 2023 to align with the Board's calendar of events for the year ended 31 March 2023.

Directors' Remuneration

The Directors' Remuneration Report on pages 92 to 95 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 70-72. The Company's financial instrument risks are discussed in note 22 to the Financial Statements on pages 132-135.

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 the 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 97 of the Audit Committee Report), taking into account the information under 'Risks and Risk Management' on pages 70-72.

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 basis 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 NPIII LP to ensure the Board has oversight of business controls for the entire NESF Group.

The Administrator, which provides administrative, accounting, compliance and company secretarial services to the Company, has its own internal control systems relating to these matters. 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 97, the Board does not currently consider that an internal audit function is required.

Approval

This Corporate Governance Statement was approved by the Board on 16 June 2023 and signed on its behalf by:

Kevin Lyon
Chairman
16 June 2023

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 2023.

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 2022, was implemented during the year ended 31 March 2023.

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 **(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 six 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
- 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 six 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 2023. 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 2023, together with the comparative figures for 2022.

No additional fees were paid to the Directors during the year ended 31 March 2023 (2022: none).

The total amount of Directors expenses reimbursed during the year ended 31 March 2023 was £5,451 (2022: £1,429).

Director	Role	2023	2022
Kevin Lyon	Chairman	£75,000	£70,000
Patrick Firth	Audit Committee Chairman	£55,000	£50,000
Vic Holmes	Senior Independent Director/ Remuneration and Nominations Committee Chairman	£50,000	£46,000
Joanne Peacegood	Management Engagement Committee Chair	£48,500	£45,000
Josephine Bush[1]	ESG Committee Chair	£48,292	£10,500
Helen Mahy[2]	Chair-elect	N/A	N/A

1 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
2 Helen Mahy was appointed to the Board of Directors on 1 April 2023 and is being proposed as Chair following the Annual General Meeting in August 2023

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	2023	2022
Kevin Lyon	210,000	210,000
Patrick Firth	91,207	91,207
Vic Holmes	158,400	158,400
Joanne Peacegood	50,000	50,000
Josephine Bush	10,000	10,000
Helen Mahy[1]	38,586	N/A

1 Helen Mahy was appointed to the Board of Directors on 1 April 2023 and is being proposed as Chair following the Annual General Meeting in August 2023

The interests of the Directors (and their connected persons) in the ordinary shares of the Company at 31 March 2023, together with the comparative figures for 2022, are shown in the table above.

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

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

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 2023, together with the comparative figures for 2022.

	2023	2022	Change
	£'000	£'000	£'000
Directors' total remuneration	277	222	55
Total dividends paid or payable[1]	43,807	41,940	1,867

1 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. The Remuneration policy will be tabled at the upcoming AGM in August 2023.

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 17 August 2022, of the 393,570,140 votes cast by proxy and at the meeting (including votes cast at the Chairman's discretion), 99.98% 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 2022, and 0.02% were against. 103,119 votes were withheld.

Approval

This Directors' Remuneration Report was approved by the Board on 16 June 2023 and signed on its behalf by:

Vic Holmes
Remuneration and Nominations Committee Chairman
16 June 2023

Audit Committee Report

Audit Committee Report

Patrick Firth
Audit Committee Chairman

I am pleased to present the Audit Committee's Report for the year ended 31 March 2023.

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 comprises all of the Directors including Helen Mahy who was appointed on 1 April 2023. As permissible under the AIC Code the Chairman of the Board is a member of the Committee to enable their 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 78 and 79.

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. 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 2023 (details of the Committee members' attendance at the meetings can be found under 'Meeting Attendance' on page 86).

Responsibilities and Activities

The Audit Committee's responsibilities include:

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

- making recommendations to the Board on the appointment and remuneration of the external auditor.

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

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

- **Risk management and internal control processes:** The Committee assessed the principal and emerging risks facing the Company (details of which are included under 'Risks and Risk Management' on pages 70-72). 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 89. The committee reviewed the ongoing workstreams in relation to the valuation correction detected on page 35 and is working with the Investment Adviser to strengthen controls, processes and reporting going forward. The Committee also reviewed the most recent ISAE 3402 reports from the Administrator and sought additional assurances where required including confirmation 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.

- **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 underlying 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 underlying 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 119, the 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 and 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 pages 28-42.

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 2023

The production of the Annual Report, including the audit of the Company's financial statements, for the year ended 31 March 2023 was a comprehensive process requiring input from a number of different contributors.

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

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 certain 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 2023, 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 £47,300.

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 2023, 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 2023 were as follows:

	2023 £'000	2022 £'000
NESF	92	84
Subsidiaries	518	497
Total audit fees	**610**	**581**
Interim review	52	45
Total fees	**662**	**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 for the year end 31 March 2020 following a competitive tender, the Committee will consider the need for a competitive tender for the role of external auditor in, or before, 2025. 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 four years and, therefore, the Committee expects that there will be an audit partner rotation for, or before, the audit for the year ending 31 March 2025.

Approval

This Audit Committee Report was approved by the Audit Committee on 16 June 2023 and signed on its behalf by:

Patrick Firth
Audit Committee Chairman
16 June 2023

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 2023. This Directors' Report and the Strategic Report on pages 100 and 10 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 78 and 79
Directors' interests in shares	Page 94
Appointment and removal of directors	Pages 86 and 88
Financial Instruments	Page 117
Principal and emerging risks	Pages 70-72
Going concern and viability	Page 74
Annual Review of systems of risk management and internal control	Page 89
Disclosure of Information to Auditor	Page 103
Annual Evaluation of the Investment Manager and Investment Adviser	Page 83-84
Section 172 Statement	Page 81

Financial Results and Dividends

The financial results for the year can be found in the Statement of Comprehensive Income on page 110.

Details of the four interim dividends that have been declared in respect of the year ended 31 March 2023 are set out in note 15(b) to the Financial Statements on page 124. 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 2024' on page 21.

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 2024' on page 21.

Share Capital

During the year, the Company issued 1,176,937 ordinary shares as scrip shares. As at 31 March 2023 and the date of this Directors' Report, there were 590,254,181 ordinary shares in issue.

The Company issued no preference shares within the year ended 31 March 2023. As at 31 March 2023 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 135.

Substantial Shareholdings

As at 31 March 2023, the Company had been notified under the FCA's Disclosure Guidance and Transparency Rules of the following substantial holdings in its ordinary shares:

	Ordinary Shares	
Investor	No.	%
Artemis Investment Management LLP on behalf of discretionary funds under management	63,719,056	10.80%
M&G Investments	55,859,697	9.46%
Gravis Capital Mgt	40,429,010	6.85%
Legal & General Investment Mgt	31,786,109	5.39%
Baillie Gifford & Co	30,430,980	5.16%
Foresight Group	25,977,689	4.40%
Investec Wealth & Investment (RS)	25,951,430	4.40%
Privium Fund Management	21,236,546	3.60%

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.

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 £400,000 (2022: £100,000) to NextEnergy Foundation, (the "Foundation") information on which can be found in the Sustainability and ESG section on page 53. Community funding of £104,000 was also made through the SPVs during the year.

Events after the Balance Sheet Date

Details of events occurring since 31 March 2023 can be found in note 28 to the Financial Statements on page 138.

Independent Auditor

KPMG has indicated its willingness to continue as auditor for the year ending 31 March 2024 and resolutions to re-appoint KPMG and to authorise the Directors to determine KPMG's remuneration, will be proposed at this year's AGM.

2023 AGM

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

Approval

This Directors' Report was approved by the Board on 16 June 2023 and signed on its behalf by:

Kevin Lyon
Chairman
16 June 2023

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 (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 10 to 75, the Directors' Report on pages 100 to 102 and any other sections of the Annual Report referred to in the Strategic Report or the Directors' Report) includes a fair review of the development and performance of the Company and its position, together with a description of the emerging and principal risks that it faces.

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

On behalf of the Board of Directors of
NextEnergy Solar Fund Limited

Kevin Lyon
Chairman

16 June 2023

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 2023, the statements of comprehensive income, changes in equity and cash flows for the year then ended, and notes, 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 2023, 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 the 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.

Key audit matters: our assessment of the risks of material misstatement

Key audit matters are those matters that, in our professional judgment, 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 2022):

	The risk	Our response
Valuation of investments at fair value through profit and loss £854.35 million; (2022: £842.35 million) Refer to pages 96 to 99 (Audit Committee Report), pages 114 to 118 (accounting policies) and pages 128 to 131 (financial instrument disclosures).	**Basis:** The Company's investments in its immediate holding companies are carried at fair value through profit or loss and represent 127% of the Company's net assets. The fair value of those immediate holding companies, which reflects their net asset values, incorporates the fair value of underlying special purpose vehicles ("SPVs") which hold renewable assets for which there is no liquid market. The SPVs operational renewable assets (£707.5 million) are fair valued using an income approach which forecasts the cash flows of each individual renewable asset and discounts them at a rate that reflects their risk profile (the "Valuations"). The Valuations also include other specific SPVs assets and liabilities. The Valuations incorporate assumptions including discount rates, power price forecasts and inflation.	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 investments at fair value through profit and loss. **Valuation model integrity and model inputs:** - we tested the valuation model for mathematical accuracy including but not limited to material formulae 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 additions to non operational renewable assets during the year to supporting documentation; and

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

	The risk	Our response
	The SPVs non operational renewable assets (£103.3 million) are valued at their cost as an approximation of their fair value. £12.5m of investments held at fair value through profit and loss relates to the residual net assets of the immediate holding companies. The Company holds one direct investment in a private equity solar fund ("Private Investment") with a carrying value of £31.0 million. The fair value of the Private Investment is based on the Company's proportionate share of the net asset value ("NAV") of the private investment. **Risk**: The valuation of the Company's investments is considered a significant area of our audit, given that it represents the majority of the net assets of the Company and also taking into account the associated audit effort. The use of the income approach incorporates a risk of fraud and error where the selection and application of significant assumptions, including discount rates and power price forecasts, involves the exercise of significant judgement by the Company. We determined that the Valuations have a high degree of estimation uncertainty giving rise to a potential range of reasonable outcomes greater than our materiality for the financial statements as a whole. The financial statements disclose in note 19(b) the sensitivities estimated by the Company.	– 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, energy yield 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. **Assessing fair value - Private Investment:** - we obtained a confirmation of the fair value as at the year end from the manager of the Private Investment; - we agreed the fair value to the unaudited capital account received from the manager of the Private Investment; - we obtained the audited financial statements of the Private Investment as at 31 December 2022 to assess the basis of preparation together with accounting policies applied and whether the audit opinion is unmodified; and - in order to assess reliability of the Private Investment's NAV, we recalculated the Company's proportionate share of the Private Investment's NAV based on the audited financial statements as at 31 December 2022 and compared to the unaudited capital account as at 31 December 2022. **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.

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

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

Materiality for the financial statements as a whole was set at £13.4m, determined with reference to a benchmark of net assets of £674.4m, of which it represents approximately 2% (2022: 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% (2022: 75%) of materiality for the financial statements as a whole, which equates to £10.1m. 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:

- Availability of capital to meet operating costs and other financial commitments;
- 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 individually and collectively against the level of available financial resources indicated by the Company's financial forecasts.

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

Our conclusions based on this work:

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

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

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

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.

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.

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

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 74 - 75) 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 emerging and principal risks disclosures describing these risks and explaining how they are being managed or mitigated;
- the directors' explanation in the viability statement (pages 74 - 75) 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 74 and 75 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.

Independent Auditor's Report to the Members of NextEnergy Solar Fund Limited (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 103, 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

For and on behalf of KPMG Channel Islands Limited

Chartered Accountants and Recognised Auditors

Guernsey

16 June 2023

Statement of Comprehensive Income

For the year ended 31 March 2023

	Notes	2023 £'000	2022 £'000
Income			
Income comprises:			
Interest income		12,346	12,799
Investment income		56,287	42,009
Administrative services income		10,390	10,226
Net changes in fair value of investments	17	(13,199)	78,665
Unrealised foreign exchange gain		201	-
Total net income		66,025	143,699
Expenditure			
Preference share dividends		9,500	9,454
Management fees	5	5,828	5,041
Legal and professional fees		766	744
Directors' fees	7	277	222
Administration fees	6	346	227
Other expenses	9	311	122
Audit fees	8	144	138
Charitable donation	10	400	100
Regulatory fees		114	79
Insurance		23	22
Total expenses		**17,709**	**16,149**
Profit and comprehensive income for the year		**48,316**	**127,550**
Earnings per ordinary share – basic	**14**	**8.20p**	**21.69p**
Earnings per ordinary share – diluted	**14**	**7.55p**	**17.34p**

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 2023

	Notes	2023 £'000	2022 £'000
Non-current assets			
Investments	17	854,352	842,346
Total non-current assets		**854,352**	**842,346**
Current assets			
Cash and cash equivalents		14,354	19,608
Trade and other receivables	11	6,524	16,389
Total current assets		**20,878**	**35,997**
Total assets		**875,230**	**878,343**
Current liabilities			
Trade and other payables	12	(2,613)	(11,785)
Total current liabilities		**(2,613)**	**(11,785)**
Non-current liabilities			
Preference shares	23	(198,197)	(198,058)
Total non-current liabilities		**(198,197)**	**(198,058)**
Net assets		**674,420**	**668,500**
Equity			
Share capital and premium	13	609,448	608,037
Retained earnings		64,972	60,463
Equity attributable to ordinary shareholders		**674,420**	**668,500**
Total equity		**674,420**	**668,500**
Net assets per ordinary share	**16**	**114.3p**	**113.5p**

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

The audited financial statements were approved and authorised for issue by the Board of Directors on 16 June 2023 and signed on its behalf by:

Kevin Lyon Chairman

Patrick Firth Director

Statement of Changes in Equity

For the year ended 31 March 2023

	Share capital and premium £'000	Retained earnings £'000	Total equity £'000
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
Ordinary shareholders' equity at 1 April 2022	608,037	60,463	668,500
Profit and comprehensive income for the year	-	48,316	48,316
Scrip shares issued in lieu of dividends	1,411	-	1,411
Ordinary dividends declared	-	(43,807)	(43,807)
Ordinary shareholders' equity at 31 March 2023	609,448	64,972	674,420

Statement of Cash Flows

For the year ended 31 March 2023

	Notes	2023 £'000	2022 £'000
Cash flows from operating activities			
Profit and comprehensive income for the year		48,316	127,550
Adjustments for:			
Interest income receivable		(12,346)	(12,799)
Interest income received		12,326	12,799
Investment income receivable		(56,287)	(42,009)
Investment income received		58,429	34,019
Change in fair value of investments	17	13,199	(78,665)
Proceeds from HoldCos	17	71,584	82,443
Payments to HoldCos	17	(84,977)	(58,370)
Financing proceeds from HoldCos	17	5,000	42,100
Financing proceeds returned to HoldCos	17	(5,000)	(42,100)
Proceeds from NPIII LP	17	-	10,502
Payments to NPIII LP		(12,708)	(27,716)
Net changes in unrealised foreign exchange		(201)	(32)
Financial debt amortisation		139	139
Dividends paid on preference shares		9,500	9,454
Operating cash flows before movements in working capital		46,974	57,315
Changes in working capital			
Movement in trade and other receivables		(531)	694
Movement in trade and other payables		(2)	131
Net cash generated from operating activities		46,441	58,140
Cash flows from financing activities			
Dividends paid on preference shares		(9,500)	(9,500)
Dividends paid on ordinary shares		(42,396)	(39,841)
Net cash used in financing activities		(51,896)	(49,341)
Net movement in cash and cash equivalents during year		(5,455)	8,799
Cash and cash equivalents at the beginning of the year		19,608	10,809
Effect of foreign exchange rates		201	-
Cash and cash equivalents at the end of the year		14,354	19,608

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

Notes to the Financial Statements

For the year ended 31 March 2023

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 in compliance with the Companies (Guernsey) Law, 2008 and 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 received from 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, Spain and Portugal and that are predominantly fully constructed, operational and generating renewable electricity. A significant proportion of the income from the Company's investments is fixed for a long period of time in accordance with the terms of the relevant ROC or FiT subsidy. The balance of the income has exposure to wholesale electricity prices, although the Investment

Manager seeks to reduce this exposure through entering into short- or long-term power purchase agreements with fixed price mechanisms.

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

- maturity of debt facilities;
- future investment transactions; and
- expenditure and capital commitment.

The Company's cash balance as at 31 March 2023 was £14m, all of which was readily available. The NESF Group also had immediately available but undrawn amounts under its debt facilities of a further £38.7m. The NESF Group had capital commitments totalling £26.5m at the year end. The majority of the NESF Group's revenues are derived from government subsidies. A significant part of the NESF Group's borrowings are on a non-recourse basis. The Company's portfolio is diversified by geography, components, plant size, subsidy schemes and revenue streams.

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

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 four holding companies (NextEnergy Solar Holdings Limited, NextEnergy Solar Holdings III Limited, NextEnergy Solar Holdings IV Limited and NextEnergy Solar Holdings V Limited, collectively the "HoldCos"). The HoldCos are also investment entities and, as required under IFRS 10, value their investments at fair value.

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

- obtains funds from one or more investors for the purpose of providing these investors with investment management services; and
- commits to its investors that its business purpose is to invest funds solely for returns from capital appreciation, investment income, or both (including having an exit strategy for investments); and
- measures and evaluates the performance of substantially all of its investments on a fair value basis.

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

- the Company is an investment company that invests funds obtained from multiple investors in a diversified portfolio of solar energy infrastructure assets and related infrastructure assets and has appointed the Investment Manager to manage the Company's investments;
- the Company's purpose is to invest funds for investment income and potential capital appreciation and will exit its investments at the end of their economic lives or when their planning permissions or leasehold land interests expire (unless it has repowered their sites) and may also exit investments earlier for reasons of portfolio balance or profit; and

- the Board evaluates the performance of the Company's investments on a fair value basis as part of the quarterly management accounts review and the Company values its investments on a fair value basis twice a year for inclusion in its annual and interim financial statements with the movement in the valuations taken to the Statement of Comprehensive Income.

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 NPIII LP, 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 and energy storage 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.

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.

Interest income from equalisations comprises equalisations from subsequent investors into NPIII LP and is recognised in the Statement of Comprehensive Income within income when the Company's right to receive payments is established.

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 ("IPEV") valuation guidelines. The Company's private equity solar fund investment (NPIII LP) 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.

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 2022 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 2023 and do not expect that their adoption will result in a material impact on the financial statements of the Company in future periods.

4. Critical Accounting Estimates and Judgements

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

a) Critical Accounting Estimate: Investments at Fair Value Through Profit or Loss

The Company's investments are measured at fair value for financial reporting purposes. The Board has appointed the Investment Manager to produce investment valuations based on projected future cash flows for all investments except NPIII LP and solar projects not yet operational which are valued at estimated attributable NAV and cost as an approximation of fair value respectively. These valuations are reviewed and approved by the Board. The investments are held through SPVs and NPIII LP 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 £854.4m (2022: £842.4m) and consist of one private equity solar fund investment (NPIII LP) which has been valued using its estimated attributable NAV and 99 (2022: 99) 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 and energy storage 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 ongoing conflict in Ukraine continues to have a 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 2023 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 19.

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.

The Company's HoldCos directly hold investments in joint venture partnerships (classified as subsidiaries) and co-investments (classified as investments or associates).

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 NPIII LP. For the year ended 31 March 2023 the Company incurred £5.8m in management fees, of which £14k was outstanding at 31 March 2023 (2022: £5m in management fees of which £62k was outstanding at 31 March 2022).

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

6. Administration Fees

Under the Administration Agreement with the previous administrator the administration fee was a fixed fee of £220k per annum and the fixed fee was to increase annually in line with the annual increase in Guernsey RPI from 1 January 2022. 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. On 1 January 2023, the fixed fee increased in line with the annual increase in Guernsey RPI.

For the year ended 31 March 2023 the previous administrator was entitled to administration fees of £59k (2022: £227k), of which £nil was outstanding at 31 March 2023 (2022: £115k). For the year ended 31 March 2023 the current administrator was entitled to administration fees of £287k (2022: £nil), of which £nil was outstanding at 31 March 2023 (2022: £nil).

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 £277k (2022: £222k), of which £nil was outstanding at 31 March 2023 (2022: £11k).

8. Audit Fees

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

	31 March 2023 £'000	31 March 2022 £'000
Fees payable to the auditor for the audit of the Company	92	84
Fees payable to the auditor for the interim review of the Company	52	45
Additional audit fee and disbursements for prior year	-	9
Total	144	138

The figures noted in the table above do not include audit fees incurred by subsidiary entities.

9. Other Expenses

	31 March 2023 £'000	31 March 2022 £'000
Amortisation expense	139	139
Sundry expenses	167	(18)
Directors' expenses	5	1
Total	311	122

10. Charitable Donation

During the year ended 31 March 2023, the Company made a charitable donation of £400k (31 March 2022: £100k). Information on the NextEnergy Foundation and how it used the donation can be found on our website (nextenergysolarfund.com).

11. Trade and Other Receivables

	31 March 2023 £'000	31 March 2022 £'000
Administrative service fee income receivable	504	-
Accrued Income	40	20
Prepayments	101	74
Due from HoldCos	5,879	16,295
Total trade and other receivables	6,524	16,389

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

12. Trade and Other Payables

	31 March 2023 £'000	31 March 2022 £'000
Other payables	271	273
Due to NPIII LP	-	896
Preference dividends payable	2,342	2,342
Due to HoldCos	-	8,274
Total trade and other payables	2,613	11,785

Amounts due to HoldCos are interest free and payable on demand. During the year, an amount of £8.3m (2022: £13.1m) representing a non-cash deemed dividend was set-off against amounts due to HoldCos as these transactions are with the same Holdco.

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 2023 Shares	31 March 2022 Shares
Opening balance	589,077,244	586,987,678
Scrip shares issued during the year	1,176,937	2,089,566
Total issued at 31 March	590,254,181	589,077,244

Issued ordinary shares – share capital and premium	31 March 2023 £'000	31 March 2022 £'000
Opening balance	608,037	605,938
Value of scrip shares issued during the year	1,411	2,099
Total issued at 31 March	609,448	608,037

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 2023	31 March 2022
Profit and comprehensive income for the year (£'000)	48,316	127,550
Basic weighted average number of issued ordinary shares	589,518,997	588,014,946
Earnings per share basic	8.20p	21.69p

b) Diluted

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

	31 March 2023	31 March 2022
Profit and comprehensive income for the year (£'000)	48,316	127,550
Plus: preference share dividends paid during the year (£'000)	9,500	9,454
Profit for the year attributable to ordinary shareholders (£'000)	57,816	137,004
Weighted average number of issued ordinary shares	589,518,997	588,014,946
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	176,211,454	202,224,469
Adjusted weighted average number of ordinary shares	765,730,451	790,239,415
Earnings per share diluted	7.55p	17.34p

15. Ordinary Share Dividends

a) Paid During the Year

	31 March 2023 £'000	31 March 2023 Pence per share	31 March 2022 £'000	31 March 2022 Pence per share
Quarter 1	10,550	1.7900	10,346	1.7625
Quarter 2	11,080	1.8800	10,527	1.7900
Quarter 3	11,086	1.8800	10,529	1.7900
Quarter 4	11,091	1.8800	10,538	1.7900
Total	43,807	7.4300	41,940	7.1325

b) Declared in Respect of the Year

	31 March 2023 £'000	31 March 2023 Pence per share	31 March 2022 £'000	31 March 2022 Pence per share
Quarter 1	11,080	1.8800	10,527	1.7900
Quarter 2	11,086	1.8800	10,529	1.7900
Quarter 3	11,091	1.8800	10,538	1.7900
Quarter 4	11,097	1.8800	10,544	1.7900
Total	44,354	7.5200	42,138	7.1600

16. Net Assets per Ordinary Share

	31 March 2023	31 March 2022
Ordinary shareholders' equity (£'000)	674,420	668,500
Number of issued ordinary shares	590,254,181	589,077,244
Net assets per ordinary share	114.3p	113.5p

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 NPIII LP. 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 2023 (2022: none).

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

	31 March 2023 £'000	31 March 2022 £'000
Brought forward cost of investments	809,531	815,494
Investment proceeds from HoldCos	(71,584)	(82,443)
Investment payments to HoldCos	84,977	58,370
Investment proceeds from NPIII LP	-	(10,502)
Investments in NPIII LP	11,812	28,612
Carried forward cost of investments	834,736	809,531
Brought forward unrealised losses on valuation	32,815	(45,850)
Movement in unrealised gains on valuation	21,981	95,004
Movement in unrealised losses on valuation	(35,180)	(16,339)
Carried forward unrealised gains on valuation	19,616	32,815
Total investments at fair value	854,352	842,346

Non-cash transactions: On 23 February 2022, NESH V issued Eurobonds listed on The International Stock Exchange totalling £6.6m. During the year ended 31 March 2023, no new Eurobonds were listed on The International Stock Exchange.

To facilitate the acquisition of various investments at 31 March 2023, £5.0m (2022: £42.1m) was drawn down at subsidiary level, remitted to the Company before £5.0m was returned to a subsidiary (2022: £42.1m).

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

18. Subsidiaries and Other Investments

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 NPIII LP directly. The HoldCos are all incorporated in the UK and 100% directly owned. There are no cross guarantees amongst Group entities. During the year to 31 March 2023, NextEnergy Solar Holdings II Limited and its subsidiaries were transferred to RRAM Energy Limited (a subsidiary of NextEnergy Solar Holdings III Limited). Below are the legal names for the SPVs, all owned directly or indirectly through the HoldCos listed below at 31 March 2023. Agenor (24.5%) and NP III Co Invest LP (18%) are owned by NextEnergy Solar Holdings V Limited. Camilla Battery Storage Limited and Lapwing Fen II Limited are owned by NextPower EelPower Limited and NextPower EelPower (2) Limited, both of which are owned by NextEnergy Solar Holdings III Limited (70% and 75% respectively). All other SPVs are owned 100%.

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 Limited	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 Limited	UK	Wellingborough Solar Limited	UK
NextEnergy Solar Holdings III Limited	**UK**		
Balhearty Solar Limited	UK	Lapwing Fen II Limited	UK
Ballygarvey Solar Limited	UK	Burcroft Solar Parks Limited UK	UK
Birch Solar Farm CIC	UK	Burrowton Farm Solar Park Limited	UK
Blenches Mill Farm Solar Park Limited	UK	Camilla Battery Storage Limited	UK
Brafield Solar Limited	UK	Chilton Cantello Solar Park Limited	UK
Greenfields (T) Limited	UK	Crossways Solar Park Limited	UK
Helios Solar 1 Limited	UK	Empyreal Energy Limited	UK
Helios Solar 2 Limited	UK	Fiskerton Limited	UK
Hook Valley Farm Solar Park Limited	UK	NextZest Limited	UK
Knockworthy Solar Park Limited	UK	Pierces Solar Limited	UK
Lark Energy Bilsthorpe Limited	UK	Raglington Farm Solar Park Limited	UK

Le Solar 51 Limited	UK	RRAM Energy Limited	UK
Little Irchester Solar Limited	UK	Saundercroft Farm Solar Park Limited	UK
Little Staughton Airfield Solar Limited	UK	SL Solar Services Limited	UK
Micro Renewables Domestic Limited	UK	Sywell Solar Limited	UK
Micro Renewables Limited	UK	Tau Solar Limited	UK
NESH 3 Portfolio A Limited	UK	Temple Normanton Solar Limited	UK
Nextpower Bosworth Limited	UK	NextPower Grange Limited	UK
Nextpower Eelpower Limited	UK	Thornborough Solar Limited	UK
NextPower High Garrett Limited	UK	NextPower South Lowfield Limited	UK
Nextpower Hops Energy	UK	Thurlestone-Leicester Solar Limited	UK
Nextpower SPV 4 Limited	UK	UK Solar (Fiskerton) LLP	UK
Nextpower SPV 6 Limited	UK	Wheb European Solar (UK) 2 Limited	UK
Nextpower SPV 10 Limited	UK	Wheb European Solar (UK) 3 Limited	UK
Nextpower Water Projects Limited	UK	Whitley Solar Park (Ashcott Farm) Limited	UK
Nextpower Eelpower (2) Limited	UK	Wickfield Solar Limited	UK
Wyld Meadow Farm	UK	NextEnergy Solar Holdings II Limited	UK
ESF Llwyndu Limited	UK	Trowbridge PV Limited	UK
NextEnergy Solar Holdings VI Limited	UK	Bowden Lane Solar Park Limited	UK
Green End Renewables Limited	UK	Green End Renewables Limited	UK
Fenland Renewables Limited	UK	Tower Hill Farm Renewables Limited	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 Hive S.L.*	Spain
NextPower III LP Co-Invest LP**	Portugal		

* Agenor Hive S.L. is an associate of the HoldCo, not a subsidiary

** NextPower III LP Co-Invest LP is an investment of the HoldCo, not a subsidiary or associate

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 2023, investments held at fair value value using the discounted cash flow methodology totalled £707.5m (2022:£699.6m).

During the prior year the Company invested directly in a private equity fund NPIII 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 2023, investments held at fair value using NAV totalled £31.0m (31 March 2022: £17.3m).

Investments in assets that are not yet operational (this includes the co-investment into Project Agenor and NPIII LP Co-Invest LP) 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 2023, investments held at cost which approximates fair value totalled £103.3m (2022: £21.9m).

Another £12.5m of investments held at fair value relates to the residual net assets of the HoldCos. Therefore, the total operational fair value to which the sensitivity analysis has been applied in the below tables is £707.5m.

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

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

Most of the Company's investments 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 2023	31 March 2022
Weighted average discount rate	7.3%	6.3%
Range of discount rates (unlevered to levered)	6.75% to 8.25%	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 2023			
Directors' valuation	(£18.8m)	£707.5m	£20.0m
Directors' valuation – percentage movement	(2.7%)		2.8%
Change in NAV per ordinary share	(3.2p)		3.4p
31 March 2022			
Directors' valuation	(£20.1m)	£699.6m	£21.6m
Directors' valuation – percentage movement	(2.9%)		3.1%
Change in NAV per ordinary share	(3.4p)		3.7p

The 2022 balance has been reclassified to conform to the current year presentation which includes operational assets only

Power Price

As at 31 March 2023, estimates implied an average rate of growth of UK electricity prices (2023-2042) of approximately -5.5% (2022: -7.7%) in 2023 real terms and an average rate of growth of Italian electricity prices (2023-2042) of approximately -6.4% (2022: -4.7%) in 2023 real terms. As at 31 March 2023, estimates implied a long-term inflation rate of 2.3% (2022: 2.3%).

The power price environment has remained high in 2023, heightened by the ongoing conflict in Ukraine, leading to continued higher power prices. 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 2023			
Directors' valuation	(£52.5m)	£707.5m	£50.9m
Directors' valuation – percentage movement	(7.4%)		7.2%
Change in NAV per ordinary share	(8.9p)		8.6p
31 March 2022			
Directors' valuation	(£48.9m)	£699.6m	£46.5m
Directors' valuation – percentage movement	(7.0%)		6.6%
Change in NAV per ordinary share	(8.3p)		7.9p

The 2022 balance has been reclassified to conform to the current year presentation which includes operational assets only

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 2023			
Directors' valuation	(£43.9m)	£707.5m	£43.1m
Directors' valuation – percentage movement	(6.2%)		6.1%
Change in NAV per ordinary share	(7.4p)		7.3p
31 March 2022			
Directors' valuation	(£46.2m)	£699.6m	£43.9m
Directors' valuation – percentage movement	(6.6%)		6.3%
Change in NAV per ordinary share	(7.8p)		7.5p

The 2022 balance has been reclassified to conform to the current year presentation which includes operational assets only

Inflation Rates

The portfolio valuation assumes long-term inflation of 2.3% (2022: 2.3%) 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 1.0% (2022: 3.0%), with all other variables held constant.

Inflation rate sensitivity	-1.0% change	Investments	+1.0% change
31 March 2023			
Directors' valuation	(£45.8m)	£707.5m	£51.3m
Directors' valuation – percentage movement	(6.5%)		7.3%
Change in NAV per ordinary share	(7.8p)		8.7p
31 March 2022	-3.0% change	Investments	+3.0% change
Directors' valuation	(£132.9m)	£699.6m	£191.1m
Directors' valuation – percentage movement	(19.0%)		27.3%
Change in NAV per ordinary share	(22.6p)		32.4p

The 2022 balance has been reclassified to conform to the current year presentation which includes operational assets only

Operating Costs

The table below shows the sensitivity of the portfolio to changes in operating costs by plus or minus 5% (2022: 5%) at the SPVs level, with all other variables held constant.

Operating costs sensitivity	+5% change	Investments	-5% change
31 March 2023			
Directors' valuation	(£6.4m)	£707.5m	£6.5m
Directors' valuation – percentage movement	(0.9%)		0.9%
Change in NAV per ordinary share	(1.1p)		1.1p
31 March 2022			
Directors' valuation	(£6.5m)	£699.6m	£6.5m
Directors' valuation – percentage movement	(0.9%)		0.9%
Change in NAV per ordinary share	(1.1p)		1.1p

The 2022 balance has been reclassified to conform to the current year presentation which includes operational assets only

Tax Rates

The UK corporation tax rate used in the portfolio valuation is 19% until April 2023 and 25% thereafter (2022: 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 NPIII LP, the direct private equity investment as at 31 March 2023 was £31.0m (2022: £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, currency risk and interest rate risk.

A movement of 10% in the value of the private equity investment would move the Company's investments held at fair value at the year end by 0.4% (2022: 0.2%).

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 2023 they are held at £198.2m (2022: £198.1m). The transaction costs are amortised over the expected life of the preference shares to 2036. Preference shares are a Level 3 item in the fair value hierarchy with their carrying value approximating their fair value of £198.2m as at 31 March 2023. The fair value of the preference shares was calculated based on projected future cash flows for the preference shares using a market related discount rate adjusted for risk factors.

21. Capital Management

a) Capital Structure

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

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

b) Debt

The Company's Investment Adviser reviews the debt structure of the Company and its subsidiaries on an ongoing basis. The Company and its subsidiaries use leverage for financing the acquisition of solar investments and working capital purposes. In accordance with the Company's Investment Policy, the NESF Group may employ leverage, provided that it does not exceed (at the time the relevant arrangement is entered into) 50% of GAV. For this purpose, leverage includes all short- and long-term debt raised by the Company or any of its subsidiaries, 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 2023, the Company had £200m of preference shares in issue (2022: £200m) and no financial debt outstanding. The subsidiaries had £345.3m in long-term debt, look through debt and revolving credit facilities outstanding (2022: £283.3m) (see note 23(b), representing a gearing level of 45% (2022: 42%)

22. Financial Risk Management Objectives

The Board, with the assistance of the Investment Manager and Investment Adviser, monitors and manages the financial risks relating to the operations of the NESF Group through an internal risk map and the Investment Manager's reports. These risks include capital risk, market risk (including price risk, power price risk, currency risk and interest rate risk), credit risk and liquidity risk. The objective of the risk management programme is to minimise the potential adverse effects on the financial performance of the NESF Group.

For the Company and its subsidiaries, financial risks are managed by the Investment Manager and Investment Adviser, which operate within Board-approved policies. The various types of financial risk which affect the Company, its subsidiaries or both are managed as described below. Risks that affect the Company's unconsolidated subsidiaries may affect in turn the fair value of investments held by the Company.

a) Capital Risk (Company Only)

The Company has put in place a financing structure that enables it to manage its capital effectively. The Company's capital structure comprises equity (issued ordinary share capital and retained earnings) and preference share capital. As at 31 March 2023 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.

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 material 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 unhedged portion of Company cash flows 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 2023. Of the £345.3m (2022: £278.5m) credit facilities outstanding (excluding NPIII LP look through debt of £7.7m), £112.0m (2022: £115.8m) had fixed interest rates and the remaining £225.6m (2022: £162.7m) 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 £59.3m (2022: £66.5m). The counterparties to these swaps are all Investment grade financial institutions. The remaining £166.3m (2022: £96.2m) had floating rates which are not hedged and a change in interest rates would not have a material impact to the Company.

c) Credit Risk (Company and Subsidiaries)

Credit risk is the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Company or the subsidiary that is a party to the contract. Credit risk arises from cash and cash equivalents and derivative financial instruments, as well as credit exposures to customers.

The Company and its subsidiaries mitigate their risk of cash and derivative transactions by only transacting with major international financial institutions with high credit ratings assigned by international credit rating agencies. At the investment level, the credit risk relating to significant counterparties is reviewed on a regular basis, in conjunction with monitoring the credit ratings issued by recognised credit rating agencies, and potential adjustments to the discount rate are considered to recognise changes to credit risk where applicable. The Directors believe that the NESF Group is not significantly exposed to the risk that the customers of its investments do not fulfil their payment obligations because of the NESF Group's policy to invest in jurisdictions and with customers with satisfactory credit ratings.

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

	31 March 2023 £'000	31 March 2022 £'000
Cash and cash equivalents	14,354	19,608
Trade and other receivables	6,524	16,389
Debt investments	306,554	306,554
Total	327,432	342,551

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 2023, 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 (2022: none). The Investment Adviser has sufficient oversight of the subsidiary's receivables to assess the probability of default.

Details of the Company's cash and cash equivalent balances at the year end are set out in the table below.

	Credit rating Standard & Poor's	Cash £'000
31 March 2023		
Barclays Bank PLC	Long – A+ Short – A-1	14,354
31 March 2022		
Barclays Bank PLC	Long - A Short - A/A-1	19,608

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 2023				
Assets				
Cash and cash equivalents	14,354	14,354	-	-
Trade and other receivables	6,524	6,524	-	-
Liabilities				
Contractual preference shares repayment and dividends payable[1]	(198,197)	(2,342)	(7,158)	(323,500)
Trade and other payables	(2,613)	(2,613)	-	-
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 payable[1]	(200,400)	(2,342)	(7,132)	(333,000)
Trade and other payables	(9,443)	(9,443)	-	-

1 Assumes no conversion of preference shares in 2036

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	Carrying Amount £'000
31 March 2023			
Preference shares	198,058	139	198,197
31 March 2022			
Preference shares	197,919	139	198,058

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 2023, the nominal outstanding amount was £141.9m (2022: £145.1m).

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. In September 2022, the facility was increased to total commitment of £135.0m. As at 31 March 2023, the outstanding amount was £135.0m (2022: £75.0m).

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 2023, the nominal outstanding amount was £46.8m (2022: £47.3m).

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 2023, the outstanding amount was £31.3m (2022: £21.1m).

24. Reconciliation of Financing Activities

	Opening £'000	Cash Flows £'000	Net Income Allocation £'000	Non-cash Flows £'000	Carrying Amount £'000
31 March 2023					
Preference shares	198,058	(9,500)	9,500	139	198,197
31 March 2022					
Preference shares	197,919	(9,500)	9,500	139	198,058

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, had forward and development funding facilities in relation to the construction of subsidy-free development projects. As at 31 March 2023, the facilities amounted to nil and nil respectively (2022: £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 2023, a letter of credit of £2,500,000 was in issue (2022: £2,374,426).

On 1 December 2017, the Company provided a guarantee to Intesa Sanpaolo S.p.A. ("ISP") relating to derivative transactions made available to NESH V. The guarantee covers all present and future obligations of NESH V to ISP relating to the derivative transactions. As at 31 March 2023 the Company has no outstanding commitments related to this guarantee (2022: none).

The Company has a remaining commitment to NPIII LP of US$11.9m as at 31 March 2023 (2022: $25.9m). The Company, through its subsidiary, has a remaining commitment of EUR €0.0m in relation to the co-investment in Project Agenor as at 31 March 2023 (2022: €1.0m). The Company, through its subsidiary, has a remaining commitment of EUR€2.0m in relation to the co-investment in Project Santarem as at 31 March 2023 (2022: none). The Company, through its HoldCos, had other project spending commitments totalling £26.5m as at 31 March 2023.

26. Related Parties

The Investment Manager, the Investment Adviser and the Asset Manager are considered to be related parties in light of their responsibilities in implementing the investment strategy set by the Board of Directors and directing the activities of Group entities. All management fee transactions with the Investment Manager are disclosed in note 5.

Fees of £94,049 (2022: £nil) were charged by the Investment Adviser for ESG related services and this is included in legal and professional fees in the Statement of Comprehensive Income. £nil was outstanding at year end (2022: £nil).

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 period amounted to £7.6 (2022: £6.6m).

At 31 March 2023 £5.9m (2022: £8.3m) was owed from the subsidiaries in relation to their restructuring, £5.9m being cash trapped within the structure at year end (2022: £8.0m). £10.4m of administrative service fees were received from the subsidiaries during the year (2022: £10.2m), £504k of which was outstanding at 31 March 2023 (2022: £nil). During the year, dividends of £56.3m (2022: £42.0m) were received from the subsidiaries. Refer to note 11 and 12 for terms and conditions on amounts due from and to subsidiaries.

During the prior year the Company committed US$50m to NPIII LP, as a Limited Partner governed by a Limited Partnership Agreement, with US$38.1m drawn as at 31 March 2023 (2022: US$24.1m). The Investment Manager, the Investment Adviser and the Asset Manager are all professionally engaged to provide services to this fund. Equalisation interest of nil (2022: £0.8m) was received due to subsequent closes of NPIII LP. The principal activity of NPIII LP 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 NPIII LP. The Company pays capital calls when due and receives distributions from NPIII LP over the life of the fund. The outstanding commitment to NPIII LP is disclosed in note 25.

During the year to 31 March 2023, NextEnergy Solar Holdings II Limited and its subsidiaries were sold to RRAM Energy Limited (a subsidiary of NextEnergy Solar Holdings III Limited) for consideration of £33.4m.

The Directors' fees for the year ended 31 March 2023 amounted to £277k (2022: £222k).

As at 1 June 2023, NextEnergy Capital Group employees held 1,532,060 shares in NESF.

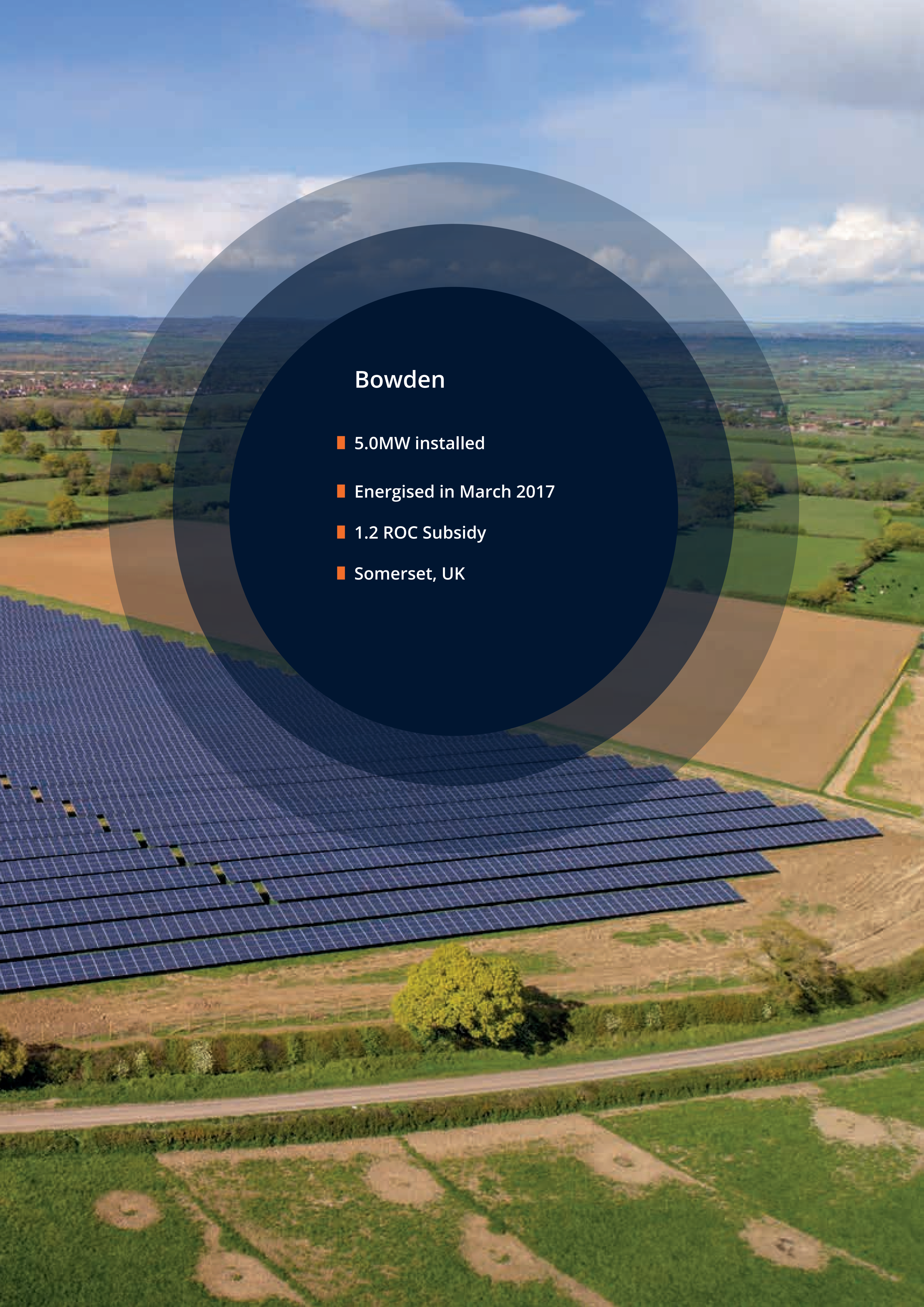
27. Controlling Parties

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 11 May 2023, the Directors approved a dividend of 1.88 pence per ordinary share for the quarter ended 31 March 2023 to be paid on 30 June 2023 to ordinary shareholders on the register as at the close of business on 19 May 2023.

On 27 April 2023, the Board announced a capital recycling programme. Through the programme, the Company aims to capture significant value from the divestment of a 236MW portfolio of subsidy-free UK solar assets, the proceeds from which will be used to reduce gearing, invest in future long-term growth opportunities and, if appropriate, buyback shares.



Bowden

- 5.0MW installed
- Energised in March 2017
- 1.2 ROC Subsidy
- Somerset, UK

- 9.0MW installed
- Energised in March 2016
- 1.4 ROC subsidy
- Buckinghamshire, UK

Alternative Performance Measures ("APMs")

We assess our performance using a variety of measures that are not specifically defined under IFRS and are therefore termed APMs. The APMs that we use may not be directly comparable with those used by other companies. Our APMs, which are shown below, are used to present a clearer picture of how the Company has performed over the 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.

	Year ended 31 Mar 2023 %	Year ended 31 Mar 2022 %
Delta of generation vs. budget (A)	3.8	1.8
Delta of irradiation vs. budget (B)	7.5	3.4
Asset Management Alpha (A – B)	(3.7)	(1.6)

Invested Capital

Invested capital measures the capital deployed into solar assets through the HoldCos and SPVs to generate investment returns for shareholders.

	31 March 2023 £'000	31 March 2022 £'000
Invested capital	1,133,769	1,038,648

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 2023 £'000	31 March 2022 £'000
NESF Group's outstanding financial debt (A)	345,275	283,304
Preference shares as per Statement of Financial Position (B)	198,197	198,058
Net assets as per Statement of Financial Position (C)	674,420	668,500
Total gearing ((A + B) / (A + B + C)), **expressed as a percentage)**	44.6%	41.9%

Financial Debt Gearing

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

	31 March 2023 £'000	31 March 2022 £'000
NESF Group's outstanding financial debt (A)	345,275	283,304
Preference shares as per Statement of Financial Position (B)	198,197	198,058
Net assets as per Statement of Financial Position (C)	674,420	668,500
Financial debt gearing ((A) / (A + B + C)), expressed as a percentage)	28.4%	24.6%

Cash Income

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

	31 March 2023 £'000	31 March 2022 £'000
Income as per Statement of Comprehensive Income (A)	79,023	65,034
Trade and other receivables – administrative service fee income accrual at beginning of year (B)	-	758
Trade and other receivables – administrative service fee income accrual at end of year (C)	(504)	-
Cash income (A + B – C)	78,519	65,792

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 2023 £'000	31 March 2022 £'000
Cash Income as per the table above (A)	78,519	65,792
Total expenses as per Statement of Comprehensive Income (B)	17,709	16,190
Pre-scrip ordinary dividends paid as per Statement of Changes in Equity (C)	43,807	41,940
Cash dividend cover (pre-scrip dividends) ((A - B) / C)	1.4x	1.2x

Dividend Yield

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

	31 March 2023 £'000	31 March 2022 £'000
Dividend per ordinary share (A)	7.52	7.16
Ordinary share price at end of year (B)	104.8	103.4
Dividend yield (A / B, expressed as a percentage)	7.18%	6.92%

NAV per Ordinary Share

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

	31 March 2023 pence	31 March 2022 pence
Net assets as per Statement of Financial Position (£'000) (A)	674,420	668,500
Number of ordinary shares in issue at year end (B)	590,254,181	589,077,244
NAV per ordinary share ((A / B) x 100)	114.3p	113.5p

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.

	Year ended 31 Mar 2023 pence	Year ended 31 Mar 2022 pence
Basic NAV per ordinary share at year end as per Statement of Financial Position (A)	114.3	113.5
Annual dividend per ordinary share declared in respect of year (B)	7.52	7.16
Basic NAV per ordinary share at beginning of year as per Statement of Financial Position (C)	113.5	98.9
NAV total return per ordinary share ((A + B – C) / C, expressed as a percentage)	7.33%	21.98%

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 2023 pence	31 March 2022 Pence
Ordinary share price at year end (A)	104.8	103.4
Annual dividend per ordinary share declared/paid in respect of year (B)	7.52	7.16
Ordinary share price at beginning of year (C)	103.4	99.6
Ordinary shareholder total return per share **((A + B – C) / C, expressed as a percentage)**	8.63%	11.0%

Discount to NAV per Ordinary Share

Discount 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 2023 pence	31 March 2022 Pence
Ordinary share price at year end (A)	104.8	103.4
NAV per ordinary share at year end as per Statement of Financial Position (B)	114.3	113.5
Discount to NAV per Ordinary Share **((A – B) / B, expressed as a percentage)**	(8.3%)	(8.9%)

Ongoing Charges

Ongoing charges measures the Company's recurring operating costs (excluding the costs of acquisition or disposal of investments, financing charges and gains or losses arising on investments) as a percentage of the average of the net assets at the end of each of the last four consecutive quarters ending at the period end.

	31 March 2023 £'000	31 March 2022 £'000
Total expenses as per Statement of Comprehensive Income (A)	17,709	16,181
Preference share dividends as per Statement of Comprehensive Income (B)	9,500	9,454
Non- recurring expenses (C)	700	248
Average of quarterly net assets (D)	705,851	595,637
Ongoing charges ratio **((A – B – C) / D, expressed as a percentage)**	1.06%	1.09%

General Shareholder Information

Alternative Investment Fund Management Directive ("AIFMD")

The AIFMD aims to harmonise the regulation of Alternative Investment Fund Managers ("AIFMs") and imposes obligations on managers who manage or market Alternative Investment Funds ("AIFs") in the EU or who market shares in such funds to EU investors.

The Company is a non-EU AIF and has appointed NextEnergy Capital IM Limited as its non-EU AIFM. The Company's marketing activities in the UK and the EU are subject to regulation under the AIFMD and any applicable National Private Placement Regimes ("NPPRs"). NPPRs provide a mechanism to market non-EU AIFs that are not allowed to be marketed under the AIFMD domestic marketing regimes. The Board uses NPPRs to market the Company, specifically in the UK, the Republic of Ireland, the Netherlands and Sweden.

In accordance with the AIFMD, information in relation to the Company's leverage and remuneration of the Investment Manager, as the Company's AIFM, are required to be made available to investors. These disclosures, including those on the AIFM's remuneration policy, are available on request from the Investment Manager.

Packaged Retail and Insurance-Based Investment Products ("PRIIPs") Regulation/Key Information Document ("KID")

The PRIIPs Regulation aims to ensure retail investors are provided with transparent and consistent information across different types of financial products.

The Company is a PRIIP. The PRIIPs Regulation requires the Investment Manager to publish a KID in respect of the Company that includes standardised illustrations of theoretical risk and returns. The KID is available on the Company's website under Investor Relations **(nextenergysolarfund.com)**.

The Company is not responsible for the information contained in the KID and investors should note that the procedures for calculating the risks, costs and potential returns are prescribed by law. The figures in the KID may not reflect the expected returns for the Company and anticipated performance returns cannot be guaranteed.

Foreign Account Tax Compliance Act ("FATCA")/ OECD Common Reporting Standard ("CRS")

FATCA is a United States federal law enacted in 2010, the intent of which is to enforce the requirement for United States persons (including those living outside the US) to file yearly reports on their non-US financial accounts. Developed and approved by the OECD in 2014, the CRS is a global standard for the automatic exchange of financial account information between governments around the world to help fight against tax evasion and protect the integrity of systems.

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

Markets in Financial Instruments Directive II ("MiFID II") Status

MiFID II requires retail investors in complex products to be assessed for "knowledge and understanding" by distributing firms if they are buying them without advice.

The Company's ordinary shares are considered as "non-complex" in accordance with MiFID II.

Retail Distribution of the Company's Shares Via Financial Advisers and Other Third-Party Promoters

The FCA's rules restrict the promotion of investment products classified as "non-mainstream pooled investment products" to retail investors. The restrictions do not apply to ordinary shares in a UK investment trust or non-UK investment company which would qualify for approval as an investment trust under section 1158 of the Corporation Tax Act 2010 if resident and listed in the UK.

The Board has been advised that the Company would qualify as an investment trust if it was resident in the UK. Accordingly, the promotion and distribution of the Company's ordinary shares are not subject to the FCA's restrictions referred to above.

The Company currently conducts its affairs so that its ordinary shares can be recommended by financial advisers to retail investors and intends to continue to do so for the foreseeable future.

ISA Status

NESF's ordinary shares are eligible for stocks and shares ISAs.

The Company intends to continue to manage its affairs so that its ordinary shares qualify as an eligible investment for a stocks and shares ISA.

Net Asset Value per Ordinary Share

The NAV per ordinary share is calculated on a quarterly basis and published through a stock exchange announcement.

Scrip Dividends

The Company offers a scrip dividend alternative to shareholders. For further information, please see the scrip dividend alternative circular for the year ended 31 March 2023, which is available under "Publications" in the Investor Relations section of the Company's website **(nextenergysolarfund.com)**.

Additional Information

Copies of the Company's Annual and Interim Reports, quarterly 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, along with further information, is available on the Company's website **(nextenergysolarfund.com)**.

Financial Calendar for Year Ending 31 March 2024

Interim results announced	November 2023
Annual results announced	June 2024
Annual General Meeting	August 2024

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 2024.

Dividend	Announcement date	Ex-dividend date	Payment date	Amount
1st	17 Aug 23	24 Aug 23	30 Sept 23	2.09p
2nd	16 Nov 23	23 Nov 23	31 Dec 23	2.09p
3rd	Feb 24	Feb 24	31 Mar 24	2.09p
4th	May 24	May 24	30 Jun 24	2.09p

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
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 (see page 145 for further information)
Asset Management Alpha	The difference between (i) the delta of generation vs. budget and (ii) the delta of irradiation vs. budget
Apollo portfolio	21 UK solar plants held within NESH (see the Operating Portfolio - Overview on pages 44 and 45 for further details)
Asset Manager or WiseEnergy	WiseEnergy (Great Britain) Limited and WiseEnergy Italia Srl
Brexit	The withdrawal of the United Kingdom from the European Union
Capacity Market Auction	The Capacity Market is a UK Government initiative that ensures security of electricity supply by providing a payment for reliable sources of capacity
Cash dividend cover	The ratio of the Company's cash income to dividends paid or payable in respect of the financial period/year
CBA	Commonwealth Bank of Australia
Company or NESF	NextEnergy Solar Fund Limited
Consultants	The three independent market forecasters used by the Company
CO_2e or carbon dioxide equivalent	A term for describing different greenhouse gases in a common unit. For any quantity and type of greenhouse gas, CO_2e signifies the amount of CO_2 which would have the equivalent global warming impact
DNO	Distribution Network Operators ("DNOs") are regionally based licensed companies responsible for completing rolling programmes of preventative maintenance and upgrade works to ensure stability of the energy supplied to consumers
DNOO	Distribution Network Operator 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
GAV	Gross asset value, being the aggregate of the net asset value of the ordinary shares, the fair value of the preference shares and the amount of NESF Group debt outstanding
GW	Gigawatt, a unit of power equal to 1,000 MW
GWh	GW hour, 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 III, NESH IV, NESH V and NESH VI
IFRS	International Financial Reporting Standards
Investment Adviser or NEC	NextEnergy Capital Limited
Investment Manager	NextEnergy Capital IM Limited
IPO	Initial Public Offering
IRR	Internal Rate of Return
KPMG	KPMG Channel Islands Limited, independent auditor to the Company
KWh	Kilowatt hour, being a measure of electricity generated per hour
MIDIS	Macquarie Infrastructure Debt Investment Solutions
MW	A Megawatt is unit of power equal to one million watts and is used as a measure of the output of a power plant
MWh	MW hour, being a measure of electricity generated per hour
NAB	National Australia Bank
Net assets or NAV	Net asset value
NAV total return	The actual rate of return from dividends paid and any increase or reduction in the NAV per ordinary share over a given period of time
NEC or NEC Group	The NextEnergy Capital group of companies, including the Investment Manager, Investment Adviser and Asset Manager
NESF Group	The Company, HoldCos and SPVs
NESH	NextEnergy Solar Holding Limited
NESH 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
NPIII LP	NextPower III LP
NZ	NextZest
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
Performance ratio	Describes the relationship between the actual and theoretical energy outputs of a solar plant (expressed as a percentage)
PPA	Power purchase agreement
Premium/discount to NAV	The amount, expressed as a percentage, by which the Company's ordinary shares trade above or below the NAV per ordinary share
Preference shares	The issued preference share capital of the Company
PV	Photovoltaic
Radius portfolio	Five UK solar plants held within NESH IV (see the Operating Portfolio - Overview on pages 44 and 45 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)

ROC recycle	The payment received by generators from the redistribution of the buy-out fund (payments are made into the buy-out fund when suppliers do not have sufficient ROCs or NIROCs to cover their obligation)
RPI	Retail Price Index
RRAM portfolio	10 UK solar plants held in NESH III (see the Operating Portfolio – Overview on pages 44 and 45 for further details)
Scrip shares	Ordinary shares issued pursuant to the Company's scrip dividend alternative
SDG	The Sustainable Development Goals are a set of ambitious global developmental targets adopted by the United Nations Member States in 2015 to be achieved by 2030 and seek to address the global challenges we face through the promotion of development as a balance of social, economic, and environmental sustainability
Solis portfolio	Eight Italian solar plants held within NESH V (see the Operating Portfolio – Overview on pages 44 and 45 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
Thirteen Kings portfolio	13 plants held in NESH III (see the Operating Portfolio – Overview on pages 44 and 45 for further details)
Treasury shares	Ordinary shares which are bought back by the Company, reducing the number of outstanding shares on the open market, and held by the Company for resale at a future date
Wholesale revenue	Revenue from energy sold in the wholesale power market which is not connected with subsidy schemes or PPAs

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