



for the six months ended 30 September 2021



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

- Optimise the value of our assets through effective active management.
- Expand the portfolio in line with the Company's Investment Policy to provide growth.

Operational

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

Environmental

- Enhance biodiversity where our assets are located.
- Contribute towards a zero carbon, sustainable future and help mitigate climate change.

Social

- Positively impact the local communities in which our solar assets are located
- Continue to engage with all stakeholders.

Governance

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



Performance Highlights

Financial Highlights

NAV per ordinary share
as at 30 September 2021

103.1p

(31 March 2021: 98.9p)

Ordinary shareholders' NAV
as at 30 September 2021

£607m

(31 March 2021: £581m)

Financial debt gearing
as at 30 September 2021¹

26.0%

(31 March 2021: 24.0%)

Dividends per ordinary share
for the period ended
30 September 2021

3.58p

(30 September 2020: 3.53p)

Cash dividend cover (pre-scrip
dividends) for the period ended
30 September 2021

1.0x

(30 September 2020: 1.2x)

Total gearing as at
30 September 2021²

44.2%

(31 March 2021: 43.3%)

NAV total return per ordinary
share for the period ended
30 September 2021

7.9%

(30 September 2020: 4.1%)

Ordinary shareholder total return
for the period ended
30 September 2021

3.8%

(30 September 2020: 3.9%)

Ordinary shareholder
annualised total return since IPO

6.2%

(31 March 2021: 6.1%)

Operational Highlights

Total capacity installed as at
30 September 2021⁴

895MW

(31 March 2021: 814MW)

Total electricity generation for
the period ended 30 September
2021

539GWh

(30 September 2020: 551GWh)

Tonnes of CO₂e emissions
avoided p.a.³

229,000

(30 September 2020: 237,500)

Operating solar assets
as at 30 September 2021⁵

99

(31 March 2021: 94)

Generation above budget
for the period ended
30 September 2021

1.1%

(30 September 2020: 11.1%)

Equivalent UK homes powered
for one year³

299,000

(30 September 2020: 306,800³)

¹ Financial debt gearing excludes the £200m preference shares.

² 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.

³ The Green Investment Group verifies this calculation by referring to the Enerdata database and methodology, www.enerdata.net. The comparative figure from 2020 has changed from the previous Interim Report due to a change in methodology.

⁴ Includes the \$50m commitment into NPfII adding 30MW to NESF's installed capacity on a lookthrough equivalent basis as at 30 September 2021.

⁵ Not including the \$50m commitment into NPfII.

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NextEnergy Solar Fund Overview



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



MANAGED BY SOLAR SPECIALISTS:

- **NEXTENERGY CAPITAL, INVESTMENT MANAGER**
 - **WISEENERGY, OPERATING ASSET MANAGER**
- BOTH LEADING MANAGERS IN THE SOLAR ENERGY INFRASTRUCTURE SECTOR**



DIVERSIFIED PORTFOLIO:

- **99 OPERATING SOLAR PLANTS**
- **1 INTERNATIONAL PRIVATE EQUITY SOLAR FUND INVESTMENT**
- **NEW 100MW JOINT VENTURE PARTNERSHIP INTO UK STANDALONE ENERGY STORAGE**



IN THE INTERIM PERIOD WE GENERATED SUFFICIENT ENERGY TO POWER THE EQUIVALENT OF 299,000 UK HOMES (EQUIVALENT TO EDINBURGH AND BRIGHTON) ANNUALLY WITH CLEAN RENEWABLE ENERGY



CONTINUED ASSET OUTPERFORMANCE SINCE IPO

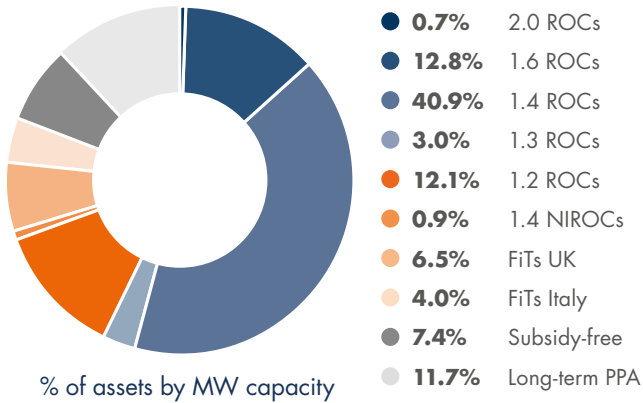


ATTRACTIVE INCOME, TARGETING A TOTAL DIVIDEND OF 7.16P PER ORDINARY SHARE IN RESPECT OF THE YEAR ENDING 31 MARCH 2022, PAYABLE QUARTERLY

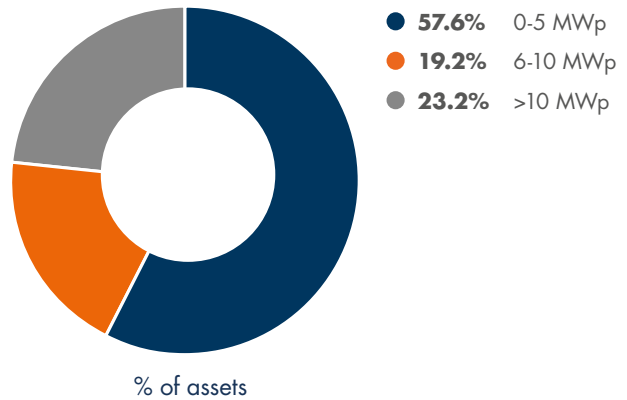
Snapshot of Our Diversified Portfolio

As at 30 September 2021

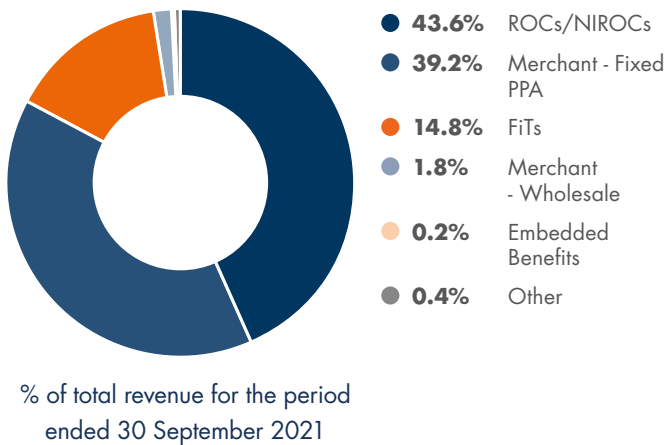
By RPI-linked Subsidy/PPA



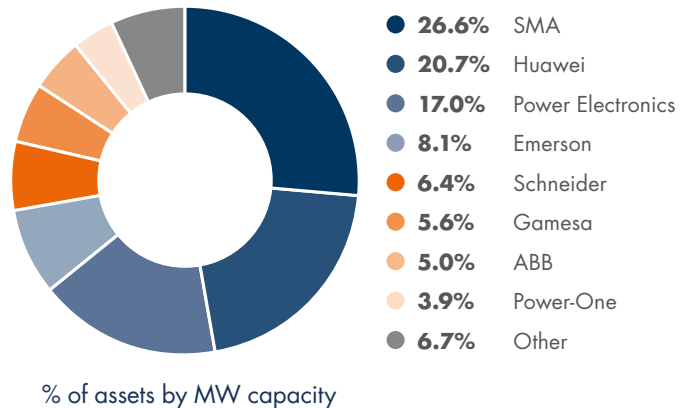
By Installed Capacity



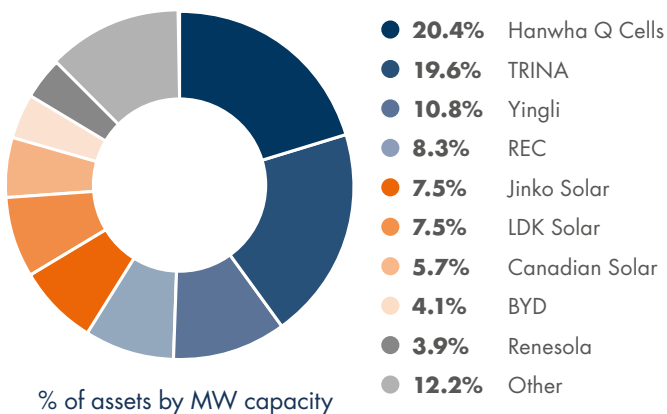
By Revenue Type



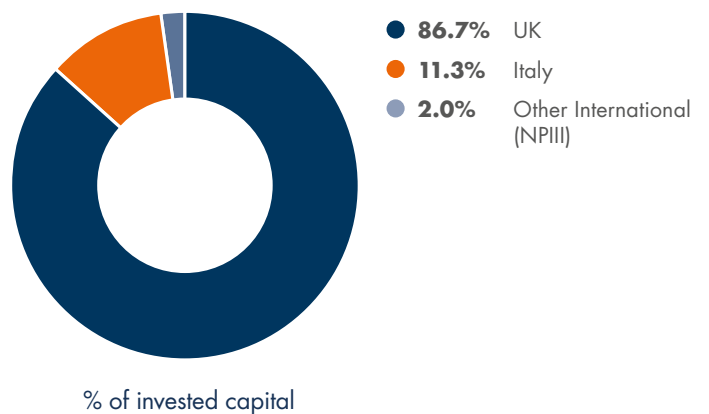
By Inverter Manufacturer



By Solar Module Manufacturer

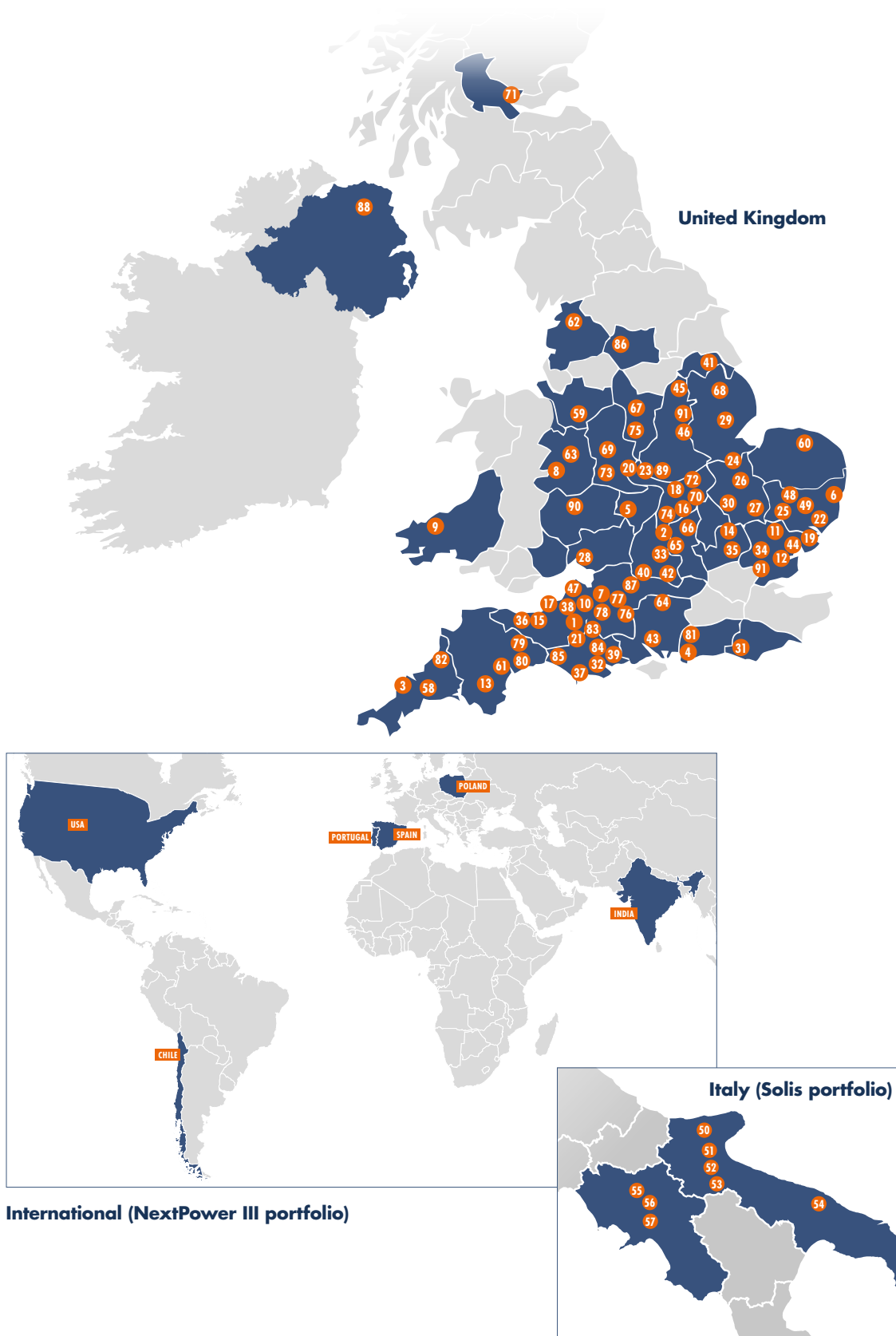


By Location



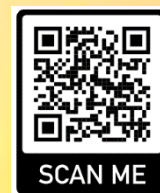
Snapshot of Our Diversified Portfolio continued

By location as at 30 September 2021



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

Why Invest in NESF & Solar Assets?



ABUNDANT CLEAN ENERGY SOURCE

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



RELIABLE INVESTMENT WITH ATTRACTIVE GROWTH PROSPECTS

- Provides a regular attractive dividend for income seeking investors.
- Offers a natural hedge against inflation, for example government subsidies are linked to RPI.
- Large diversified operating asset portfolio and incremental growth prospects.



PROVEN AND STABLE TECHNOLOGY

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



CLIMATE CHANGE SOLUTION

- Fundamental to achieving a more sustainable future by accelerating the transition to clean and sustainable energy.
- Meaningful contribution to reducing CO₂e emissions through the generation of clean electricity.
- Investment in solar provides significant biodiversity benefits to the local surrounding areas.

GREAT WILBRAHAM



38MW installed



Energised in April 2016



1.4 ROC subsidy



9,400 homes powered annually



Cambridgeshire

Strategic Report

Chairman's Statement



**Kevin Lyon,
Chairman**

The 2021 interim period has been one that has truly put UK energy at the forefront of minds and agendas, and I am pleased to say that it has been a successful period for NESF both financially and operationally.

Earnings for the period were significantly above our previous period at 7.74p per ordinary share, with our dividend target for the current financial year at 7.16p per ordinary share remaining unchanged.

Operationally NESF has met some important milestones with the Group reaching its 150MW UK subsidy free development goal, as well as committing to a significant investment in a private sector fund which gives NESF diverse exposure to a large number of projects. In another important strategic step, NESF entered into a joint venture to establish its first standalone battery storage project in the UK, which as well as being complimentary to our PV business, also diversifies our income. With a significantly strengthened portfolio I am confident in our ability to continue our financial growth and operational excellence in the future.

I am pleased to present the NextEnergy Solar Fund (the "Company" or "NESF") Interim Report for the six months ended 30 September 2021.

The period under review has witnessed continued global economic challenges associated with the ongoing Covid-19 pandemic. In recent months, power prices have reached unprecedented high levels across both the UK and Europe, as countries recover from prolonged periods of economic shutdown alongside global gas shortages.

Following the lifting of national lockdowns, the Company, its Investment Manager, NextEnergy Capital, and its operating asset manager, WiseEnergy, have all successfully transitioned to a hybrid working model across its jurisdictions.

NESF's portfolio has demonstrated robust performance over the period. This portfolio consistently generates more output than budgeted, whilst we ensure the power price volatility is managed through NESF's electricity sales hedging strategy. This allows NESF to both reduce risk and take advantage of temporary higher forward power prices.

NESF has the highest dividend yield when compared to relevant peers. This presents investors, both current and new, with an attractive opportunity to invest, particularly as we strategically position NESF for its next stage of growth. NESF continues to play a key part in contributing to tackling global climate change and enhancing local biodiversity.

Results and Key Events

Operationally, the Company and its key providers have adjusted to the challenges of the Covid-19 pandemic. The Company continued to perform well, driven by the implementation of our portfolio and asset management strategy, our approach to continually improve operating efficiency and ability to manage our exposure to power price fluctuations effectively through our specialist electricity sales function. The Company's installed capacity has grown from 814MW as at 31 March 2021 to 895MW at the period-end.

The Company has now delivered on two of last year's Investment Policy changes and is on track to deliver the third change of achieving geographical diversity through investment into non-OECD countries.

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

Chairman's Statement continued

In June 2021, NESF announced a commitment of US\$50m to NextPower III LP ("NPIII"), a NextEnergy Capital managed private ESG solar infrastructure fund that invests in solar assets primarily in OECD countries. NPIII benefits from NextEnergy Capital's ability to source and secure solar assets that deliver attractive risk-adjusted target returns. This investment has enabled NESF to benefit from access to a geographically well diversified portfolio of operational, in construction and pre-construction solar assets spread across the United States, India, Poland, Chile, Spain and Portugal (on a look through equivalent basis, NESF owns 30MW of these operational assets as at 30 September 2021). The commitment also provides NESF with increased diversification across regulatory regimes, technology providers and offtake counterparties. NESF's investment manager, NextEnergy Capital, has agreed to rebate back to NESF its full investment management fee relating to NESF's commitment to NPIII, thereby providing a cost-effective investment from NESF's perspective, due to the absence of fees-on-fees because of the commonality of the investment manager.

Additionally, by investing in NPIII, NESF will benefit from co-investment opportunities allowing NESF to take direct stakes in solar PV assets alongside large international institutional investors. This is particularly attractive as it will provide NESF access to a diverse new pipeline of international assets in key solar markets, providing a potential return enhancing portfolio benefit (on a no-fee, no-carry basis).

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

The remaining subsidy-free development assets, Hatherden (50MW) and Whitecross (36MW), have been prepared for construction during the period. Starting construction of Hatherden and Whitecross will depend on the supply-chain environment. Once energised in FY 2022/23, our 150MW subsidy-free portfolio target will be achieved (64MW has been energised at the date of this report). It is estimated that the full subsidy-free portfolio will amount to a total investment of c.£80m (7.4% of GAV as at 30 September 2021).

In addition to the Company's subsidy-free strategy, NESF has agreed to finance, design, build, operate and own a portfolio of solar assets on sites operated by the Anglian Water Group. The power generated from these assets will be sold directly to Anglian under a 25-year PPA. Two projects totalling 1.4MW are already operational and a further 4MW are expected to be energised during the current financial year.

The technical performance of our plants during the period has been robust. Generation was 1.1% above budget, and would have been 2.6% above budget, if the high number of Distribution Network Operator Outages ("DNOOs") (over which we have no control), were excluded. With the majority of our electricity sold under fixed-price contracts, we achieved earnings per ordinary share of 7.74p (30 September 2020: 4.04p).

For the financial year ending 31 March 2022, we are targeting a total dividend of 7.16p per ordinary share. To the extent the Board considers it appropriate, each year we will target increasing the total annual dividend paid to ordinary shareholders. Following the payment of the second approved interim dividend on 31 December 2021, the Company will have paid total dividends of 3.58p per ordinary share in respect of the six months ended 30 September 2021 (30 September 2020: 3.525p).

NAV and Operating Results

At the year end, the ordinary shareholders' NAV was £607m, equivalent to 103.1p per ordinary share (year ended 31 March 2021: £581m, 98.9p per ordinary share).

The main contributors during the period were the increase in the short-term power price forecast (+2.5p per ordinary share) on the unhedged portion of our revenues and an increase in the short-term inflation forecast (+1.8p per ordinary share).

Profit before tax was £45.5m (30 September 2020: £23.6m) with earnings per ordinary share of 7.74p (30 September 2020: 4.04p). Cash dividend cover (pre-script dividends) was 1.0x (30 September 2020: 1.2x).

For the half year, the ordinary shareholder total return was 3.8% (30 September 2020: 3.9%) and the ordinary share NAV total return was 7.9% (30 September 2020: 4.1%). As at 30 September 2021, NESF had an annualised ordinary shareholder total return of 6.2% (31 March 2021: 6.1%) and an annual ordinary share NAV total return of 6.7% since IPO (31 March 2021: 6.0%). At the period end, the NESF share price was 99.8p, which was a 3.3% discount to the NAV per ordinary share of 103.1p.

Power Prices

During the period, extreme energy price volatility led to dramatic increases in UK and European wholesale power prices. The combined impact of low UK wind resource, reduced gas supply and storage levels and outages at UK nuclear and interconnector facilities resulted in the September 2021 UK day ahead auction price monthly average reaching a record of £189/MWh.

Of the Company's revenues during the period, 59% were derived from government subsidies and, at the end of the period, the average remaining weighted life of the subsidies was 13.5 years.

The remaining 41% of the Company's revenues were derived from selling the electricity generated to carefully selected counterparties in the open market and, therefore, are exposed to market power price movements until the price has been locked (hedged). Our Asset Manager's electricity sales desk is focused on securing the best terms for our electricity sales. This flexible approach is designed to protect against adverse short-term price movements whilst also enabling the Company to opportunistically capture favourable market conditions by securing high fixed prices for specified future time periods. Looking forward to the next three financial years, as at 15 November 2021, the Company has agreed pricing covering:

- 96% of UK budgeted generation for the 2021/22 financial year;
- 75% of UK budgeted generation for the 2022/23 financial year; and
- 59% of UK budgeted generation for the 2023/24 financial year

Chairman's Statement continued

Portfolio Performance

Energy generated during the period was 539GWh (30 September 2020: 551GWh) and the portfolio achieved a generation outperformance to budget of 1.1% (30 September 2020: 11.1%), increasing revenues by an estimated £0.9m. Portfolio generation was significantly impacted by DNOOs; without such DNOOs, portfolio generation would have been c.2.6% above budget.

Distribution Network Operators ("DNOs") are regionally based licensed companies (there are 6 across Great Britain) with each responsible for a specific region. They own and operate the power lines and infrastructure that connects consumers and embedded generators to the power system and the national grid.

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

Nevertheless, our UK portfolio performed above expectations with generation outperformance of 1.1% (30 September 2020: 11.5%) and solar irradiation of 2.3% (30 September 2020: 11.2%). Our Italian portfolio performed above expectations with generation outperformance of 0.7% (30 September 2020: 4.6%) and solar irradiation of 3.3% (30 September 2020: 4.2%).

Portfolio Update

During the period, our Investment Adviser and Asset Manager continued to optimise portfolio returns and increase portfolio diversification by:

- energising projects with attractive long-term PPAs;
- executing our electricity sales strategy to maximise revenue and reduce shorter-term power price risk;
- preparing the remaining subsidy-free portfolio (86MW) for construction;
- securing a low-cost £75m Revolving Credit Facility ("RCF") (plus accordion) to fund the investment pipeline (margin of 120bps over SONIA ("Sterling Overnight Index Average"));
- committing US\$50m to an international solar private equity vehicle;
- entering a £100m Battery Storage Joint Venture Partnership and signing a first acquisition for a 50MW battery storage asset;
- implementing technical improvements across the portfolio; and
- reducing operating costs through re-negotiating contractual terms and entering into new agreements; and

In line with its amended investment policy which was approved by shareholders in September 2020, the Company is advancing a significant pipeline of both domestic and international solar assets, including co-investments in private equity structures and domestic

energy storage asset opportunities, which complement its existing portfolio, with a view to achieving higher financial returns, additional geographical, technology, and revenue diversification.

Debt Strategy

In June 2021, the company secured a RCF of £100m (£75m committed + £25m accordion option) with lenders NatWest and AIB. This is held at the HoldCo Level. The Company was able to agree attractive terms with a margin of 120bps over SONIA for the 3-year duration of the facility.

As at 30 September 2021, the Company had £200m of preference shares (31 March 2021: £200m). The Company's subsidiaries also had financial debt outstanding of £283m (31 March 2021: £246m). Of the financial debt, £190m represented two long-term fully amortising debt facilities, £79m was drawn under two RCFs and £14m was the look through debt in relation to the US\$50m commitment into NextPower III LP.

At the period end, the Company's subsidiaries had £86m undrawn (excluding the accordion) from three RCFs and the Company had a cash balance of £4.3m.

The total financial debt represented 26% of GAV as at 30 September 2021 (31 March 2021: 24%). At the same reporting date, the total gearing comprising the total financial debt and the preference shares represented 44% of GAV (31 March 2021: 43%).

Dividends

For the financial year ending 31 March 2022, we are targeting a total dividend of 7.16p per ordinary share (2021: 7.05p).

The Directors have approved a second interim dividend of 1.79p per ordinary share, which will be payable on 31 December 2021 to ordinary shareholders on the register as at the close of business on 19 November 2021. Following the payment of the second interim dividend, the Company will have paid total dividends of 3.58p per ordinary share in respect of the six months ended 30 September 2021 (30 September 2020: 3.525p).

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

During the six months ended 30 September 2021, the Company paid a total of £19.6m of cash dividends (30 September 2020: £18.7m) and, in addition, issued £1.3m of scrip shares to ordinary shareholders who elected for the scrip dividend alternative (30 September 2020: £1.6m), making a total of £20.9m of distributions (30 September 2020: £20.3m).

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

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

Chairman's Statement continued

Environmental, Social and Governance Matters

Our commitment to ESG is always at the forefront of our business strategy and purpose. Our Investment Adviser is a signatory of the United Nations' Principles for Responsible Investments and has integrated ESG principles into all aspects of the NEC Group's investment and asset management processes. NESF integrates ESG factors in investment decision by implementing the Investment adviser's Sustainable Investment Policy¹ throughout the investment cycle, from preliminary screening and exclusion to risk management during pre-investment and ownership phase. We have strengthened our transparency and reporting in compliance with the EU Sustainable Finance Disclosure Regulation.

Aligned with our commitment to support the UK Government's net zero ambitions presented at COP26, our portfolio during the six months ended 30 September 2021 has generated 539 GWh of clean electricity, contributing to avoiding the emission of 229,000 tonnes of CO₂e. (30 September 2020: 237,500 tonnes CO₂e) and equivalent to power 299,000 UK homes for an entire year (30 September 2020: 306,800). This is roughly equivalent to powering a city with 750,000 inhabitants (e.g. Edinburgh and Brighton combined) or taking 151,260 cars off the road for an entire year (30 September 2020: 170,500 cars).

Our Asset Manager also actively engages in activities that enhance the environment and community surrounding our solar plants, including, where feasible, on-site biodiversity activities such as encouraging wildflower meadows, installing bug hotels, partnering with local beekeepers and other initiatives to improve the local biodiversity, as well as local community programmes. Further information can be found in the Sustainability and ESG report on page 35.

The Company continues to hold the London Stock Exchange Green Economy Mark, which recognises funds which derive 50% or more of their revenues from environmental solutions, and the Guernsey Green Fund Mark, due to our meaningful contribution to reducing CO₂e emissions through the generation of clean solar power.

NESF is currently compliant with the requirement of the EU Sustainable Finance Disclosure Regulation ("SFDR"). The investment adviser's ESG team have been working with an international law firm who has supported NESF with the relevant disclosure obligations, currently available on the Company website, in periodic reporting and in pre-contractual disclosure documents. The law firm has also confirmed that NESF classified under Art. 9 of the SFDR, because it is a financial product, that is (partly or fully) marketed in the EU and has sustainable investment as its objective. The funds' sustainable investment objectives arise from their focus on investments in solar PV and battery storage assets and their investment decision making processes. In light of this classification, in the future NEC will make the relevant disclosures according to Annex III and V of the SFDR.

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



Appreciation

On behalf of my fellow Directors, I would like to express my sincere thanks to the numerous people who have worked in the field and from home

We appreciate that conditions have been testing but the continued hard work has enabled our Company to continue to operate successfully during the Covid-19 pandemic.

Outlook

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

Undoubtedly, the Covid-19 pandemic continues to have a profound impact on the sector in which the Company operates. The recent power price surge during the period and beyond has the importance of capturing the short-term higher power prices in the Company's hedging strategy. The price for electricity is driven by several factors that are inherently difficult to predict in the current dynamic environment but is ultimately dependent on supply and demand.

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

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

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

NESF is advancing a diverse pipeline of international solar investment opportunities, UK standalone battery storage assets, and co-investment opportunities via its holding in NP11. The pipeline's goal is to complement the existing portfolio, diversify some of our asset-specific/market risks and enhance shareholder returns.

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

Chairman's Statement continued

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

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

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

**Kevin Lyon,
Chairman**

18 November 2021

STAUGHTON



50MW installed



Energised in December 2019



Subsidy-free



15,000 homes powered annually



Bedfordshire

NextEnergy Capital Group

NextEnergy Capital Group is a leading solar investment manager and asset manager focused on the solar sector. The group is responsible for the acquisition and management of the Company's portfolio, including the sourcing and structuring of new investments and advising on the Company's financing strategy. It has c.\$2.9bn of assets under management and employs over 200 people worldwide.

About NextEnergy Capital Group

The Investment Manager, Investment Adviser and Asset Manager are all members of the NextEnergy Capital Group (the "NEC Group"). The NEC Group is privately owned and was founded in 2007. It has evolved into a leading specialist investment and asset manager in the solar energy infrastructure sector. Since it was founded, it has been active in the development, construction ownership and operating asset management of solar assets.

As at 30 September 2021, the NEC Group had assets under management of c.\$2.9bn with a cumulative operating generating capacity of 1.4GW. In addition to NESF, it manages two private equity funds, NextPower II LP (solar assets in Italy) and NextPower III LP (solar assets globally). The NEC Group's team of over 200 individuals has significant experience in energy and infrastructure transactions across multiple international jurisdictions.

The Investment Adviser's Investment Committee comprises Michael Bonte-Friedheim, Aldo Beolchini, Giulia Guidi and Ross Grier, who combined have in excess of 65 years' industry experience.

As at 30 September 2021, the NEC Group provides operating asset management, monitoring, technical due diligence and other services to over 1,300 utility-scale solar power plants with an installed capacity in excess of 2.2GW. Its asset management clients include renewable funds, banks, private equity funds and other specialist investors. The Asset Manager has created a proprietary asset management platform which integrates all technical, financial and commercial data to analyse clients' data in real-time and generate insight, all of which help to protect and enhance the long-term quality and performance. The Asset Manager's software, systems and specialist staff enable it to be at the forefront of the "digitalisation of energy".



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



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

NEXTENERGY CAPITAL

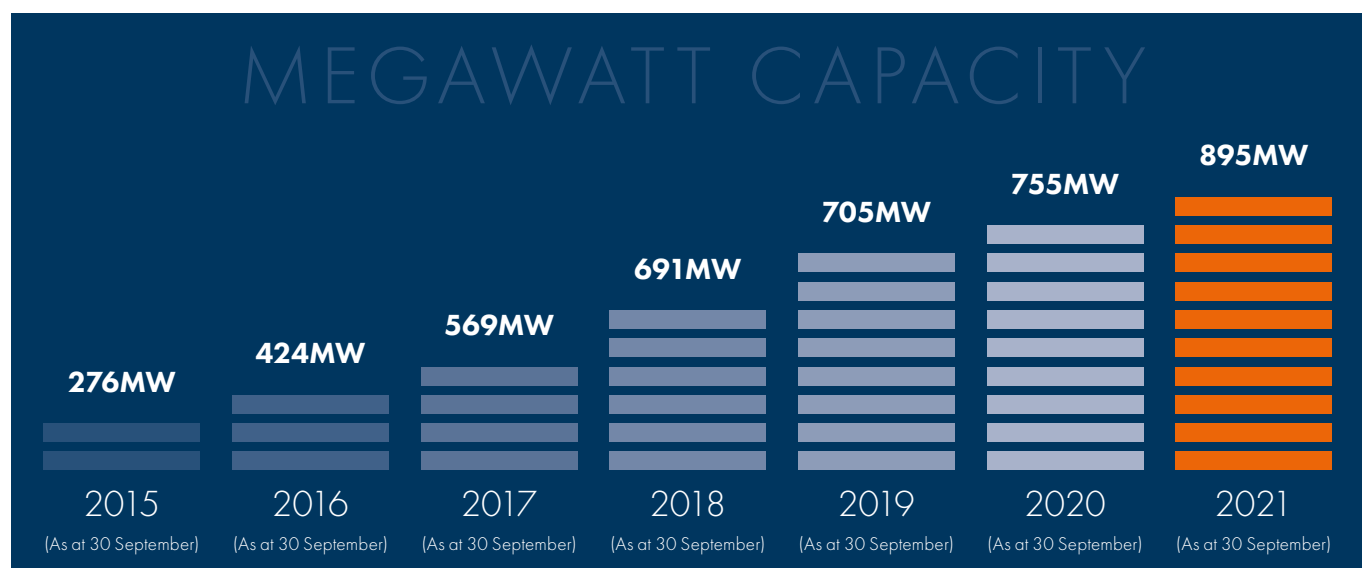


Ross Grier
is UK Managing Director of NextEnergy Capital and a member of the Investment Committee of the Investment Adviser to NextEnergy Solar Fund.



Michael Bonte-Friedheim
is Founding Partner and Group CEO of NextEnergy Capital and member of the Investment Committee of the Investment Adviser to NextEnergy Solar Fund.

NextEnergy Solar Fund Installed Capacity



Investment Adviser's Report

Introduction

As at 30 September 2021, the NAV per ordinary share was 103.1p (31 March 2021: 98.9p). The increase in NAV over the last 6 months reflects an increase in the short-term power price forecasts (+2.5p per ordinary share) and a revision in short-term inflation forecasts (+1.8p per ordinary share).

At the period end, the UK blended average power curve corresponded to an average solar capture price of approximately £71.1/MWh (31 March 2021: £45.6/MWh) for the period 2021-2025 and £44.1/MWh (31 March 2021: £46.5/MWh) for the period 2026-2040 (at 2021 prices).

As our employees return to the office, we continue to follow government guidelines and monitor the impact of Covid-19 on our global workforce, and the countries in which we operate and pursue investment opportunities.

Portfolio Highlights

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

To progress its investment pipeline, the Company secured a new RCF of £100m (£75m committed + £25m accordion) with a 3-year duration in June 2021. The RCF was on attractive terms with lenders NatWest and AIB with agreed margin of 120bps over SONIA. The facility increased NESF's overall RCF capacity to £165m (not including the £25m accordion).

In June 2021, NESF announced a commitment of US\$50m to NextPower III LP ("NP III"), a private ESG solar infrastructure fund established to invest in solar assets primarily in OECD countries. The investment benefits from diversification across regulatory regime, technology provider, offtake counterparty and geographic location (with access to solar assets in the United States, India, Portugal, Spain, Poland and Chile). As at 30 September 2021, NESF had invested c.£20m into NP III, adding 30MW to NESF's installed capacity on a look-through equivalent basis based on its ownership share of NP III. NESF's investment in NP III represents c.3.2% of NESF's GAV as at 30 September 2021.

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

In September 2021, NESF made its first strategic step into the energy storage sector through a £100m Joint Venture Partnership ("JVP"), with Eelpower Limited, a leading battery storage specialist in the UK. The JVP signed its first acquisition of a 50MW ready-to-build, standalone battery, located in Fife, Scotland, which will provide additional stability to the grid via its export capacity. It is expected to be energised and grid-connected in 2022. The JVP, owned 70% by NESF and 30% by Eelpower, also includes a framework for the acquisition of up to 250MW (including this initial 50MW project) of battery storage assets. The directors have concluded that the JVP meets the control requirements of the relative accounting standards and is therefore accounted for as a subsidiary (see note 18). The Company is permitted to invest 10% of its Gross

Asset Value into standalone energy storage systems, an investment mandate approved by shareholders in September 2020.

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

Portfolio Performance

During the period, the portfolio achieved a generation outperformance to budget of 1.1% (30 September 2020: 11.1%), increasing revenues by an estimated £0.9m. Portfolio generation was significantly impacted by DNOOs; without such DNOOs, portfolio generation would have been c.2.6% above budget.

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

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

During the period, irradiation across the entire portfolio was 2.4% above expectation (30 September 2020: 10.8%). Asset Management Alpha for the period was -1.2% (30 September 2020: 0.3%), and would have been 0.2% (30 September 2020: 0.8%) if DNOOs were excluded.

DNOOs significantly disrupted generation during the period, reducing Asset Management Alpha by 1.4%. For illustrative purposes, DNOOs reduced generation by 3.4% in September 2021, the largest monthly impact since IPO, with at least two 5MW plants completely taken off-line for the entire month.

Six months ended 30 September 2021	Irradiation (delta vs. budget)	Asset Management Alpha	Generation (delta vs. budget)
UK portfolio	+2.3%	-1.2%	+1.1%
Italy portfolio	+3.3%	-2.6%	+0.7%
Total	+2.4%	-1.2%	+1.1%*

* the values do not cast due to rounding differences.

Investment Adviser's Report continued

Six months ended 30 September	No. of assets monitored	Irradiation (delta vs. budget)	Asset Management Alpha ¹	Generation (delta vs. budget)
2015	17	+2.9%	+2.8%	+5.7%
2016	31	+0.0%	+3.2%	+3.2%
2017	41	+0.5%	+1.5%	+2.0%
2018	84	+8.4%	-0.5%	+7.9%
2019	85	+4.8%	+0.2%	+5.0%
2020	86	+10.8%	+0.3%	+11.1%
2021	88	+2.4%	-1.2%	+1.1%*
Cumulative from IPO to September 2021	88	+2.9%	+1.7%	+4.6%*

*the values do not cast due to rounding differences.

¹ For more information please see APMs on page 67.

Asset Management Alpha

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

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

Current and Future Pipeline

The Company's current pipeline comprising a \$50m commitment (\$26.7m currently drawn) into NextPower III, a battery storage Joint Venture Partnership with Eelpower Limited (£100m) and UK solar investments provides strong momentum into the second half of the financial year, where significant progress is being made in executing additional dividend-enhancing acquisitions.

In line with the amended investment policy, the Company continues to advance a significant pipeline of UK solar assets, international solar assets, UK energy storage assets as well as international solar co-investment opportunities through NESF's commitment to NPIII.

These investment opportunities aim to achieve robust financial returns, increase dividend cover, and add geographical, technological, and revenue diversification to the NESF portfolio. The Company envisage the future pipeline will be funded through a mixture of drawdowns on existing RCF facilities and future equity issuances.

Portfolio Optimisation

Asset life extensions

As at 30 September 2021, 35 UK assets (337MW), comprising c.37% of the Company's portfolio, had secured 5, 10 or 15 year lease extensions. We continue to work on extending the life of the remaining assets and are targeting a further 5 assets for the remainder of the current financial year to 31 March 2022.

For illustrative purposes, should the five targeted assets be valued on a 40-year lease (assuming current lease terms), the Company's NAV per ordinary share at 30 September 2021 would increase by approximately 0.7p.

Asset optimisation

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

During the period, two insurance claims were closed by the Asset Manager in relation to solar assets Saundercroft and Higher Hatherleigh for a combined total settlement of c.£26,000.

Short/medium-term power purchase agreements

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

NEC's specialist energy trading desk, along with external energy brokers, ensures that the Company's electricity sales strategy maximises revenues whilst mitigating the negative impact of short-term fluctuations in the power markets. Secured pricing comprises of fixed price contracts, hedging under the trading contracts and nine FiT sites opted into the export tariff.

Investment Adviser's Report continued

UK hedging summary ¹	FY2021/ 2022	FY2022/ 2023	FY2023/ 2024
Budget generation hedged (%)	96%	75%	59%

¹ Covers 716 MW as at 15 November 2021

For the six months ended 30 September 2021, the Italian portfolio derived c. 85% of revenues from subsidised revenues (principally FiTs) and c. 15% of revenues resulted from the sale of electricity under fixed price agreements covering 100% of its Italian electricity generation for calendar year 2021 at a weighted average fixed price of c.€45/MWh (2020: 100% at €57/MWh). For calendar year 2022, 100% of Italian electricity generation will be sold at a weighted average fixed price of c.€64/MWh.

OFGEM audits

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

Subsidy-free Portfolio

Starting in 2018, the Company sourced a pipeline of projects to be developed into operating subsidy-free assets and set a target of c. 150MW to add into its portfolio. As at 30 September 2021, the Company had 64MW of operating subsidy-free assets. Following the recent investment approval of Hatherden (50MW) and Whitecross (36MW), the Company will have reached its 150MW target when the assets are energised in the financial year 2022/23.

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

The NEC Group's Head of Energy Sales is responsible for managing the strategy for the sale of electricity from the subsidy-free operating assets. Details on the power price risk management strategy can be found at the bottom of this page and in note 22b) to the Financial Statements on pages 59 to 60.

The Italian Solis Portfolio

In December 2017 the Company acquired the portfolio of eight operating solar plants with an installed capacity of 34.5MW located in Italy for a total value of €131.9m (equivalent to £116.2m). The portfolio represented c.11% of the Company's GAV as at 30 September 2021.

The key benefits of the Solis portfolio continue to be:

- **High risk-adjusted return:** As at the 30 September 2021 valuation, the net IRR of the Solis portfolio was 8.2%.
- **Low risk-profile:** The Company benefits from the portfolio's operating history and the high quality of its components. In addition, it reduces NESF's exposure to merchant energy markets, as c. 85% of its revenues are fixed for 15 years following the acquisition.
- **Positive contribution to dividend cover:** The higher return on investment is coupled with an attractive cashflow generation profile, which is higher than ROC assets, and evenly spread over the life of the investment, as the Italian FiT is fully fixed. For the purposes of comparison, the Solis portfolio has a cash dividend cover equivalent metric of 1.4x.
- **NAV accretion:** As at 30 September 2021, the Solis portfolio was valued on a DCF basis with a discount rate of 7.25% (31 March 2021: 7.25%) as a result of the increasing competition to acquire solar PV assets in Italy.
- **Diversifying market risk:** Italy is supported by a FiT incentive mechanism. The FiT is granted by a state-owned company which promotes and supports renewable energy in Italy, where the sole shareholder is the Ministry of Economy and Finance. Tariffs differ depending on the capacity, type of plant and the time of commissioning which range between €195/MWh to €318/MWh. Once a PV plant is accredited, the FiT is granted over a period of 20 years and is not inflated.
- **Low revenue risk:** Of the Solis portfolio revenues, c.85% result from FiTs. The FiTs specific to this portfolio expire in 2031. The remaining 15% is from the sale of the brown electricity fed into the grid at market price or via PPAs to other market participants. With this revenue mix there is low revenue risk. In addition, low operating costs result in stable EBITDA margins in excess of 80%.

Managing NESF's merchant market exposure

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

Investment Adviser's Report continued

Portfolio Valuation

Introduction

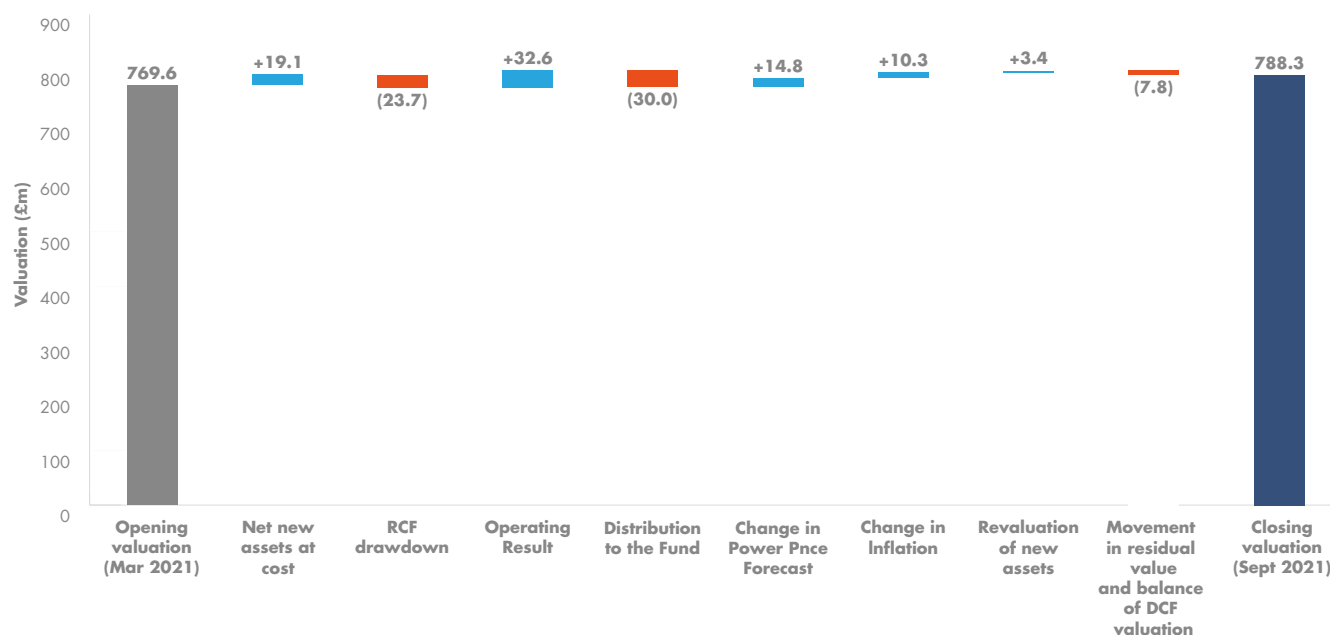
The Investment Adviser carries out the fair market valuation of the Company's underlying investment portfolio in line with its accounting policies. The NAV is reviewed and approved by the Investment Manager and the Board. The valuation is carried out quarterly (ad hoc valuations may also be undertaken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

The valuation principles used are based on a discounted cash flow methodology. Assets not yet operational or where the completion of the acquisition is not imminent at the time of valuation use the acquisition cost as a proxy for fair value. Additionally, the valuation includes the Company's investment into NPll on a lookthrough basis. The valuation of NPll is based on an estimated NAV at the respective quarter-end available at time of preparing NESF's valuation.

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

Portfolio valuation – key assumptions	As at 30 September 2021	As at 31 March 2021
UK long-term inflation (post 2030)	2.5%	3.0%
UK short-term inflation (1 year horizon)	4.8%	3.0%
Weighted average discount rate	6.3%	6.3%
Weighted average asset life	27.8 years	27.5 years
UK short-term power price average (2021-2025)	£71.1/MWh (real 2021)	£45.6/MWh (real 2021)
UK long-term power price average (2026-2040)	£44.1/MWh (real 2021)	£46.5/MWh (real 2021)
Italy power price average (20 years)	€49.7/MWh (real 2021)	€46.8/MWh (real 2021)
UK corporation tax rate	19% until 2023, 25% thereafter	19% until 2023, 25% thereafter

Valuation bridge for the six months ended 30 September 2021



Forecasted power price methodology

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

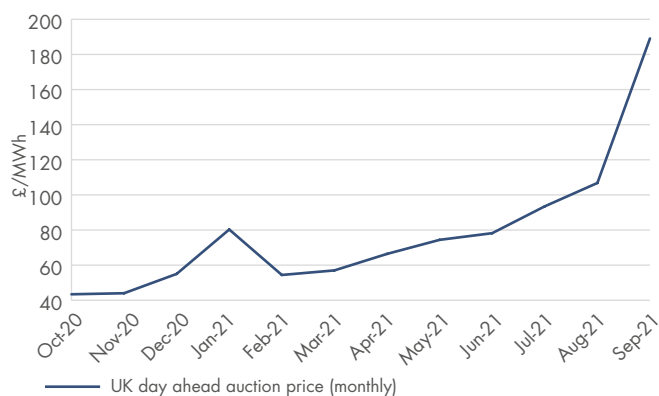
For the Italian portfolio, a leading independent energy market consultant's long-term projections are used to derive the power curve adopted in the valuation.

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

Investment Adviser's Report continued

Historic - UK power prices

UK electricity day ahead prices increased from £57.0/MWh in March 2021 to £189.1/MWh in September 2021 (see graph below).



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

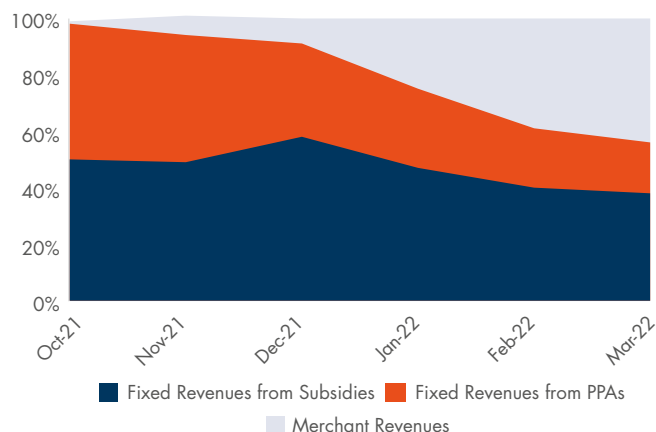
Historic - Italian power prices

Italian electricity day ahead prices increased from €60.4/MWh in March 2021 to €158.6/MWh in September 2021 (see graph below).



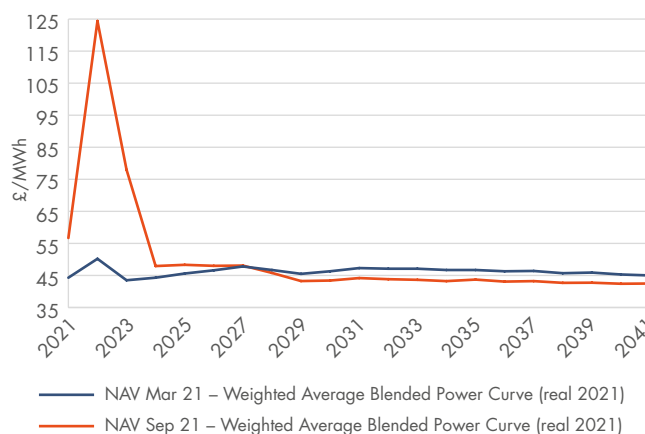
(Source: Gestore Mercati Energetici – purchasing price).

% of NESF revenue fixed until 31 March 2022 (as at 30 September 2021)



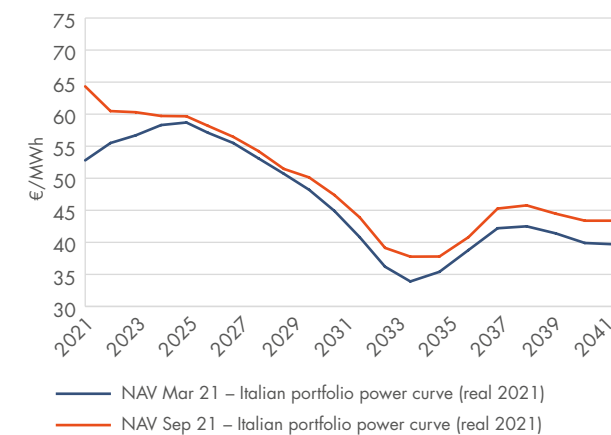
Forecast UK power prices (real 2021)

The Company's current UK 20 year average power price forecast represents an increase of 9.2% compared to that used at the end of the previous financial period (and 44.3% below the average price used at IPO).

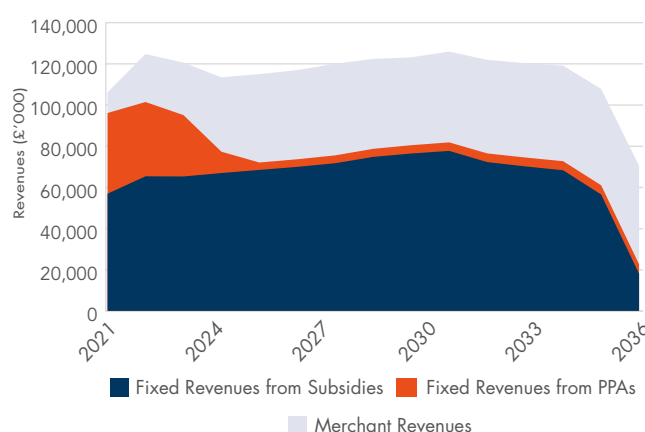


Forecast Italian power price (real 2021)

The Company's current Italian 20 year average power price forecast represents an increase of 6.3% compared to that used at the end of the previous financial period.



NESF 15-year forecast revenue breakdown (as at 30 September 2021)



Investment Adviser's Report continued

Discount rate

During the period, the Company has maintained the discount rate for unlevered operating UK solar assets at 5.75% (31 March 2021: 5.75%).

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

Discount rate assumptions	Premium	As at 30 September 2021	As at 31 March 2021
UK unlevered	–	5.75%	5.75%
UK levered	0.7-1.0%	6.45-6.75%	6.45-6.75%
Italy unlevered ¹	1.5%	7.25%	7.25%
Subsidy-free (uncontracted) ²	1.0%	6.75%	6.75%
Life extensions ³	1.0%	6.75-7.75%	6.75-7.75%

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

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

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

The resulting weighted average discount rate for the Company's portfolio was 6.3% (31 March 2021: 6.3%). The Company does not use the weighted average cost of capital ("WACC") as the discount rate for its investments as it believes that the reduction in WACC deriving from the introduction of long-term debt financing does not reflect the greater level of risk to equity investors associated with leverage assets or levered portfolios. However, for the purposes of transparency, the Company's pre-tax WACC as at 30 September 2021 was 5.3% (31 March 2021: 5.4%).

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

Asset life

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

- solar assets with technology components similar to the ones deployed in the Company's portfolio have been demonstrated to be capable of operating for over 45 years, with levels of the technical degradation lower than those assumed or guaranteed by the manufacturers;

- local planning authorities have already granted initial planning consents that do not expire and/or have granted permissions to extend initial consented periods;
- the Company owns rights to supply electricity into the grid through connection agreements that do not expire, and
- discounted cash flow valuation assumes a zero-terminal value at the end of the lease term for each asset or the end of the planning permission, whichever is the earlier.



Operating performance

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

During the period, FACs were closed across 85MW. As at 30 September 2021, 77 UK solar assets and all 8 Italian solar assets (totalling 642MW) 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 2021	28
Financial quarter ending March 2022	24
April 2022 onwards	82
Total	134

Investment Adviser's Report continued

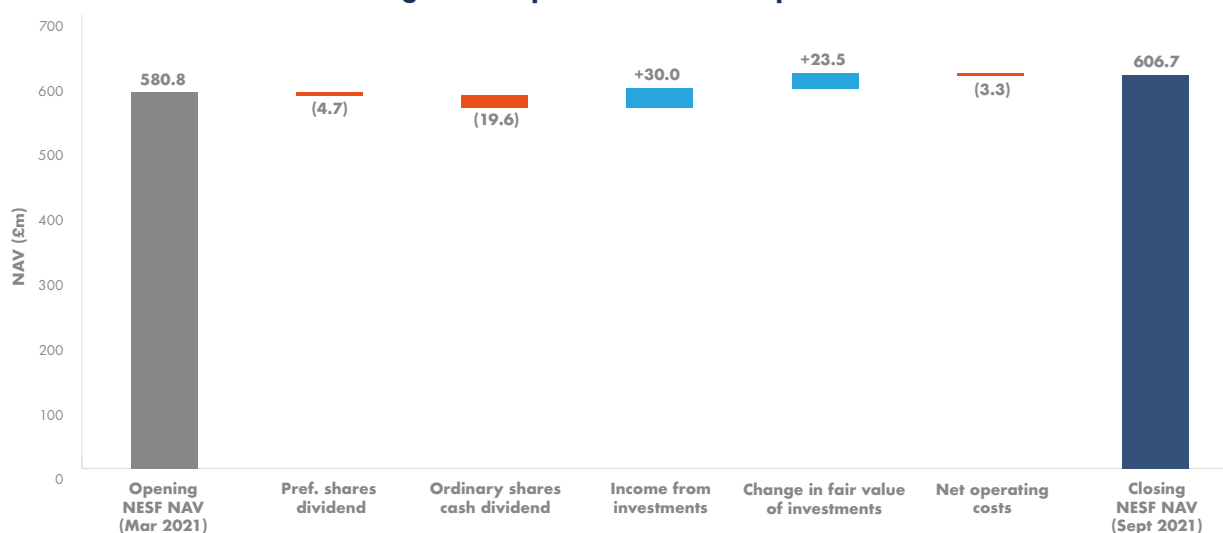
NAV

The Company's NAV is calculated quarterly and based on the valuation of the investment portfolio provided by the Investment Adviser and the other assets and liabilities of the Company calculated by the Administrator. The NAV is reviewed and approved by the Investment Manager and the Board. All variables relating to the performance of

the underlying assets are reviewed and incorporated in the process of identifying relevant drivers of the discounted cash flow valuation.

In accordance with IFRS 10, the Company reports its financial results as an Investment entity and on a non-consolidated basis (see note 2b to the Financial Statements on page 45). The change in fair value of its assets during the period is taken through the Statement of Comprehensive Income.

NAV bridge for the period ended 30 September 2021

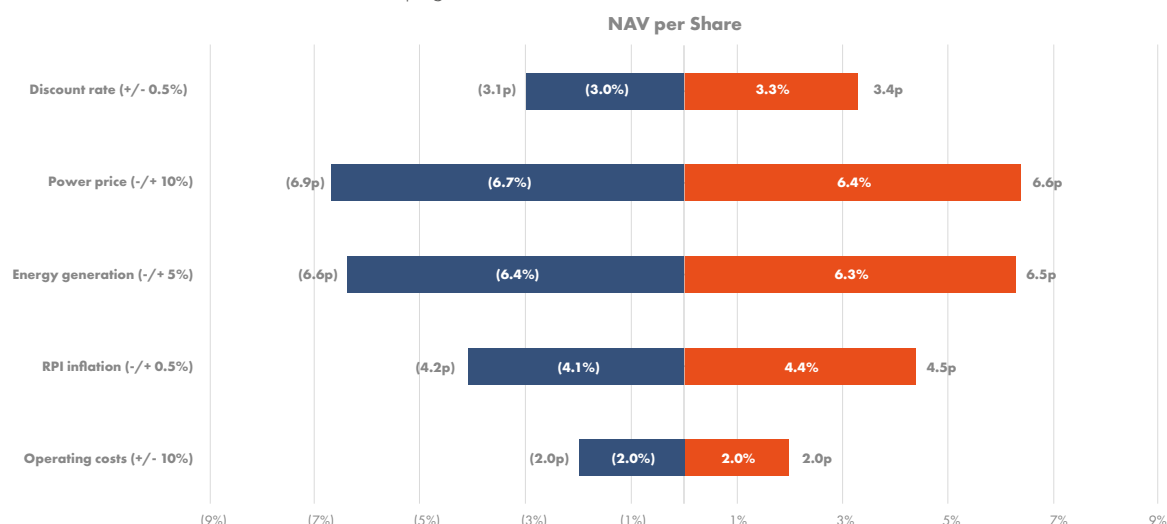


The movement in the NAV was driven by the following factors:

- An increase in short-term (2021-2025) UK power prices forecasts provided by Consultants, being 56% higher than assumptions at 31 March 2021. The Company used the forecasts released by the Consultants up to the date of preparation of this Interim Report;
- the upward revision in short-term inflation forecasts;
- the operating results achieved by the Company's solar assets; and
- the dividends and operating costs paid during the period.

NAV sensitivity analysis as at 30 September 2021

The chart below shows the impact of the key sensitivities on the NAV per ordinary share. Additional sensitivity analyses can be found in note 19b) to the Financial Statements on pages 55 to 56.



Investment Adviser's Report continued

Operating Results

Profit before tax was £45.5m (30 September 2020: £23.6m) with earnings per ordinary share of 7.74p (30 September 2020: 4.04p).

Operating Expenses and Ongoing Charges

The operating expenses, excluding preference share dividends paid by the Company, for the period amounted to £3.3m (30 September 2020: £3.3m). The Company's ongoing charges ratio ("OCR") was 1.1% (2020: 1.1%). The budgeted OCR for the financial year ending 31 March 2022 is 1.1%. The OCR, which has been calculated in accordance with the Association of Investment Companies recommended methodology, is an Alternative Performance Measure (see page 70).

Cash Flow Analysis

As at 30 September 2021, the Company held cash of £4.3m at high credit rated financial institutions.

Cash received from assets in the period covered the operating expenses, the preference shares dividend, the dividends paid in cash to ordinary shareholders and part of the Investment into HoldCos.

Cash flows of the Company	Period ended 30 Sep 2021 £'000	Period ended 30 Sep 2020 £'000
Company cash balance at 1 April	10,809	25,127
Investment in HoldCos	(24,057)	(5,928)
Received from HoldCos	45,026	19,015
Directors' fees	(106)	(127)
Investment Manager fees	(2,499)	(2,565)
Administrative fees	(653)	(604)
Dividends paid in cash to ordinary shareholders	(19,618)	(18,702)
Preference share dividends	(4,584)	(4,724)
Company cash balance at 30 September	4,318	11,492

NESF Group operating SPV's

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

	Period ended September 2021 (unaudited) £'000	Period ended September 2020 (unaudited) £'000
Total SPVs revenue	67,193	70,481
EBITDA	49,334	58,723
EBIT	27,935	33,479
Cash income for the period¹	28,672	32,490

¹ Cash distributed to the fund during the year.

Cash Dividend Cover

The decrease in the dividend cover from 1.1x (31 March 2021) to 1.0x (30 September 2021) was the result of paying a dividend in line with our progressive dividend policy, lower power prices realised towards the beginning of the period, higher than normal DNOs impacting generation during the period and the temporary impact of investing in assets which do not immediately yield cash.

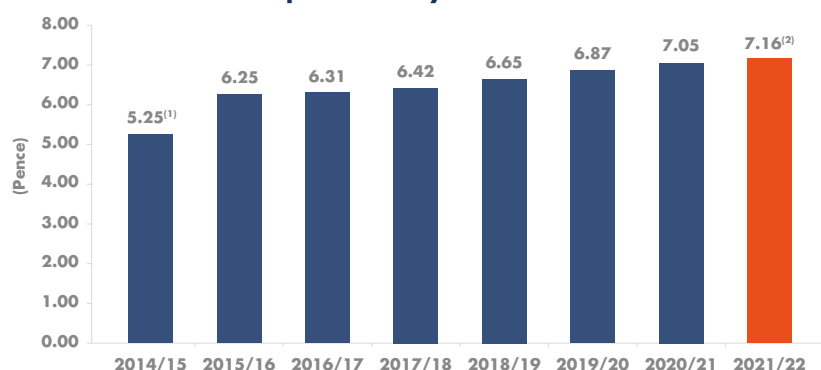
Once revenue is generated from these assets, recent power price increases are captured through hedges already in place and DNOs resume normal levels of activity, we expect to see an increase in the dividend cover in future periods, all other factors remaining the same.

Six months ended 30 September 2021	£'000	Pre-scrip dividends £'000
Cash income for period ¹	28,672	
Net operating expenses for period	(3,258)	
Preference shares dividend	(4,718)	
Net cash income available for distribution	20,696	
Ordinary shares dividend paid during period		20,875
Cash dividend cover²		1.0x

¹ Cash income differs from the Income in the Statement of Comprehensive Income as the latter is prepared on an accruals basis. See page 41 for further information.

² Alternative Performance Measures.

Dividend per ordinary share track record



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

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

Investment Adviser's Report continued

Financing

Financial debt

At 30 September 2021, the Company's subsidiaries (including NPIII) had financial debt outstanding of £283m (31 March 2021: £246m), on a look-through basis, as shown in the table below. Due to a combination of low debt levels, and RPI linked subsidies, debt covenants at the HoldCos level would only be breached at very low power prices (less than c.£20/MWh). No covenants breaches have occurred during the period.

Preference shares

At 30 September 2021, the Company had £200m of preference shares outstanding (31 March 2021: £200m). The preference shares are non-redeemable (except in limited exceptional circumstances), non-voting and convertible into ordinary shares from 1 April 2036 at their issue price (£200m in aggregate) plus any unpaid preference share dividends at the date of conversion. For financial accounting purposes, and in line with IFRS the preference shares are classified as long-term liabilities.

The preference shares are equivalent to non-amortising debt with repayment in shares, and the Company is not required to use cashflow, or raise funds, to repay them at the end of their life. The absence of amortisation enhances the ability to pay the ordinary share dividend, and repayment in shares removes refinancing risk.

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

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

The investment management fee is calculated based on the ordinary share NAV and, accordingly, no management fee is payable in respect of the preference shares. The terms of the preference shares can be found in note 23 to the Financial Statements on page 62.

Total gearing

The financial debt, together with the preference shares, represented a total gearing level of 44% (31 March 2021: 43%), which is below the maximum limit of 50% in the Company's Investment Policy.

Provider/ arranger	Type	Borrower	No. of power plants secured¹	Loan to Value² (%)	Tranches	Facility amount (£m)	Amount out- standing (£m)	Termi- nation (inc. options to extend)	Applicable rate
MIDIS / CBA / NAB	Fully-amortising long-term debt³	NESH	21 (241MW)	48.2%	Medium-term	47.8	47.8	Dec-26	2.91%⁴
					Floating long-term	24.2	24.2	Jun-35	3.68%⁴
					Index-linked long-term	38.7	34.6⁵	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 debt³	NESH IV	5 (84MW)	45.0%	Inflation-linked	27.5	20.6⁵	Sep-34	RPI + 1.44%
					Fixed long-term	27.5	23.5	Sep-34	4.11%
Total long-term debt							189.5		
NIBC	Revolving credit facility	NESH II	2 (28MW)	N/a	N/a	20.0		Feb-22	LIBOR + 2.20%
Banco Santander	Revolving credit facility	NESH VI	13 (100MW)	N/a	N/a	70.0	29.1	Jul-22	LIBOR + 1.90%
Natwest/AIB	Revolving credit facility	NESH III	10 (69MW)	N/a	N/a	75.0⁷	50.0	Jun-24	SONIA + 1.20%
Total short-term debt							79.1		
NPIII look through debt		N/a	N/a	N/a	N/a	N/a	14.2⁶		
Total debt							282.8		

¹ NESF has 325MW under long-term debt financing, 197MW under short-term debt financing and 343MW without debt financing (excludes NPIII 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).

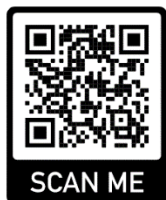
⁴ Applicable rate represents the swap rate.

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).

⁷ Plus £25m accordion options.

Investment Adviser's Report continued



Alignment of interest

As at 18 November 2021, NextEnergy Capital Group employees held 337,961 shares in NESF.

Events After the Balance Sheet Date

On 11 November 2021, the Directors approved an interim dividend of 1.79p per ordinary share for the quarter ended 30 September 2021 to be paid on 31 December 2021 to ordinary shareholders on the register as at the close of business on 19 November 2021.

NextEnergy Capital Limited

18 November 2021

Operating Portfolio

	Power plant	Location	Announcement date	Subsidy/ PPA¹	Installed capacity (MW)	Cost (£m)	Remaining life of plant (Years)
1	Higher Hatherleigh	Somerset	May-14	1.6	6.1	7.3³	16.5
2	Shacks Barn	Northamptonshire	May-14	2.0	6.3	8.2³	15.8
3	Gover Farm	Cornwall	Jun-14	1.4	9.4	11.1³	18.2
4	Bilsham	West Sussex	Jul-14	1.4	15.2	18.9³	22.7
5	Brickyard	Warwickshire	Jul-14	1.4	3.8	4.1³	18.1
6	Ellough	Suffolk	Jul-14	1.6	14.9	20.0³	27.4
7	Poulshot	Wiltshire	Sep-14	1.4	14.5	15.7³	17.4
8	Condover	Shropshire	Oct-14	1.4	10.2	11.7³	18.1
9	Llywndu	Ceredigion	Dec-14	1.4	8.0	9.4	28.2
10	Cock Hill Farm	Wiltshire	Dec-14	1.4	20.0	23.6³	17.9
11	Boxted Airfield	Essex	Dec-14	1.4	18.8	20.6³	18.5
12	Langenhoe	Essex	Mar-15	1.4	21.2	22.9³	33.5
13	Park View	Devon	Mar-15	1.4	6.5	7.7³	33.3
14	Croydon	Cambridgeshire	Mar-15	1.4	16.5	17.8³	18.2
15	Hawkers Farm	Somerset	Apr-15	1.4	11.9	14.5³	18.5
16	Glebe Farm	Bedfordshire	Apr-15	1.4	33.7	40.5³	28.2
17	Bowerhouse	Somerset	Apr-15	1.4	9.3	11.1³	33.5
18	Wellingborough	Northamptonshire	Jun-15	1.4	8.5	10.8³	17.7
19	Birch Farm	Essex	Oct-15	FiTs UK	5.0	5.3³	18.7
20	Thurlestone	Leicestershire	Oct-15	FiTs UK	1.8	2.3	11.6
21	North Farm	Dorset	Oct-15	1.4	11.5	14.5³	33.2
22	Ellough Phase 2	Suffolk	Nov-15	1.3	8.0	8.0³	34.1
23	Hall Farm	Leicestershire	Nov-15	FiTs UK	5.0	5.0³	38.9
24	Decoy Farm	Lincolnshire	Nov-15	FiTs UK	5.0	5.2³	34.5
25	Green Farm	Essex	Nov-15	FiTs UK	5.0	5.8	19.5
26	Fenland	Cambridgeshire	Jan-16	1.4	20.4	23.9²,⁴	18.8
27	Green End	Cambridgeshire	Jan-16	1.4	24.8	29.0²,⁴	19.5
28	Tower Hill	Gloucestershire	Jan-16	1.4	8.1	8.8²,⁴	18.5
29	Branston	Lincolnshire	Apr-16	1.4	18.9	97.9²,⁵	33.1
30	Great Wilbraham	Cambridgeshire	Apr-16	1.4	38.1		23.5
31	Berwick	East Sussex	Apr-16	1.4	8.2		20.0
32	Bottom Plain	Dorset	Apr-16	1.4	10.1		33.7
33	Emberton	Buckinghamshire	Apr-16	1.4	9.0	116.2²,⁶	38.6
34	Kentishes	Essex	Nov-16	1.2	5.0		40.0
35	Mill Farm	Hertfordshire	Jan-17	1.2	5.0		35.3
36	Bowden	Somerset	Jan-17	1.2	5.0		35.2
37	Stalbridge	Dorset	Jan-17	1.2	5.0	5.4	35.2
38	Aller Court	Somerset	Apr-17	1.2	5.0	5.5	20.5
39	Rampisham	Dorset	Apr-17	1.2	5.0	5.8	21.0
40	Wasing	Berkshire	Apr-17	1.2	5.0	5.3	25.2
41	Flixborough	South Humberside	Apr-17	1.2	5.0	5.1	26.3
42	Hill Farm	Oxfordshire	Apr-17	1.2	5.0	5.5	30.4
43	Forest Farm	Hampshire	Apr-17	FiTs UK	3.0	3.3	30.5
44	Birch CIC	Essex	Jun-17	FiTs UK	1.7	1.7	18.7
45	Barnby	Nottinghamshire	Jun-17	1.2	5.0	5.4	20.8
46	Bilthorpe	Nottinghamshire	Jun-17	1.2	5.0	5.4	21.2
47	Wickfield	Wiltshire	Jun-17	1.2	4.9	5.6	21.6
48	Bay Farm	Suffolk	Aug-17	1.6	8.1	10.5	32.4
49	Honington	Suffolk	Aug-17	1.6	13.6	16.0	32.3
50	Macchia Rotonda	Apulia	Nov-17	FiTs Italy	6.6	116.2²,⁶	14.3
51	Iacovangelo	Apulia	Nov-17	FiTs Italy	3.5		14.6
52	Armiento	Apulia	Nov-17	FiTs Italy	1.9		14.6
53	Inicorbaf	Apulia	Nov-17	FiTs Italy	3.0		14.4
54	Gioia del Colle	Campania	Nov-17	FiTs Italy	6.5	116.2²,⁶	15.1
55	Carinola	Apulia	Nov-17	FiTs Italy	3.0		15.1

Operating Portfolio continued

	Power plant	Location	Announcement date	Subsidy/ PPA ¹	Installed capacity (MW)	Cost (£m)	Remaining life of plant (Years)
56	Marcianise	Campania	Nov-17	FiTs Italy	5.0		15.0
57	Riardo	Campania	Nov-17	FiTs Italy	5.0		15.0
58	Gilley's Dam	Cornwall	Dec-17	1.3	5.0	6.4	33.2
59	Pickhill Bridge	Clwyd	Dec-17	1.2	3.6	3.7	20.4
60	North Norfolk	Norfolk	Feb-18	1.6	11.0	14.6	23.1
61	Axe View	Devon	Feb-18	1.2	5.0	5.6	25.9
62	Low Bentham	Lancashire	Feb-18	1.2	5.0	5.4	24.4
63	Henley	Shropshire	Feb-18	1.2	5.0	5.2	24.7
64	Pierces Farm	Berkshire	May-18	FiTs UK	1.7	1.2	17.6
65	Salcey Farm	Buckinghamshire	May-18	1.4	5.5	6.5	17.6
66	Thornborough	Buckinghamshire	Jun-18	1.2	5.0	5.7	19.5
67	Temple Normanton	Derbyshire	Jun-18	1.2	4.9	5.6	19.8
68	Fiskerton Phase 1	Lincolnshire	Jun-18	1.3	13.0	16.6	28.5
69	Huddlesford HF	Staffordshire	Jun-18	1.2	0.9	0.9	19.3
70	Little Irchester	Northamptonshire	Jun-18	1.2	4.7	5.9	20.3
71	Balhearty	Clackmannanshire	Jun-18	FiTs UK	4.8	2.6	29.3
72	Brafield	Northamptonshire	Jun-18	1.2	4.9	5.8	20.2
73	Huddlesford PL	Staffordshire	Jun-18	1.2	0.9	0.9	19.5
74	Sywell	Northamptonshire	Jun-18	1.2	5.0	5.9	19.6
75	Coton Park	Derbyshire	Jun-18	FiTs UK	2.5	1.1	19.6
76	Hook	Somerset	Jul-18	1.6	15.3	21.8 ²	32.5
77	Blanches	Wiltshire	Jul-18	1.6	6.1	7.8 ²	17.2
78	Whitley	Somerset	Jul-18	1.6	7.6	10.4 ²	32.2
79	Burrowton	Devon	Jul-18	1.6	5.4	7.3 ²	17.0
80	Saundercroft	Devon	Jul-18	1.6	7.2	9.6 ²	32.4
81	Raglington	Hampshire	Jul-18	1.6	5.7	8.1 ²	32.3
82	Knockworthy	Cornwall	Jul-18	FiTs UK	4.6	6.6 ²	16.5
83	Chilton Canetello	Somerset	Jul-18	FiTs UK	5.0	9.0 ²	30.8
84	Crossways	Dorset	Jul-18	FiTs UK	5.0	10.0 ²	30.8
85	Wyld Meadow	Dorset	Jul-18	FiTs UK	4.8	7.1 ²	31.8
86	Ermis	Rooftop Portfolio	Aug-18	FiTs UK	1.0	3.0	15.1
87	Angelia	Rooftop Portfolio	Aug-18	FiTs UK	0.2	0.6	15.0
88	Ballygarvey	County Antrim	Aug-19	1.4 NIROCs	8.2	8.5	26.3
89	Hall Farm 2	Leicestershire	Aug-19	Subsidy-free	5.4	2.5	37.8
90	Staughton	Bedfordshire	Dec-19	Subsidy-free	50.0	27.4	37.4
91	High Garret	Essex	Oct-20	Subsidy-free	8.4	4.1	33.5
92	Marham	Norfolk	Mar-21	Long-term PPA	1.0	0.7	24.2
93	Sutterton	Lincolnshire	Mar-21	Long-term PPA	0.4	0.3	24.4
94	The Grange	Nottinghamshire	Mar-21	Long-term PPA	50.0	32.1	39.3
95	South Lowfield	Yorkshire	Mar-21	Long-term PPA	50.0	29.6	39.8
96	Newfield	Cheshire	May-21	FiTs UK	0.2	0.2	23.0
97	JSC	Worcestershire	May-21	FiTs UK	0.04	0.04	18.0
98	Karcher	Oxfordshire	Aug-21	Subsidy-free	0.3	0.2	23.5
99	Dolphin	East Sussex	Aug-21	Subsidy-free	0.2	0.2	25.2
100	NextPower III ⁸	OECD Markets	Jun-21	Multiple long-term PPAs	29.9	20.2	n/a
Total					895	1,020	27.8⁷

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 Remaining weighted average life of the portfolio.

⁸ 29.9MW represents the proportion of NPill operational assets owned by NESF on a look through equivalent basis as at 30 September 2021. NPill is a portfolio of assets at different stages of their project life cycle.

Portfolio Generation Performance

	Power plant	Operational date	Acquisition date	Period ended 30 September 2021			Since acquisition	
				Generation (GWh)	Irradiation delta (%)	Generation delta (%)	Irradiation delta (%)	Generation delta (%)
1	Higher Hatherleigh	Apr-14	May-14	4.1	2.7	-2.8	1.2	4.2
2	Shacks Barn	May-14	May-14	4.3	-1.4	3.7	2.5	7.9
3	Gover Farm	Jan-15	Jun-14	7.1	6.2	9.0	3.1	1.8
4	Bilsham	Jan-15	Jul-14	11.9	4.5	7.2	4.8	5.5
5	Brickyard	Jan-15	Jul-14	2.6	1.8	3.2	3.1	5.7
6	Ellough	Jul-14	Jul-14	10.4	-1.6	-0.3	0.5	5.6
7	Poulshot	Apr-15	Sep-14	10.0	0.2	3.8	0.8	5.0
8	Condover	May-15	Oct-14	7.0	1.1	2.7	0.1	0.9
9	Llywndu	Jul-15	Dec-14	6.0	1.6	10.5	-3.0	3.6
10	Cock Hill Farm	Jul-15	Dec-14	14.4	2.9	4.9	2.9	4.6
11	Boxted Airfield	Apr-15	Dec-14	13.5	-1.1	2.4	3.0	5.3
12	Langenhoe	Apr-15	Mar-15	15.7	2.2	5.5	5.7	8.7
13	Park View	Jul-15	Mar-15	4.8	-0.5	1.6	-1.9	0.8
14	Croydon	Apr-15	Mar-15	10.8	4.6	0.9	6.0	6.8
15	Hawkers Farm	Jun-15	Apr-15	8.4	1.9	0.1	0.4	3.3
16	Glebe Farm	May-15	Apr-15	23.9	5.4	8.6	6.1	11.7
17	Bowerhouse	Jul-15	Jun-15	5.9	5.8	-8.6	3.1	-0.2
18	Wellingborough	Jun-15	Jun-15	5.8	0.5	3.3	2.2	4.6
19	Birch Farm	Sep-15	Oct-15	3.6	0.3	3.1	3.8	5.8
20	Thurlestone Leicester ¹	Oct-15	Oct-15	1.0	0.0	-5.4	0.0	-0.5
21	North Farm	Oct-15	Oct-15	7.7	-1.7	-11.8	-2.8	-4.0
22	Ellough Phase 2	Aug-16	Nov-15	6.0	3.5	8.0	7.7	11.5
23	Hall Farm	Apr-16	Nov-15	2.6	3.3	-19.5	3.6	0.3
24	Decoy Farm	Mar-16	Nov-15	3.6	1.7	4.5	4.3	8.7
25	Green Farm	Dec-16	Nov-15	3.4	-0.9	-2.6	3.0	3.5
26	Fenland	Jan-16	Jan-16	14.9	1.5	6.7	4.7	9.0
27	Green End	Jan-16	Jan-16	15.4	0.5	-9.2	4.3	3.1
28	Tower Hill	Jan-16	Jan-16	6.1	3.3	8.7	3.4	7.0
29	Branston	Mar-16	Apr-16	13.4	4.0	7.3	5.7	6.3
30	Great Wilbraham	Mar-16	Apr-16	26.0	1.7	0.1	5.0	5.4
31	Berwick	Mar-16	Apr-16	6.6	2.0	7.3	4.7	9.4
32	Bottom Plain	Mar-16	Apr-16	7.5	4.2	2.7	3.2	3.8
33	Emberton	Mar-16	Apr-16	5.6	1.6	-9.1	4.0	2.4
34	Kentishes	Jul-17	Nov-16	3.7	0.7	1.0	4.9	5.4
35	Mill Farm	Jul-17	Jan-17	3.5	3.5	2.0	7.8	9.8
36	Bowden	Sep-17	Jan-17	3.7	-1.5	-2.4	0.0	0.8
37	Stalbridge	Sep-17	Jan-17	3.8	-1.1	2.0	0.5	5.7
38	Aller Court	Sep-17	Apr-17	3.8	2.7	2.6	3.3	4.7
39	Rampisham	Sep-17	Apr-17	3.8	-3.8	-3.2	-2.1	-1.6
40	Wasing	Aug-17	Apr-17	3.6	1.1	3.7	5.7	9.0
41	Flixborough	Aug-17	Apr-17	3.5	4.2	4.4	4.9	7.2
42	Hill Farm	Mar-17	Apr-17	3.6	2.8	7.3	6.4	8.4
43	Forest Farm	Mar-17	Apr-17	2.2	2.3	6.4	4.6	8.5
44	Birch CIC	May-17	Jun-17	1.2	0.6	-0.9	4.7	3.9
45	Barnby	Aug-17	Jun-17	3.5	1.8	5.8	4.0	4.2
46	Bilsthorpe	Aug-17	Jun-17	3.5	2.8	5.6	3.9	6.1
47	Wickfield	Mar-17	Jun-17	3.5	2.4	2.9	5.4	4.8
48	Bay Farm	Sep-17	Aug-17	5.5	-2.0	4.1	6.1	7.5
49	Honington	Sep-17	Aug-17	9.2	-3.1	-1.5	3.0	2.9
50	Macchia Rotonda	Nov-17	Nov-17	5.9	7.1	-0.7	6.0	3.8
51	Iacovangelo	Nov-17	Nov-17	3.3	6.4	3.8	4.6	6.0
52	Armiento	Nov-17	Nov-17	1.8	6.3	7.1	5.2	7.4
53	Inicorbat	Nov-17	Nov-17	2.9	6.7	7.0	5.6	6.8
54	Gioia del Colle	Nov-17	Nov-17	6.1	1.2	3.8	0.6	3.8
55	Carinola	Nov-17	Nov-17	2.4	1.5	-6.4	2.2	3.5
56	Marcianise	Nov-17	Nov-17	4.4	1.1	0.5	2.5	3.4
57	Riardo	Nov-17	Nov-17	4.2	-0.4	-5.6	1.9	0.4
58	Gilley's Dam	Nov-17	Dec-17	3.7	-2.3	-0.4	-4.3	-2.0
59	Pickhill Bridge	Dec-17	Dec-17	2.6	5.7	8.8	4.7	8.0

Portfolio Generation Performance continued

Power plant	Operational date	Acquisition date	Period ended 30 September 2021		Since acquisition	
			Generation (GWh)	Irradiation delta (%)	Generation delta (%)	Irradiation delta (%)
60 North Norfolk	Dec-17	Feb-18	7.4	0.4	-3.2	5.6
61 Axe View	Dec-17	Feb-18	3.7	6.5	7.0	5.6
62 Low Bentham	Dec-17	Feb-18	3.6	8.3	8.5	2.6
63 Henley	Jan-18	Feb-18	3.5	4.9	7.4	3.4
64 Pierces Farm	May-18	May-18	1.2	-0.8	3.8	3.3
65 Salcey Farm	May-18	May-18	3.9	1.6	3.5	8.0
66 Thornborough	Jun-18	Jun-18	2.8	-4.5	-20.5	4.2
67 Temple Normanton	Jun-18	Jun-18	3.0	1.1	-10.8	3.8
68 Fiskerton Phase 1	Jun-18	Jun-18	8.4	1.1	-6.8	7.0
69 Huddlesford HF	Jun-18	Jun-18	0.6	3.3	8.4	5.5
70 Little Irchester	Jun-18	Jun-18	3.0	-2.8	-9.9	3.9
71 Balhearty	Jun-18	Jun-18	3.2	3.4	-0.2	-0.2
72 Brafield	Jun-18	Jun-18	3.4	0.3	-4.2	6.2
73 Huddlesford PL	Jun-18	Jun-18	0.6	2.7	1.2	5.1
74 Sywell	Jun-18	Jun-18	3.5	-1.6	0.6	5.5
75 Coton Park	Jun-18	Jun-18	1.6	-1.7	2.8	2.8
76 Hook	Jul-18	Jul-18	11.0	2.1	0.5	3.3
77 Blenches	Jul-18	Jul-18	4.0	0.1	-2.3	3.9
78 Whitley	Jul-18	Jul-18	5.4	6.7	-0.7	5.1
79 Burrowton	Jul-18	Jul-18	9.0	4.4	-1.8	5.8
80 Saundercroft	Jul-18	Jul-18	3.6	0.5	-15.2	3.7
81 Raglington	Jul-18	Jul-18	2.9	2.2	-16.3	1.9
82 Knockworthy	Jul-18	Jul-18	3.8	4.7	3.4	4.6
83 Chilton Canetello	Jul-18	Jul-18	3.8	2.6	-0.2	3.3
84 Crossways	Jul-18	Jul-18	3.4	-0.5	-6.4	-1.2
85 Wyld Meadow	Jul-18	Jul-18	0.6	0.0	-1.5	0.0
86 Ernis ¹	Aug-18	Aug-18	9.2	-3.1	-1.5	3.0
87 Angelia ¹	Mar-18	Aug-19	5.9	7.1	-0.7	6.0
88 Ballygarvey	Aug-19	Aug-19	2.9	7.7	-15.8	9.6
89 Hall Farm 2	Dec-19	Dec-19	35.0	7.5	5.7	5.6
90 Staughton	Oct-20	Oct-20	5.5	4.1	-5.6	5.1
91 High Garrett	Jan-21	Mar-21	-	-	-	-
92 Marham ²	Mar-21	Mar-21	-	-	-	-
93 Sutterton ²	Jan-21	Mar-21	-	-	-	-
94 The Grange ²	Jun-21	Mar-21	-	-	-	-
95 South Lowfield ²	Apr-19	Apr-19	-	-	-	-
96 Newfield (NZ) ¹	Mar-19	Mar-19	-	-	-	-
97 JSC (NZ) ¹	Nov-19	Nov-19	-	-	-	-
98 Karcher (NZ) ¹	Jul-21	Jul-19	-	-	-	-
99 Dolphin (NZ) ¹	Multiple	Jun-21	-	-	-	-
100 NextPower III ³						
Total²			539	2.4	1.1	2.9

¹ Rooftop asset which is not monitored for irradiation.

² An asset which is yet to pass provisional acceptance clearance (PAC) is not reported by the Asset Manager.

³ NextPower III performance not included.

Sustainability and ESG

Introduction from the CEO of NextEnergy Capital Group

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

The development of reliable, sustainable and resilient infrastructure is at the core of the recovery plan and at NextEnergy Capital Group (NEC) we have the technical experience to play an instrumental role in this transition. Our commitment to generate a more sustainable future, coupled with evolving our framework for managing, measuring, and reporting our contribution to the UN SDGs, as well as evaluating our impact on the world around us, is central to guiding our sustainable investment strategy and approach to ensure we continue to achieve our ESG goals in the future.

Our framework applies to the whole value chain of our business, from our clients' investments, our employees to our suppliers and the broader community we operate in. This framework is built on three pillars: Climate Change, Biodiversity and Human Rights.

In the context of COP26, NESF presented how it continues to support the UK Government's net zero ambitions: NESF can offer investors the opportunity to decarbonize their portfolio and transition to a net zero economy. For the past 6 months, NESF has contributed to avoid emitting 229,000 tons of CO₂e to the atmosphere. NESF also presented the benefits that an investment in solar PV and sustainable energy provides beyond climate mitigation: in particular, it explained how it continues to contribute to the economic growth of the local area, increase biodiversity value and encourages local community engagement.

NESF continues to be committed to enhance biodiversity and achieve positive gain, contributing to build climate resilient infrastructure. The core of NEC's sustainability framework is our Sustainable Investment Policy, which articulates the value-creating ability of ESG considerations in our business and operations, and the solar sector more broadly, as well as our commitment to the United Nations Principles for Responsible Investment. Our Sustainable Investment Policy applies to both NESF and our private equity funds; it outlines our business principles and explains how we integrate ESG factors throughout the investment process.

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



NESF ESG at a Glance for the period ended 30 September 2021

Environmental Performance

539GWh clean energy generated	229ktCO ₂ e avoided	299,000 equivalent homes powered for a year
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Social Performance

£22,000 community funding	9 new O&M contracts signed generating new jobs
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Governance Performance

Total board meetings held during the six-month period - 11	Gender diversity 25% female at board level
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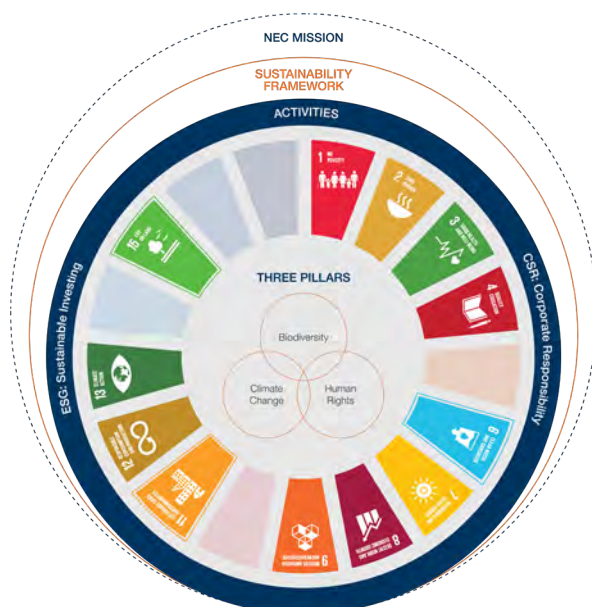
Sustainability and ESG continued

NESF's Sustainability Framework

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

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

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



Our Commitment to the United Nations Sustainable Development Goals

The SDGs form the basis of our sustainability strategy.

NESF's Approach to ESG

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

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

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

Sustainability Pillars

Climate Change:

NESF is committed to supporting the UK Government in its ambitious objective of bringing all greenhouse gas emissions to net zero by 2050 and limiting global average temperature rise to 2°C from pre-industrial levels. NESF communicates its positive contributions to climate change mitigation via reporting annually on its clean energy generation and the CO₂e emissions avoided for the portfolio. This year NESF has expanded its reporting to include also historical greenhouse gas (GHG) emission avoided as well as the estimated emission associated with its portfolio, namely the GHG scope 1, 2 and 3 with the objective of increasing transparency towards net-zero ambitions.

Biodiversity:

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

Human Rights and Modern Slavery:

NESF respects fundamental human rights principles and is against any form of slavery and forced labour, as stated in its Modern Slavery Statement¹. The Group's commitment to respecting human rights is guided by the United Nations Declaration of Human Rights; NESF also recognises both the OECD Guidelines on Multinational Enterprise and the UN Guiding Principles of Business and Human Rights as key frameworks through which to identify and manage human rights associated with our operations, our supply chain, and our business relationships.

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

ESG Integration

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

Identify

NESF has a tried and tested investment and development process. ESG considerations form part of the investment decision-making at each stage of an investment and of the site's development. For secondary market acquisitions that occurred after September 2019, when the updated sustainability policy was approved, NESF undertakes due diligence in the pre-acquisition phase, to identify any potential risk associated with ESG matters. Once an initial screening has confirmed that NESF is not entering into any excluded activities (see box), full due diligence is undertaken to review compliance with national and local environmental legislation², social policies and best practice, including the Solar Energy UK 10 Commitments for Solar Farm Developers³. The due diligence is usually undertaken by an external adviser, and the outcome is presented to the Investment Committee for the final decision.

¹ <https://nextenergysolarfund.com/modern-slavery-statement/>;

² https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/218695/env-impact-landscape.pdf;

³ https://solarpowerportal.co.uk/news/sta-publishes_10_commitments_for_solar_farm_developers_2356

Sustainability and ESG continued

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

Excluded Activities & Site Selection

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

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

Manage

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

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

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

Report

NESF is committed to a high level of transparency on ESG issues and reports on the performance of the operational portfolio against

progress on any ESG action plans as well as on a selected number of KPIs, as mentioned above.

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

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

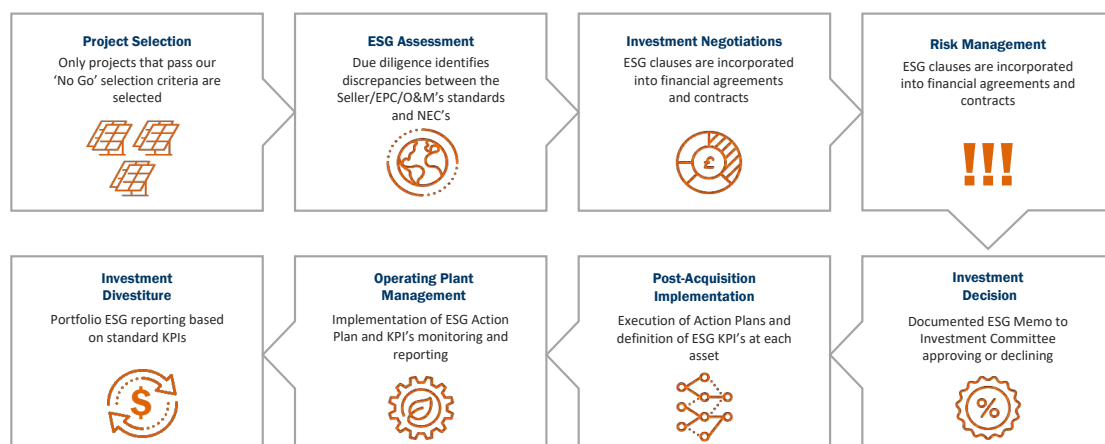
These KPIs are independently verified by the Green Investment Group (GIG) who has been hired by NEC to support the group's impact reporting efforts. NESF's contribution to these goals was reported in the Group's 2020 SDGs report, available on our website.

Particular attention is given to climate related reporting. In line with NEC being an official supporter of the Task Force on Climate-Related Non-Financial Disclosure ("TCFD"), as well as both NEC and NESF having netzero ambitions, NESF has recently commissioned the Green Investment Group to additionally report on its historical CO₂e emission reductions and to calculate its portfolio scope 1, 2 and 3 carbon footprint.

NESF & SFDR

The Sustainable Finance Disclosure Regulation (SFDR) has come into force on the 10th of March 2021, requiring financial market participants to disclose on ESG policies and practices. As previously mentioned, to comply, NESF has published an ESG Disclosure document on its website and has made the relevant disclosure in the annual report as well as pre-contractual disclosure. This document outlines how NESF substantially contributes to climate mitigation, how it does no significant harm to the other four environmental objectives applicable to the solar PV sector (climate adaptation, water management, circular economy and biodiversity), and how it complies with the minimum safeguarding standards, including, but not limited to, human rights violations. NESF classifies under Art. 9 of the SFDR and in the future will disclose accordingly. An FAQ document has been published on the investment adviser website to clarify how NESF (and other funds) are planning to comply with future EU SFDR requirements.

ESG integration into the investment process



Sustainability and ESG continued

Supply Chain

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

Early on, we developed a supply chain risk management approach consistent with the Group's sustainability framework. We deal with this issue through two parallel processes: ongoing ESG due diligence at asset and portfolio level and an extensive stakeholder engagement process.

NESF's suppliers have to abide by the Group Code of Conduct for Suppliers and respond satisfactorily to our ESG due diligence. NESF has developed specific due diligence questionnaires to assess suppliers' human rights and labour policies and practices, as well as other ESG factors, in order to identify potential risks within its supply chain. This process is embedded into NESF's investment process and includes module, inverter and battery manufacturers.



In addition to each individual investment, the supply chain due diligence is undertaken with key selected manufacturers with which NESF and the Group have signed a master framework agreement. NESF has developed module framework agreements as the structure through which to identify and select top-tier, reputable manufacturers with a proven track record of delivering high quality products (i.e. manufactured with high durability, easy dismantling, refurbishment and recycling). This framework incorporates quality control, product certification and international standards, including ISO 9001 and IEC61215:2016; thereby providing visibility of the entire supply chain and materials used during production. NESF has included a contractual obligation in these agreements for suppliers to abide by our Code of Conduct.

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

NESF strongly believes that supply chain management can be tackled collectively through a process that requires a long term commitment and willingness to influence market changes to eradicate human rights abuses and raise labour practices and standard globally. This is particularly true for our Tier 2 and 3 suppliers, for which it is not always easy to get transparent and verifiable information. NEC continues to engage regularly with a number of stakeholders, including NGOs, industry associations, reputable adviser and manufacturers to increase transparency and traceability. NEC, NESF's investment adviser, has signed the Solar Energy Industry Association (SEIA) and the Solar Energy UK (SEUK) pledge against slave labour; NEC's head of ESG has been appointed as the chair of the SEUK task group on Responsible Sourcing and in Sept 2021 she has led the kick off of a Supply Chain Monitoring Programme between SEUK and SPE aimed to provide the industry with a deeper understanding of its supply chain and a set of auditable standards which can be applied consistently across the value chain. The outcome of this programme will be available in early 2022.

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

Stakeholder Engagement and Stewardship

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

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

Sustainability and ESG continued

Accountability and Governance

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

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

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



The ESG team consists of Giulia Guidi, with more than 20 years of combined experience in ESG risk management in the financial sector, and Phoebe Wright, the ESG Analyst for the NEC Group. An additional resource is responsible for NextEnergy Foundation (see page 29).



**ktCO₂e avoided
since IPO**

Units

1,718

ktCO₂e

Green impact: historic performance

Metric	Units	HY2021	FY2021	FY2020	FY2019	FY2018	FY2017	FY2016	FY2015
GHG avoided	ktCO ₂ e	228.7	317.6	307.7	299.4	211.2	191.4	110.0	30.6
NOx avoided	tonnes	204.4	283.4	274.4	276.5	193.1	176.3	108.3	41.3
Sox avoided	tonnes	378.0	527.5	511.9	499.2	365.9	335.8	214.4	94.1
PM2,5	tonnes	17.4	24.0	23.2	22.6	15.9	14.5	8.4	2.4
PM10	tonnes	4.3	5.9	5.8	5.6	4.0	3.7	2.3	0.9
Fossil Fuels avoided	tonnes oil equivalent	99.0	135.9	131.2	127.7	90.0	81.6	46.9	13.0
	million barrels	0.7	1.00	0.96	0.94	0.66	0.60	0.34	0.10

Source: Green Investment Group

Sustainability and ESG continued

Environmental, Social and Governance factors

Environmental

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

Climate change: NESF contributes to positive climate mitigation and it is committed to reporting its CO₂e avoided emission on a year-on-year basis, as well as through employing historical data. GIG has also supported us in estimating the carbon footprint associated with the lifecycle of our portfolio, including our greenhouses scope 1, 2 and 3. NESF's carbon footprint throughout the lifecycle is minor, and we aim to start collecting additional data in the future to assess how we can achieve a net zero objective. Climate-related risks, such as areas that according to the Environment Agency's datasets are at risk of flooding, are identified during the pre-investment phase. We currently avoid flood risk areas, however sometimes we can model them to ensure that the project minimises flood risk. In the past, mitigation measures put in place for solar projects have helped to alleviate the risk of flooding on land adjacent to the site. Despite the operational lifetime of NESF's sites being up to 45 years, all sites are designed using a 100-year flood projection to account for projected climate-induced risks. In line with our TCFD commitments, and, based on potential initial risks identified, at a future date we could commission climate-related physical risk assessment for climate-induced risks.

Biodiversity: NEC has a dedicated Biodiversity team that is working with organisations such as Wychwood and Twig to ensure that land management and native fauna and flora are being considered throughout the investment and ownership phases. A set of proven biodiversity solutions are included within planning-controlled site proposals, with the view of ecologically enhancing the project area and any additional land held under the project ground lease. NEC has developed a specific Universal Biodiversity Management Plan ("UBMP") for NESF sites (see case study 1 at page 35) and NESF has hired biodiversity specialists to design and implement bespoke and effective measures that develop, repair and connect local wildlife, habitats and ecosystems. Our UBMP also exists to improve local stakeholder relationships by educating the community on the benefits of transforming solar plants into ecosystem-friendly assets. This makes up part of NEC's wider Biodiversity Strategy which works to support the UK Government's 25-year Environmental Plan². During the asset's operational lifetime, schemes are also designed to allow sheep grazing. Such schemes employ densities which work within the land's natural carrying capacity. They are devised in conjunction with the broader environmental, landscape and ecological objectives of site-specific measures, which are agreed in advance with local councils, as well as the UBMP.

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

Social

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

Community engagement: during the pre-acquisition phase, NESF closely engages with local parishes and councils to ensure the suitability of site proposals. Where possible, community feedback is incorporated into the transaction proposals so that we can work on long-term community development plans (see case study 2 on page 35). We also commit to employing people locally where practical and possible. In addition, community funds are established to promote development and support community renewable energy projects and initiatives. NESF is dedicated to using our solar farms as educational opportunities, particularly regarding the promotion of the value of biodiversity and clean energy.

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

Labour and human rights: NESF has zero tolerance of human rights abuses across the value chain. We work with our counterparties to ensure that they abide by our human rights related principles, as outlined in NESF's Modern Slavery Statement, NEC's Sustainable Investment Policy and NESF Human Rights Statement. To this extent, NEC has included human rights related criteria in our solar PV module framework agreements (see "Supply chain" page 32). We have also added an obligation for our EPC and O&M contractors and all suppliers to comply with our Code of Conduct for suppliers, which include amongst others, environmental, working condition and human rights related standards.

Governance

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

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

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

Sustainability and ESG continued

NESF ESG Case Studies

Case Study 1: Universal Biodiversity Management Plans (UBMP)

Following the success of last year's UBMP sites, NEC has launched an additional 15 sites within the NESF UK portfolio to gain UBMP status. The sites will have universal non-site-specific measures such as hibernacula, bug hotels, nectar rich shrubs, wildflowers and bird and bat boxes introduced. These initiatives will add to the biodiversity net gain of the sites. Currently, in September 2021 11 sites underwent wildflower seeding. These measures have been introduced to increase net gain within the portfolio and supports NEC's commitment to their Biodiversity Strategy. To ensure that these initiatives bring the desired change, the sites will be monitored to gauge progress. Overall, for 2021, the Biodiversity Team have 11 sites fully completed at UBMP status as per the Wychwood guidance maps. It is envisaged that the remaining four partially improved sites will be completed by the end of the year subject to weather conditions.

Case Study 2: Exemplar Sites Update

Exemplar sites are monitored on an annual basis to introduce biodiversity which provides tangible data. This year carbon soil surveys were carried out to understand how much carbon sequestration has been achieved since the site was constructed. Surveys have been completed at the end of August 2021 and the reports will be issued by the end of the year. The Exemplar portfolio shows promising results of providing a habitat for birds listed on the high conservation concern list. The team have instructed the BMP work to be carried out at Temple Normanton, Balhearty and Brafild later this year. These were the 2019 earmarked sites that were put on hold due to reinstatement work. The team were also approached by Lancaster University to take part in the Natural Capital Carbon study. This research is to explore how much carbon sequestration is taking place at solar farms on an annual basis. Therefore, the four additional sub free sites agreed can go ahead in conjunction to the additional Exemplar sites soil carbon testing.

In summary this means we have 16 sites scheduled for soil testing this year. This includes the 8 exemplar sites and 8 ex-subsidy sites.

Case Study 3: Stakeholder Engagement - RSPB Operation Turtle Dove



Our Solar farms support local stakeholders, provide investment to the area, and help drive the safeguarding of the local environment. NextEnergy Capital teamed up with RSPB and the sites landowner this summer at one of our Exemplar sites, Langenhoe to support the initiative 'Operation Turtle Dove'. Turtle Doves are the fastest-declining bird species in the UK and Operation Turtle Dove aims to reverse that by building on research throughout their migratory route and establishing feeding habitats throughout their core breeding range by working with farmers, businesses, and landowners. We aim to be a part of this scheme next year and help support native wildlife in the community where our solar farms are located.

Case Study 4: The Big Butterfly Count



The NESF UK portfolio sites that was being surveyed this year was involved in 'The Big Butterfly Count', a UK-wide survey aimed at helping assess the health of the environment simply by counting the amount and type of butterflies (and some day-flying moths) we see. This year's Big Butterfly Count ran from the 16th of July to the 8th of August. Biodiversity is incredibly important to all NextEnergy Capital managed solar assets and at NextEnergy Solar Fund (NESF) Langenhoe, Essex solar farm, our ecologist Wychwood Environmental Ltd discovered one new butterfly species that has never been recorded at the site before.

Case Study 5: Emberton's Chamomile



German chamomile was sown in 2019 at Emberton and harvested by hand to show how solar farms could be multipurpose and act as a cottage industry. In 2020, Roman chamomile was sown at Emberton as this was a perennial species as it is expected to flower every year. In 2021, the biodiversity surveys confirmed that chamomile was present in between the rows aiding the local pollinators. The chamomile crop was harvested to produce chamomile tea.

Case Study 6: 'Adopt A Beehive' Scheme



The team are working with local beekeeping associations to introduce beehives within the portfolio. As we are all aware, pollinators are in decline and the team want to work with the local community to try and highlight how multipurpose solar farms can support the increase in biodiversity net gain. Currently, Hook Valley has had hives introduced as part of this initiative. Bilsham, Low Benthams, Burrowton and Saundercroft are scheduled to have hives on-site by the end of the year, followed by Park View that is in the pipeline.

Sustainability and ESG continued

Recognition of NESF's Green Credentials

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

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

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

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

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

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

NESF has made charitable donations totalling of £130,000 to the Foundation since IPO. The funds donated were utilised to contribute to projects directly related to the Foundation's mission of alleviating poverty through the nexus with renewable energy access, but also its expanded remit to respond to those most affected socially and economically by the Covid-19 pandemic. This has included:

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

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

Looking Ahead and Next Steps

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

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

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

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

Principal Risks and Uncertainties

For the remaining six months of the year ending 31 March 2022

Emerging and Principal Risks

The Company's approach to risk governance, the risk review process and risk appetite are set out in the Annual Report for the year ended 31 March 2021 within the following sections; Risk and Risk Management section in the Strategic Report (pages 48 to 51) and the Risk, Internal Controls and Internal Audit section in the Corporate Governance Statement (pages 58 and 59), this can be found on our website (nextenergysolarfund.com).

The Principal risks and uncertainties to the achievement of the Company's objectives are described on pages 48 to 51 of the Annual Report and are categorised as follows:

- portfolio management and performance risks:
 - electricity generation falling below expectations; and
 - portfolio valuations.
- external and market risks:
 - adverse changes in government policy and political uncertainty; and
 - adverse changes to the regulatory framework for solar plants;
 - changes to tax legislation, health and safety legislation and rates.
- operational and strategic risks:
 - a decline in the price of electricity; and
 - counterparty risk; and
 - plant operational risks.

The Board believes that the aforementioned risks are unchanged with respect to the remaining six months of the year to 31 March 2022. The Board has identified the following emerging risks which are being monitored on an ongoing basis:

- the risk to the Company arising from the COVID-19 pandemic
- the recent changes to the Investment Policy having the potential to change the portfolio's risk profile in terms of geography and economic risk drivers.
- the risk associated with the OFGEM reviews of subsidy accreditations from the increased number of ongoing OFGEM audits; and
- the uncertainty surrounding the UK's developing relationship with the EU post Brexit not limited to supply chain disruption and regulation changes.

The inherent risks associated with investment in the solar energy sector could result in a material adverse effect on the Company's performance and the value of the ordinary shares.

Risks, including emerging risks, are mitigated and managed by the Board through continual review, policy setting and regular reviews of the Company's risk matrix by the Audit Committee to ensure that procedures are in place with the intention of minimising the impact of the principal risks to the achievement of the Company's objectives. The Audit Committee undertook a formal review of the Company's risk matrix at its meeting held on 19 November 2020. The Board and the Audit Committee rely on periodic reports provided by the Investment Manager and the Administrator regarding risks that the Company faces. When required, experts, including tax advisers, legal advisers and environmental advisers, are employed to gather information.



Statement of Directors' Responsibilities



Kevin Lyon
Chairman



Vic Holmes
Senior Independent
Director



Patrick Firth
Non-executive Director



Joanne Peacegood
Non-executive Director

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

In accordance with the FCA's Disclosure Guidance and Transparency Rule 4.2.10R, the Directors confirm that, to the best of their knowledge:

- the Unaudited Condensed Interim Financial Statements set out on pages 41 to 64 have been prepared in accordance with IAS 34 Interim Financial Reporting;
- the Interim Report, comprising the Chairman's Statement and the Investment Adviser's Report, meet the requirements of an interim management report and include a fair review of the information required by:
 - DTR4.2.7R of the Disclosure Guidance and Transparency Rules, being an indication of important events that have occurred during the first six months of the financial year and their impact on the Unaudited Condensed Interim Financial Statements set out on pages 8 to 26 and a description of the principal risks and uncertainties for the remaining six months of the financial year; and
 - DTR 4.2.8R of the Disclosure Guidance and Transparency Rules, being related party transactions that have taken place during the first six months of the current financial year and that have materially affected the financial position or performance of the Company during that period and any changes in the related party transactions described in the last Annual Report that could do so.

The Board is responsible for the maintenance and integrity of the corporate and financial information included on the Company's website (nextenergysolarfund.com), and for the preparation and dissemination of financial statements. Legislation in Guernsey governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

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

**Kevin Lyon,
Chairman**
18 November 2021



BERWICK



8.2MW installed



Energised in March 2016



1.4 ROC subsidy



2,000 homes powered annually



East Sussex

Independent Review Report to NextEnergy Solar Fund Limited

Conclusion

We have been engaged by NextEnergy Solar Fund Limited (the “Company”) to review the unaudited condensed interim financial statements in the half-yearly financial report for the six months ended 30 September 2020 of the Company which comprises the unaudited condensed Statements of Comprehensive Income, Financial Position, Changes in Equity, Cash Flows and the related explanatory notes.

Based on our review, nothing has come to our attention that causes us to believe that the unaudited condensed interim financial statements in the half-yearly financial report for the six months ended 30 September 2020 are not prepared, in all material respects, in accordance with IAS 34 Interim Financial Reporting (“IAS 34”) and the Disclosure Guidance and Transparency Rules (“the DTR”) of the UK’s Financial Conduct Authority (“the UK FCA”).

Scope of review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410 Review of Interim Financial Information Performed by the Independent Auditor of the Entity issued by the Auditing Practices Board for use in the UK. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. We read the other information contained in the half-yearly financial report and consider whether it contains any apparent misstatements or material inconsistencies with the information in the unaudited condensed interim financial statements.

A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Directors’ responsibilities

The half-yearly financial report is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the half-yearly financial report in accordance with the DTR of the UK FCA.

As disclosed in note 2, the annual financial statements of the Company are prepared in accordance with International Financial Reporting Standards. The directors are responsible for preparing the unaudited condensed interim financial statements included in the half-yearly financial report in accordance with IAS 34.

Our responsibility

Our responsibility is to express to the Company a conclusion on the unaudited condensed interim financial statements in the half-yearly financial report based on our review.

The purpose of our review work and to whom we owe our responsibilities

This report is made solely to the Company in accordance with the terms of our engagement letter to assist the Company in meeting the requirements of the DTR of the UK FCA. Our review has been undertaken so that we might state to the Company those matters we are required to state to it in this 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 for our review work, for this report, or for the conclusions we have reached.

Dermot Dempsey
For and on behalf of KPMG Channel Islands Limited
Chartered Accountants, Guernsey
18 November 2020

Financial Statements

Statement of Comprehensive Income (Unaudited Condensed)

For the six months ended 30 September 2021

	Notes	Six months ended 30 September 2021 (unaudited) £'000	Six months ended 30 September 2020 (unaudited) £'000	Year ended 31 March 2021 (audited) £'000
Income				
Income comprises:				
Interest income		6,016	6,016	12,000
Investment income		18,887	22,022	38,868
Administrative services income		5,051	4,539	9,128
Net changes in fair value of investments	17	23,489	(915)	(3,421)
Total net income		53,443	31,662	56,575
Expenditure				
Preference share dividends		4,718	4,750	9,526
Management fees	5	2,499	2,565	5,157
Legal and professional fees		316	331	716
Directors' fees	7	106	127	253
Administration fees	6	112	136	237
Other expenses	9	78	71	142
Audit fees	8	90	26	110
Charitable donation	10	–	–	80
Regulatory fees		45	30	75
Insurance		12	13	55
Total expenses		7,976	8,049	16,351
Profit and comprehensive income for the period/year		45,467	23,613	40,224
Earnings per ordinary share – basic	14	7.74p	4.04p	6.87p
Earnings per ordinary share – diluted	14	6.36p	3.71p	6.32p

All activities are derived from ongoing operations.

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

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

Statement of Financial Position (Unaudited Condensed)

As at 30 September 2021

	Notes	30 September 2021 (unaudited) £'000	30 September 2020 (unaudited) £'000	31 March 2021 (audited) £'000
Non-current assets				
Investments	17	788,288	758,573	769,644
Total non-current assets		788,288	758,573	769,644
Current assets				
Cash and cash equivalents		4,318	11,491	10,809
Trade and other receivables	11	34,870	34,444	22,211
Total current assets		39,188	45,935	33,020
Total assets		827,476	804,508	802,664
Current liabilities				
Trade and other payables	12	(22,849)	(23,118)	(23,953)
Total current liabilities		(22,849)	(23,118)	(23,953)
Non-current liabilities				
Preference shares	23	(197,989)	(197,850)	(197,920)
Total non-current liabilities		(197,989)	(197,850)	(197,920)
Net assets		606,638	583,540	580,791
Equity				
Share capital and premium	13	607,193	604,631	605,938
Retained earnings		(555)	(21,091)	(25,147)
Equity attributable to ordinary shareholders		606,638	583,540	580,791
Total equity		606,638	583,540	580,791
Net assets per ordinary share	16	103.1p	99.6p	98.9p

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

The audited financial statements were approved and authorised for issue by the Board of Directors on 18 November 2021 and signed on its behalf by:

Kevin Lyon,
Chairman

Patrick Firth,
Director

Statement of Changes in Equity (Unaudited Condensed)

For the six months ended 30 September 2021

	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 period	–	45,467	45,467
Scrip shares issued in lieu of dividends	1,255	–	1,255
Ordinary dividends declared	–	(20,875)	(20,875)
Ordinary shareholders' equity at 30 September 2021	607,193	(555)	606,638
Ordinary shareholders' equity at 1 April 2020	602,989	(24,360)	578,629
Loss and comprehensive income for the period	–	23,613	23,613
Scrip shares issued in lieu of dividends	1,642	–	1,642
Ordinary dividends declared	–	(20,344)	(20,344)
Ordinary shareholders' equity at 30 September 2020	604,631	(21,091)	583,540
Ordinary shareholders' equity at 1 April 2020	602,989	(24,360)	578,629
Profit and comprehensive income for the year	–	40,224	40,224
Scrip shares issued in lieu of dividends	2,949	–	2,949
Ordinary dividends declared	–	(41,011)	(41,011)
Ordinary shareholders' equity at 31 March 2021	605,938	(25,147)	580,791

Statement of Changes in Cash Flows (Unaudited Condensed)

For the six months ended 30 September 2021

Notes	Six months ended 30 September 2021 (unaudited) £'000	Six months ended 30 September 2020 (unaudited) £'000	Year ended 31 March 2021 (audited) £'000
Cash flows used in operating activities			
Profit/(loss) and comprehensive income/(loss) for the year	45,467	23,613	40,224
Adjustments for:			
Interest income receivable	(6,016)	(6,016)	(12,000)
Interest income received	6,016	6,016	12,000
Investment income receivable	(18,887)	(22,022)	(38,868)
Investment income received	20,083	11,672	41,164
Proceeds from HoldCos	17 64,900	2,081	9,546
Payments to HoldCos	17 (38,549)	(8,009)	(29,051)
Payments to NPfII	17 (21,506)		
Financing proceeds from HoldCos	–	–	35,200
Financing proceeds returned to HoldCos	–	–	(35,200)
Change in fair value of investments	17 (23,489)	915	3,421
Financial debt amortisation	69	69	139
Dividends paid on preference shares as finance costs	4,718	4,750	9,526
Operating cash flows before movements in working capital	32,806	13,069	36,101
Changes in working capital			
Movement in trade and other receivables	(13,856)	(101)	(514)
Movement in trade and other payables	(1,112)	(3,172)	(2,344)
Net cash generated from operating activities	17,838	9,796	33,242
Cash flows from financing activities			
Dividends paid on preference shares	(4,711)	(4,724)	(9,499)
Dividends paid on ordinary shares	(19,618)	(18,709)	(38,062)
Net cash used in from financing activities	(24,329)	(23,433)	(47,561)
Net movement in cash and cash equivalents during period/year	(6,491)	(13,637)	(14,319)
Cash and cash equivalents at the beginning of the period/year	10,809	25,128	25,128
Cash and cash equivalents at the end of the period/year	4,318	11,491	10,809

The accompanying notes are an integral part of these condensed interim financial statements

Notes to the Financial Statements (Unaudited Condensed)

For the six months ended 30 September 2021

1. General Information

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

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

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

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

2. Summary of Significant Accounting Policies

a) Basis of Preparation

The unaudited condensed interim financial statements for the six months ended 30 September 2021 have been prepared in accordance with IAS 34 Interim Financial Reporting and the FCA's Disclosure Guidance and Transparency Rules. They have been prepared under 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 accounting policies and critical accounting estimates and judgments used in preparing the unaudited condensed interim financial statements are consistent with those used in the Company's latest audited financial statements for the year ended 31 March 2021, with the addition of note 4a regarding the valuation of the Company's investment in NPIII.

The unaudited condensed interim financial statements are unaudited but have been reviewed by the Company's Auditor, KPMG Channel Islands Limited, in accordance with International Standard of Review Engagements 2410 (UK & Ireland), Review of Interim Financial Information Performed by the Independent Auditor of the Entity and were approved for issue on 18 November 2021.

The unaudited condensed interim financial statements do not include all information and disclosures required in the annual financial statements and should be read in conjunction with the Company's audited financial statements for the year ended 31 March 2021, which were prepared in accordance with IFRS and the FCA's Disclosure Guidance and Transparency Rules.

b) Going Concern

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

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

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

The Company's cash balance as at 30 September 2021 was £4.3m, all of which was readily available. It also had immediately available but undrawn amounts under its debt facilities of a further £93.4m. The NESF Group had capital commitments totalling £59.5m at the reporting date. 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 geographical, 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

Notes to the Financial Statements (Unaudited Condensed) continued

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.

c) Basis of Non-Consolidation

The Company has set up/acquired SPVs through its investment in the holding companies. The Company meets the definition of an investment entity as described by IFRS 10. Under IFRS 10 investment entities are required to hold subsidiaries at fair value through profit or loss rather than consolidate them. There are five holding companies (NextEnergy Solar Holdings Limited, NextEnergy Solar Holdings II Limited, NextEnergy Solar Holdings III Limited, NextEnergy Solar Holdings IV Limited and NextEnergy Solar Holdings V Limited, collectively the "HoldCos"). The HoldCos are also investment entities and, as required under IFRS 10, value their investments at fair value.

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

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

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

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

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

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

d) Segmental Reporting

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

The Chief Operating Decision Maker, which is the Board, is of the opinion that the Company is engaged in a single segment of business, being investment in solar energy infrastructure assets via its HoldCos and SPVs. Therefore, the financial information used by the Chief Operating Decision Maker to allocate resources and manage the Company presents the business as a single segment.

e) Seasonal reporting

The Company's results may vary during reporting periods as a result of a fluctuation in the levels of sunlight during the period and, together with other factors, will impact the NAV. Other factors including changes in inflation and power prices.

f) Functional and presentational currency

The financial information is presented in pounds sterling ("GBP") because that is the currency of the primary economic environment in which the Company operates.

3. New and Revised Standards

a) New and Revised IFRSs Adopted by the Company

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

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

The Directors have considered new standards and amendments to standards and interpretations in issue and effective for annual periods commencing after 1 April 2021 and do not expect that their adoption will result in a material impact on the financial statements of the Company in future periods.

Notes to the Financial Statements (Unaudited Condensed) continued

4. Critical Accounting Estimates and Judgements

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

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

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

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

The Company classified its investments at fair value through profit or loss as level 3 within the fair value hierarchy. Level 3 investments. As at 30 September 2021 level 3 investments amount to £788.3m (30 September 2020: £758.6m, 31 March 2021: £769.6m) and consist of one Private Equity Solar fund investment (NP III) which has been valued using estimated attributable NAV and 99 (30 September 2020: 90, 31 March 2021: 94) investments in solar PV plants all of which have been valued on a look through basis based on the discounted cash flows of the solar assets (except for those solar assets not yet operational) and the residual value of net assets at the HoldCos level.

The discount rate is a significant Level 3 input and a change in the discount applied could have a material effect on the value of the investments. In addition, Covid-19 has had a negative 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 30 September 2021 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 2c).

The Company does not have any other subsidiaries other than those determined to be controlled subsidiary investments. Controlled subsidiary investments are measured at fair value through profit or loss and are not consolidated in accordance with IFRS 10. The fair value of controlled subsidiary investments is determined as described in note 17.

The Company and the HoldCos operate as an integrated structure whereby the Company invests both 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.

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 NP.II. For the six months ended 30 September 2021 the Company incurred £2.5m in management fees (six months ended 30 September 2020: £2.6m; year ended 31 March 2021: £5.2m), of which £nil was outstanding at 30 September 2021 (30 September 2020: £nil; 31 March 2021: £nil).

Notes to the Financial Statements (Unaudited Condensed) continued

6. Administration Fees

Under an Administration Agreement, for the period ended 30 September 2021 the Administrator was entitled to receive a minimum annual fee, accruing daily and calculated on a sliding scale, as follows:

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

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

For periods up to 30 September 2021, the Administrator was also entitled to additional fees for attendance at ad hoc Board and Board Committee meetings.

For the six months ended 30 September 2021 the Administrator was entitled to administration fees of £112k (six months ended 30 September 2020: £136k; year ended 31 March 2021: £237k), of which £56k was outstanding at 31 March 2021 (30 September 2020: £68k; 31 March 2021: £57k).

The fee is payable quarterly in arrears.

7. Directors' Fees

The Directors are all non-executive and their remuneration is solely in the form of fees. The Directors' fees for the period were £106k (six months ended 30 September 2020: £127k; year ended 31 March 2021: £253k), of which £nil was outstanding at 30 September 2021 (30 September 2020: £nil; 31 March 2021: £nil).

8. Audit Fees

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

	Six months ended 30 September 2021 (unaudited) £'000	Six months ended 30 September 2020 (unaudited) £'000	Year ended 31 March 2021 (audited) £'000
Fees payable to the auditor for the interim review and audit of the Company	90	26	110
Total	90	26	110

9. Other Expenses

	Six months ended 30 September 2021 (unaudited) £'000	Six months ended 30 September 2020 (unaudited) £'000	Year ended 31 March 2021 (audited) £'000
Amortisation expense	69	69	139
Sundry expenses	9	44	2
Director's expenses	—	1	1
Total	78	114	142

Notes to the Financial Statements (Unaudited Condensed) continued

10. Charitable Donation

During the period ended 30 September 2021, the Company made a charitable donation of £nil (six months ended 30 September 2020: £nil; year ended 31 March 2021: £80k). Information on the NextEnergy Foundation can be found on page 45 of the 2021 Annual Report, which, can also be found on our website (nextenergysolarfund.com).

11. Trade and Other Receivables

	30 September 2021 £'000	30 September 2020 £'000	31 March 2021 £'000
Administrative service fee income receivable	2,041	339	759
Prepayments	46	36	29
Due from HoldCos	32,783	34,069	21,423
Total trade and other receivables	34,870	34,444	22,211

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

12. Trade and Other Payables

	30 September 2021 £'000	30 September 2020 £'000	31 March 2021 £'000
Other payables	228	136	142
Preference dividends payable	2,395	2,388	2,388
Due to HoldCos	20,226	20,594	21,423
Total trade and other payables	22,849	23,118	23,953

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

13. Share Capital and Reserves

a) Ordinary Shares

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

	Six months ended 30 September 2021 (unaudited) £'000	Six months ended 30 September 2020 (unaudited) £'000	Year ended 31 March 2021 (audited) £'000
Issued ordinary shares			
Opening balance	586,987,678	584,205,931	584,205,931
Scrip shares issued during the period/year	1,246,447	1,538,598	2,781,747
Closing balance	588,234,125	585,744,529	586,987,678

Notes to the Financial Statements (Unaudited Condensed) continued

	Six months ended 30 September 2021 (unaudited) £'000	Six months ended 30 September 2020 (unaudited) £'000	Year ended 31 March 2021 (audited) £'000
Issued ordinary shares – share premium			
Opening balance	605,938	602,989	602,989
Value of scrip shares issued during the period/year	1,255	1,642	2,949
Closing balance	607,193	604,631	605,938

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

b) Preference Shares

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

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

	Six months ended 30 September 2021 (unaudited) £'000	Six months ended 30 September 2020 (unaudited) £'000	Year ended 31 March 2021 (audited) £'000
Profit and comprehensive income for the period/year (£'000)	45,467	23,613	40,224
Weighted average number of issued ordinary shares	587,566,139	584,679,032	585,423,190
Earnings per share basic	7.74p	4.04p	6.87p

Notes to the Financial Statements (Unaudited Condensed) continued

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.

	Six months ended 30 September 2021 (unaudited) £'000	Six months ended 30 September 2020 (unaudited) £'000	Year ended 31 March 2021 (audited) £'000
Profit and comprehensive income for the period/year (£'000)	45,467	23,613	40,224
Plus: preference share dividends paid during the period/year (£'000)	4,718	4,750	9,526
Profit for the period/year attributable to ordinary shareholders (£'000)	50,185	28,363	49,750
Weighted average number of issued ordinary shares	587,566,139	584,679,032	585,423,190
Plus: weighted number of ordinary shares issuable on any conversion of preference shares, based on the NAV per ordinary share as at the period/year end	202,020,202	180,751,036	202,020,202
Adjusted weighted average number of ordinary shares	790,254,327	765,430,068	787,443,392
Earnings per share diluted	6.36p	3.71p	6.32p

15. Ordinary Share Dividends

a) Paid During the year

	Six months ended 30 September 2021 £'000	Six months ended 30 September 2021 Pence per share	Six months ended 30 September 2020 £'000	Six months ended 30 September 2020 Pence per share	Year ended 31 March 2021 £'000	Year ended 31 March 2021 Pence per share
Quarter 1	10,346	1.7625	10,034	1.7175	10,034	1.7175
Quarter 2	10,527	1.7900	10,310	1.7625	10,310	1.7625
Quarter 3	N/a	N/a	N/a	N/a	10,324	1.7625
Quarter 4	N/a	N/a	N/a	N/a	10,343	1.7625
Total	20,873	3.5525	20,344	3.4080	41,011	7.005

Notes to the Financial Statements (Unaudited Condensed) continued

b) Declared in Respect of the year

	Six months ended 30 September 2021 £'000	Six months ended 30 September 2021 Pence per share	Six months ended 30 September 2020 £'000	Six months ended 30 September 2020 Pence per share	Year ended 31 March 2021 £'000	Year ended 31 March 2021 Pence per share
Quarter 1	10,527	1.79	10,310	1.7625	10,310	1.7625
Quarter 2	N/a	1.79	10,324	1.7625	10,324	1.7625
Quarter 3	N/a	N/a	N/a	N/a	10,343	1.7625
Quarter 4	N/a	N/a	N/a	N/a	10,346	1.7625
Total	10,527	3.5800	20,634	3.5250	41,323	7.0700

16. Net Assets per Ordinary Share

	30 September 2021	30 September 2020	31 March 2021
Ordinary shareholders' equity (£'000)	606,638	583,540	580,791
Number of issued ordinary shares	588,234,125	585,744,529	586,987,678
Net assets per ordinary share	103.1p	99.6p	98.9p

17. Investments at Fair Value Through Profit or Loss

The Company owns its portfolio of solar assets through its investments in HoldCos and a direct investment in NPlll. The Company's investments comprise its portfolio of solar assets and the residual net assets of the HoldCos. As explained in note 4a), all of the Company's investments are held at fair value through profit or loss and classified as Level 3 in the fair value hierarchy. There were no movements between the hierarchy levels during the period ended 30 September 2021 (six months ended 30 September 2020: none, year ended 31 March 2021: none).

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

	Six months ended 30 September 2021 (unaudited) £'000	Six months ended 30 September 2020 (unaudited) £'000	Year ended 31 March 2021 (audited) £'000
Brought forward cost of investments	815,494	795,989	795,989
Investment proceeds from HoldCos	(64,900)	(2,081)	(9,546)
Investment payments to HoldCos	38,549	8,009	29,051
Investment payments to NPlll	21,506	—	—
Carried forward cost of investments	810,649	801,917	815,494
Brought forward unrealised losses on valuation	(45,850)	(42,429)	(42,429)
Movement in unrealised gains/(losses) on valuation	23,489	(915)	(3,421)
Carried forward unrealised losses on valuation	(22,361)	(43,344)	(45,850)
Total investments at fair value	788,288	758,573	769,644

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. To facilitate the acquisition of the Camden portfolio, £35.2m was drawn down at subsidiary level, remitted to the Company before being returned to a subsidiary in the year ended 31 March 2021.

Notes to the Financial Statements (Unaudited Condensed) continued

18. Subsidiaries

The Company holds investments through subsidiary companies (the HoldCos) which have not been consolidated as a result of the adoption of IFRS 10: Investment entities exemption to consolidation. The Company holds its investment of NP111 directly. As stated in note 4c), the HoldCos are incorporated in the UK and 100% directly owned. There are no cross guarantees amongst Group entities. During the period the Company invested in Camilla Battery Storage Limited with another Company, management have assessed the substance of this investment and have conclude that it meets the control requirements of IFRS 10 Consolidated Financial Statements and is therefore treated a subsidiary not a joint venture as per IFRS 11 Investments in Associates and Joint Ventures. Below is the legal entity name for the SPVs, all owned 100% at 30 September 2021 directly or indirectly through the HoldCos listed below.

Name	Country of incorporation	Name	Country of incorporation
NextEnergy Solar Holdings Limited	UK		
BL Solar 2 Limited	UK	North Farm Solar Park Limited	UK
Bowerhouse Solar Limited	UK	Push Energy (Birch) Limited	UK
Ellough Solar 2 Limited	UK	Push Energy (Boxted Airfield) Limited	UK
Glebe Farm SPV Limited	UK	Push Energy (Croydon) Limited	UK
Glorious Energy Limited	UK	Push Energy (Decoy) Limited	UK
Greenfields (A) Limited	UK	Push Energy (Hall Farm) Limited	UK
NESF-Ellough Ltd	UK	Push Energy (Langenhoe) Limited	UK
Nextpower Ellough LLP	UK	SSB Condoover Limited (Condoover)	UK
Nextpower Gover Farm Limited	UK	ST Solarinvest Devon 1 Limited	UK
Nextpower Higher Hatherleigh	UK	Sunglow Power Limited	UK
Nextpower Shacks Barn Ltd	UK	Wellingborough Solar Limited	UK
NextEnergy Solar Holdings II Limited	UK		
ESF Llwyndu Limited	UK	Trowbridge PV Ltd	UK
NextEnergy Solar Holdings III Limited	UK		
Balhearty Solar Limited	UK	Burcroft Solar Parks Ltd	UK
Ballygarvey Solar Ltd	UK	Burrowton Farm Solar Park Ltd	UK
BESS Pierces Ltd	UK	Camilla Battery Storage Limited	UK
Birch Solar Farm CIC	UK	Chilton Cantello Solar Park Ltd	UK
Blanches Mill Farm Solar Park Ltd	UK	Crossways Solar Park Ltd	UK
Brafield Solar Limited	UK	Empyreal Energy Limited	UK
Francis Lane Solar Limited	UK	Fiskerton Limited	UK
Gourton Hall Solar Limited	UK	Nextpower SPV 10 Ltd	UK
Greenfields (F) Limited	UK	Nextpower SPV 11 Ltd	UK
Greenfields (T) Limited	UK	Nextpower Water Projects Ltd	UK
Gwent Farmers' Community Solar Partnership Limited	UK	PF Solar Limited	UK

Notes to the Financial Statements (Unaudited Condensed) continued

Name	Country of incorporation	Name	Country of incorporation
NextEnergy Solar Holdings III Limited (continued)			
Helios Solar 1 Limited	UK	Pierces Solar Limited	UK
Helios Solar 2 Limited	UK	Raglington Farm Solar Park Ltd	UK
High Garret	UK	Renewable Energy HoldCo Ltd	UK
Hook Valley Farm Solar Park Ltd	UK	RRAM (Portfolio 2) Ltd	UK
Knockworthy Solar Park Ltd	UK	RRAM (Portfolio One) Ltd	UK
Lark Energy Bilsthorpe Ltd	UK	RRAM Energy Limited	UK
Le Solar 51 Limited	UK	Saundercroft Farm Solar Park Ltd	UK
Little Irchester Solar Limited	UK	SL Solar Services Ltd	UK
Little Staughton Airfield Solar Limited	UK	Sywell Solar Limited	UK
Micro Renewables Domestic Ltd	UK	Tau Solar Limited	UK
Micro Renewables Ltd	UK	Temple Normanton Solar Limited	UK
Moss Farm Solar Limited	UK	TGC Solar Radbrook Ltd	UK
Moss Lane Farm Solar Limited	UK	Thornborough Solar Limited	UK
NESH 3 Portfolio A Limited	UK	Nextpower SPV 9 Ltd	UK
Nextpower Bosworth Ltd	UK	Nextpower South Lowfields	UK
Nextpower Grange	UK	Thurlestone-Leicester Solar Limited	UK
Nextpower Higher Farm Ltd	UK	UK Solar (Fiskerton) LLP	UK
NextPower High Garrett Ltd	UK	Warmingham Solar Limited	UK
Nextpower Hops Energy	UK	Wheb European Solar (UK) 2 Ltd	UK
Nextpower Lower Strensham Limited	UK	Wheb European Solar (UK) 3 Ltd	UK
Nextpower SPV 4 Ltd	UK	Whitley Solar Park (Ashcott Farm) Ltd	UK
Nextpower SPV 5 Ltd	UK	Wickfield Solar Ltd	UK
Nextpower SPV 6 Ltd	UK	Wyld Meadow Farm	UK
NextZest Ltd	UK		
NextEnergy Solar Holdings IV Limited			
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

Notes to the Financial Statements (Unaudited Condensed) continued

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

19. Fair Value of Investment in Unconsolidated Subsidiaries

a) Valuation process

The valuation process is described in note 4a.

The Directors and the Investment Manager consider that the discounted cash flow methodology used in deriving the fair value of investments in operating solar plants is in accordance with the fair value requirements of IFRS 13 and that the valuation methodology used, including the key estimates and assumptions applied, is appropriate. As at 30 September 2021, investments held at fair value using the discounted cash flow methodology totalled £759.9m (30 September 2020: £741.4m, 31 March 2021: £740.3m).

During the period the Company invested directly in a private equity fund NextPower III LP. The fair value of the Company's investment in private equity funds is generally considered to be the Company's attributable portion of the NAV of the private equity fund, as determined by the general partner/manager of such funds, adjusted if considered necessary by the Board of Directors, including any adjustment necessary for carried interest. The Board of Directors and the Investment Manager consider the IPEV guidelines when valuing private equity fund investments. As at 30 September 2021, investments held at fair value using NAV totalled £18.8m (30 September 2020: £nil, 31 March 2021: £nil).

Investments in assets that are not yet operational are also held at fair value, where the cost of the investment is used as an appropriate approximation of fair value. These investments are not included in the sensitivity analyses. As at 30 September 2021, investments held at fair value using the cost methodology totalled £9.6m (30 September 2020: £17.2m, 31 March 2021: £29.3m).

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

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

Discount Rates

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

	30 September 2021 £'000	30 September 2020 £'000	31 March 2021 £'000
Weighted average discount rate	6.3%	6.8%	6.3%
Range of discount rates (unlevered to levered)	5.75% to 7.25%	6.25% to 7.75%	5.75% to 7.25%
Premium applied to cash flows earned 30 years after grid connection date	1.0%	1.0%	1.0%

Notes to the Financial Statements (Unaudited Condensed) continued

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

Discount rate sensitivity	+0.5% change	Investments	-0.5% change
30 September 2021			
Directors' valuation	(£20.5m)	£788.3m	£22.1m
Directors' valuation – percentage movement	(3.0%)		3.3%
Change in NAV per ordinary share	(3.1p)		3.4p
30 September 2020			
Directors' valuation	(£18.4m)	£758.6m	£19.7m
Directors' valuation – percentage movement	(3.2%)		3.4%
Change in NAV per ordinary share	(3.1p)		3.4p
31 March 2021			
Directors' valuation	(£20.6m)	£769.6m	£22.3m
Directors' valuation – percentage movement	(3.4%)		3.7%
Change in NAV per ordinary share	(3.5p)		3.8p

Power Price

As at 30 September 2021, estimates implied an average rate of decline of UK electricity prices (2021-2041) of approximately -1.4% (30 September 2020: 0.44%; 31 March 2021: 0.1%) in real terms and a long-term inflation rate of 2.5% (30 September 2020: 3.0%, 31 March 21 3.0%).

The impact of Covid-19 on 2020 power prices was seen to reverse during 2021 and the blended average of the "central case" scenarios has been applied to the valuation. It is prudent to consider the range of power price forecasts and provide transparency on the impact.

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

Power price sensitivity	-10% change	Investments	+10% change
30 September 2021			
Directors' valuation	(£45.2m)	£788.3m	£43.0m
Directors' valuation – percentage movement	(6.7%)		6.4%
Change in NAV per ordinary share	(6.9p)		6.6p
30 September 2020			
Directors' valuation	(£42.5m)	£758.6m	£41.0m
Directors' valuation – percentage movement	(7.4%)		7.2%
Change in NAV per ordinary share	(7.3p)		7.1p
31 March 2021			
Directors' valuation	(£42.2m)	£769.6m	£40.9m
Directors' valuation – percentage movement	(6.9%)		6.7%
Change in NAV per ordinary share	(7.2p)		7.0p

Notes to the Financial Statements (Unaudited Condensed) continued

Energy Generation

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

Energy generation sensitivity	-0.5% underperformance	Investments	+0.5% outperformance
30 September 2021			
Directors' valuation	(£42.8m)	£788.3m	£42.2m
Directors' valuation – percentage movement	(6.4%)		6.3%
Change in NAV per ordinary share	(6.6p)		6.5p
30 September 2020			
Directors' valuation	(£40.8m)	£758.6m	£39.7m
Directors' valuation – percentage movement	(7.1%)		6.9%
Change in NAV per ordinary share	(7.0p)		6.8p
31 March 2021			
Directors' valuation	(£40.4m)	£769.6m	£39.6m
Directors' valuation – percentage movement	(6.6%)		6.5%
Change in NAV per ordinary share	(6.9p)		6.8p

Inflation Rates

The portfolio valuation assumes long-term inflation of 2.5% (30 September 2020: 3.0%; 31 March 2021: 3.0%) p.a. for investments (based on UK RPI).

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

Inflation rate sensitivity	-0.5% change	Investments	+0.5% change
30 September 2021			
Directors' valuation	(£27.4m)	£788.3m	£29.5m
Directors' valuation – percentage movement	(4.1%)		4.4%
Change in NAV per ordinary share	(4.2p)		4.5p
30 September 2020			
Directors' valuation	(£28.0m)	£758.6m	£29.5m
Directors' valuation – percentage movement	(4.9%)		5.1%
Change in NAV per ordinary share	(4.8p)		5.0p
31 March 2021			
Directors' valuation	(£30.6m)	£769.6m	£28.8m
Directors' valuation – percentage movement	(4.7%)		5.0%
Change in NAV per ordinary share	(4.9p)		5.3p

Notes to the Financial Statements (Unaudited Condensed) continued

Operating Costs

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

Operating costs sensitivity	+10% change	Investments	-10% change
30 September 2021			
Directors' valuation	(£13.1m)	£788.3m	£13.1m
Directors' valuation – percentage movement	(2.0%)		2.0%
Change in NAV per ordinary share	(2.0p)		2.0p
30 September 2020			
Directors' valuation	(£8.8m)	£758.6m	£8.8m
Directors' valuation – percentage movement	(1.5%)		1.5%
Change in NAV per ordinary share	(1.5p)		1.5p
31 March 2021			
Directors' valuation	(£11.9m)	£769.6m	£11.8m
Directors' valuation – percentage movement	(2.0%)		1.9%
Change in NAV per ordinary share	(2.0p)		2.0p

Tax Rates

The UK corporation tax rate used in the portfolio valuation is 19% until 2023 and 25% thereafter (30 September 2020: 19%; 31 March 2021: 19% until 2023 and 25% thereafter), in accordance with the latest UK Budget announcements.

20. Non-investment Financial Assets and Liabilities

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

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

The preference shares are held at amortised cost using the effective interest method and are measured at gross proceeds net of transaction costs incurred, as at September 2021 they are held at £197.9m (30 September 2020: £197.9m, 31 March 2021: £197.9m). The transaction costs are amortised over the expected life of the preference shares to 2036. And the carrying value of the preference shares approximate their fair value as at 30 September 2021.

21. Capital Management

a) Capital Structure

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

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

Notes to the Financial Statements (Unaudited Condensed) continued

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 30 September 2021, the Company had £200m of preference shares in issue (30 September 2020: £200m; 31 March 2021: £200m) and no financial debt outstanding. The subsidiaries had £282.8m in long-term debt, look through debt and revolving credit facilities outstanding (30 September 2020: £212.6m; 31 March 2021: £246.3m) (see note 22.b), representing a gearing level of 44% (30 September 2020: 41%; 31 March 2021: 43%).

22. Financial Risk Management Objectives

The Board, with the assistance of the Investment Manager and Investment Adviser, monitors and manages the financial risks relating to the operations of the NESF Group through an internal risk 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 30 September 2021 the Company had no recourse financial debt, although the Company is a guarantor for two financing and hedging facilities of its subsidiaries (see note 25).

b) Market Price Risk (Company and Subsidiaries)

Market price risk is the risk that the fair value of future cash flows of a financial instrument held by the Company, through its subsidiaries, will fluctuate because of changes in market prices. Changes in market prices will affect the discount rate applied to the expected future cash flows from the Company's investments and, therefore, the fair value of those investments. The impact of changes in the discount rate is considered in note 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.

A decrease in economic activity in the UK or Italy, as during the Covid-19 period, could result in a decrease in demand for electricity in the market. Short-term and seasonal fluctuations in electricity demand could also impact the price at which the subsidiaries can sell electricity. Supply of electricity can be affected by new entrants to the wholesale power market.

The Investment Adviser monitors these factors and hedges the price at which the subsidiaries sell electricity as necessary.

Currency Risk (Company and NESH V)

Foreign currency risk, as defined in IFRS 7, arises as the values of recognised monetary assets and monetary liabilities denominated in other currencies fluctuate due to changes in foreign exchange rates. The Company has no direct exposure to currency risk as all its assets and liabilities are in pounds sterling, the Company's functional and presentational currency. A substantial majority of the cash flows from the Company's solar assets in Italy to NESH V are hedged and so the cash flows to the Company from that HoldCo are exposed to limited currency risk and therefore the currency risk on the value of the assets is not considered to be significant.

Interest Rate Risk (Company and Subsidiaries)

The Company is indirectly exposed to interest rate risk from the credit facilities of the HoldCos, as at 30 September 2021 of the £268.6m (30 September 2020: £212.6m; 31 March 2021: £246.3m) credit facilities outstanding, £117.5m (30 September 2020: £121.2m; 31 March 2021: £119.6m) had fixed interest rates and the remaining £151.1m (30 September 2020: £91.5m; 31 March 2021: £126.7m) had floating interest rates. For the floating amount, interest rate swaps were implemented over the term of the loans to mitigate interest rate risks for £72.0m (30 September 2020: £72.6m; 31 March 2021: £72.6m). The counterparties to these swaps are all Investment grade financial institutions. The remaining £79.1m (30 September 2020: £18.9m; 31 March 2021: £54.1m) had floating rates which are not hedged and are not considered by the Directors to be significant.

Notes to the Financial Statements (Unaudited Condensed) continued

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:

	30 September 2021 £'000	30 September 2020 £'000	31 March 2021 £'000
Cash and cash equivalents	4,318	11,491	10,809
Trade and other receivables	34,870	34,444	22,211
Debt investments	300,000	300,000	300,000
Total	339,188	345,935	333,020

Debt investments relate to Eurobonds which have been valued at fair value as part of the Company's investments as disclosed in note 17. No collateral is received from NESH III or NESH V in relation to the Eurobonds. The credit quality of these investments is based on the financial performance of NESH III and NESH V as well as the underlying investments they own. The risk of default is deemed low and the principal repayments and interest payments are expected to be made in accordance with the agreed terms and conditions.

The Company does not have any significant credit risk exposure to any single counterparty in relation to trade and other receivables. In respect of the Company's subsidiaries, ongoing credit evaluation is performed on the financial condition of accounts receivable. As 30 September 2021, the probability of default of the Company's subsidiaries was considered low and so no allowance has been recognised based on 12-month expected credit loss as any impairment would be insignificant to the subsidiary (30 September 2020: none; 31 March 2021: 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
30 September 2021		
Barclays Bank PLC	Long – A/+ Short – A-1	4,318
30 September 2020		
Barclays Bank PLC	Long – A Short – A-1	11,491
31 March 2021		
Barclays Bank PLC	Long – A Short – A/A-1	5,809
Northern Trust	Long – AA- Short – A-1+	5,000

Notes to the Financial Statements (Unaudited Condensed) continued

d) Liquidity Risk (Company and subsidiaries)

Liquidity risk is the risk that the NESF Group will not be able to meet its financial obligations as they fall due as a result of the maturity of assets and liabilities not matching. The Board has established an appropriate liquidity risk management framework for the management of the NESF Group's short, medium- and long-term funding and liquidity management requirements. The Company and its subsidiaries manage liquidity risk by monitoring forecast and actual cash flows and matching the maturity profiles of assets and liabilities and maintaining sufficient cash balances to meet their operating needs.

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

	Carrying amount £'000	Up to 3 months £'000	3 to 12 months £'000	Greater than 12 months £'000
30 September 2021				
Assets				
Cash and cash equivalents	4,318	4,318	–	–
Trade and other receivables	34,870	34,870	–	–
Liabilities				
Contractual preference shares repayment and dividends payable ¹	(200,384)	(2,359)	–	(335,431)
Trade and other payables	(22,849)	(22,849)	–	–
Total	(184,045)	13,980	–	(335,431)
30 September 2020				
Assets				
Cash and cash equivalents	11,491	11,491	–	–
Trade and other receivables	34,444	339	–	34,783
Liabilities				
Contractual preference shares repayment and dividends payable ¹	(200,238)	(2,388)	–	(347,250)
Trade and other payables	(23,118)	(136)	–	(22,982)
Total	(177,421)	9,306	–	(335,449)
31 March 2021				
Assets				
Cash and cash equivalents	10,809	10,809	–	–
Trade and other receivables	22,211	22,211	–	–
Liabilities				
Contractual preference shares repayment and dividends payable ¹	(200,308)	(2,388)	–	(342,508)
Trade and other payables	(23,953)	(23,953)	–	–
Total	(191,241)	6,679	–	(342,508)

¹ Assumes no conversion of preference shares in 2036.

Notes to the Financial Statements (Unaudited Condensed) continued

23. Preference Shares and Revolving Credit and Debt Facilities

a) Preference shares

On each of 12 November 2018 and 12 August 2019, the Company issued 100,000,000 preference shares at a price of 100p per preference share. The preference shares pay a preferred dividend of 4.75% p.a. until March 2036, after which they have the right to convert, based on 100p per preference share and the NAV per ordinary share at the time of conversion, into new ordinary shares or a new class of unlisted B shares with dividend and capital rights ranking *pari passu* with the ordinary shares. The preference shares do not confer any voting rights, except in limited circumstances.

The preference shares are redeemable at the option of the Company at any time after 1 April 2030, in full or in part. The redemption price will be the subscription price plus any unpaid dividends. In addition, the preference shares may be redeemed in full at the option of the holders in the event of a delisting or change of control of the Company.

	Opening £'000	Amortisation £'000	Carry Amount £'000
30 September 2021			
Preference shares	197,920	69	197,989
30 September 2020			
Preference shares	197,781	69	197,850
31 March 2021			
Preference shares	197,781	139	197,920

b) Revolving credit and debt facilities

The Company's HoldCos have revolving credit and debt facilities which are factored into the calculation of the fair value of the underlying investments.

In January 2017, NESH closed a syndicated loan with MIDIS, NAB and CBA for £157.5m ("Project Apollo") to refinance its revolving credit facility. As part of the facility agreement, the lenders provide an additional Debt Service Reserve Facility of £7.5m and hold a charge over the assets of NESH. As at 30 September 2021, the nominal outstanding amount was £149.6m (30 September 2020: £150.5m; 31 March 2021: £150.3m).

In July 2015, NESH II agreed a loan with NIBC for £22.7m. In July 2016, £1.0m was repaid and in March 2018, the remaining balance was repaid. At the same time as the repayment the short-term facility was converted into a new £20.0m in revolving credit facility. As at 30 September 2021, the outstanding amount was £nil (30 September 2020: £nil; 31 March 2021: £nil).

In March 2016, NESH IV agreed the purchase of Project Radius. The acquisition was part funded by a debt facility entered between NESH IV and Macquarie Bank Limited for £55.0m, which was fully drawn down in April 2016. As part of the debt facility agreement Macquarie Bank Limited holds a charge over the assets of NESH IV. As at 30 September 2021, the nominal outstanding amount was £47.5m (30 September 2020: £49.7m; 31 March 2021: £48.7m).

In July 2018, NESH VI closed a RCF with Santander for £40.0m which was subsequently fully drawn down. In January 2019, the facility was increased to a total commitment of £70.0m with a subsequent £30.0m drawdown. In August 2019, £56.0m was repaid. In February 2021 £35.2m was drawn down. As at 30 September 2021, the outstanding amount was £29.1m (30 September 2020: £18.5m; 31 March 2021: £54.1m).

In June 2021, NESH III closed a RCF with National Westminster Bank plc and AIB Group (UK) p.l.c. for £75.0m which £50m was subsequently drawn down. As at 30 September 2021, the outstanding amount was £50.0m (30 September 2020: £nil; 31 March 2021: £nil).

Notes to the Financial Statements (Unaudited Condensed) continued

24. Reconciliation of Financing Activities

	Opening £'000	Cash Flows £'000	Net Income Allocation £'000	Non-cash Flows £'000	Carry Amount £'000
Six months ended 30 September 2021					
Share capital and premium	605,938	–	–	1,255	607,193
Preference shares	197,920	–	–	69	197,989
Retained earnings	(25,147)	(19,620)	45,467	(1,255)	(555)
Six months ended 30 September 2020					
Share capital and premium	602,989	–	–	1,642	604,631
Preference shares	197,781	–	–	69	197,850
Retained earnings	(24,360)	(18,709)	23,613	(1,642)	(21,091)
31 March 2021					
Share capital and premium	602,989	–	–	2,949	605,938
Preference shares	197,781	–	–	139	197,920
Retained earnings	(24,360)	(38,062)	40,224	(2,949)	(25,147)

25. Commitments and Guarantees

The Company had parental guarantees in place with two financial institutions for its subsidiaries' debt obligations and a currency hedge transaction executed through subsidiaries.

On 19 November 2018, the Company entered into a counter-indemnity deed with Banco Santander ("Santander") regarding borrowings by NextPower Radius Limited. Under the terms of the deed the Company may request Santander to issue a letter of credit for no more than €2,275,150. As at 30 September 2021, no letters of credit were in issue (30 September 2020: none; 31 March 2021: none).

On 1 December 2017, the Company provided a guarantee to Intesa Sanpaolo S.p.A. ("ISP") relating to derivative transactions made available to NESH V. The guarantee covers all present and future obligations of NESH V to ISP relating to the derivative transactions. As at 30 September 2021 the Company has no outstanding commitments related to this guarantee (30 September 2020: none; 31 March 2021: none).

Notes to the Financial Statements (Unaudited Condensed) continued

26. Related Parties

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

There are no fee transactions between the Company and the Investment Adviser.

Under existing arrangements with the Asset Manager, each of the operating subsidiaries of the Company entered into an asset management agreement with the Asset Manager and each of the HoldCos entered into an 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 £nil (30 September 2020: £nil; 31 March 2021: £6.2m).

At 30 September 2021, £20.2m (30 September 2020: £20.6m; 31 March 2021: £21.4m) was owed to the subsidiaries in relation to their restructuring.

At 30 September 2021, £32.8m (30 September 2020: £34.1m; 31 March 2021: £21.4m) was owed from the subsidiaries in relation to their restructuring, £12.6m being cash trapped within the structure at the period end (30 September 2020: £13.5m, 31 March 2021: £nil). £5.1m of administrative service fees were received from the subsidiaries during the period (30 September 2020: £4.5m, 31 March 2021: £9.1m), none of which was outstanding at 30 September 2021 (2020: £nil, 31 March 2021: £nil). During the period, dividends of £18.9m (30 September 2020: £22.0m, 31 March 2021: £38.9m) were received from the subsidiaries.

During the period the Company committed £50m to NextPower III LP. The Investment Manager, the Investment Adviser and the Asset Manager are all professionally engaged to provide services to this fund.

The Directors' fees for the six months ended 30 September 2021 amounted to £106k (30 September 2020: £127k; 31 March 2021: £253k).

27. Controlling Parties

As at 18 November 2021, NextEnergy Capital Group employees held 337,961 shares in NESF.

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 November 2021, the Directors approved a dividend of 1.79 pence per ordinary share for the quarter ended 30 September 2021 to be paid on 31 December 2021 to ordinary shareholders on the register as at the close of business on 19 November 2021.

ANGLIAN WATER (SUTTERTON RESERVOIR)



0.4MW installed



Energised in March 2021



25 year fixed price PPA



120 homes powered annually



Lincolnshire, UK

Historical Financial and Portfolio Information

Year ended 31 March

Financial	2017	2018	2019	2020	2021	Six months ended 30 September 2021
Ordinary shares in issue	456.4m	575.7m	581.7m	584.2m	586.9m	588.2m
Ordinary share price	110.5p	111.0p	117.5p	101.5p	99.6p	99.8p
Market capitalisation of ordinary shares	£504m	£639m	£683m	£593m	£585m	£587m
NAV per ordinary share ¹	104.9p	105.1p	110.9p	99.0p	98.9p	103.1p
Total ordinary NAV ¹	£479m	£605m	£645m	£579m	£580m	£607m
Premium/(discount) to NAV ¹	5.3%	5.6%	6.0%	2.5%	0.7%	(3.3%)
Earnings per ordinary share	13.81p	5.88p	12.37p	(5.09p)	6.87p	7.74p
Dividends per ordinary share	6.31p	6.42p	6.65p	6.87p	7.05p	7.16p
Dividend yield ¹	5.7%	5.8%	5.7%	6.8%	7.1%	7.2%
Cash dividend cover – pre-scrip dividends ¹	1.1x	1.1x	1.3x	1.2x	1.1x	1.0x
Preference shares in issue	–	–	100m	200m	200m	200m
Financial debt outstanding at subsidiaries level	£270m	£270m	£269m	£214m	£246m	£283m
GAV	£749m	£875m	£1,014m	£991m	£802m	£1087m
Financial debt (financial debt/GAV) ¹	36%	31%	27%	22%	24%	26%
Gearing (financial debt + preference shares/GAV) ¹	36%	31%	36%	42%	43%	44%
Ordinary shareholder total return – cumulative since IPO	26.7%	33.6%	46.7%	37.5%	42.6%	46.4%
Ordinary shareholder total return – annualised since IPO	9.1%	8.5%	9.5%	6.3%	6.1%	6.2%
Ordinary shareholder total return	21.1%	6.2%	11.8%	(7.8%)	7.0%	3.8%
Ordinary NAV total return ¹	14.4%	6.3%	11.8%	(4.6%)	5.1%	7.9%
Ordinary NAV total return – annualised since IPO ¹	4.9%	7.0%	8.1%	5.9%	6.0%	6.7%
Ongoing charges ratio ¹	1.2%	1.1%	1.1%	1.1%	1.1%	1.1%
Weighted average discount rate	7.9%	7.3%	7.0%	6.8%	6.3%	6.3%
Operational						
Invested capital ¹	£522m	£734m	£896m	£950m	£998m	£1,029m
Number of assets	41	63	87	90	90	99
Total installed capacity	454MW	569MW	691MW	755MW	814MW	895MW
Annual generation	394 GWh	451 GWh	693 GWh	712 GWh	738 GWh	539 GWh
Generation since IPO	0.6 TWh	1.1 TWh	1.8 TWh	2.5 TWh	3.2 TWh	3.7 TWh
Irradiation (delta vs. budget)	(0.3%)	(0.9%)	+9.0%	+4.0%	+6.2%	+2.4%
Generation (delta vs. budget)	+3.3%	+0.9%	+9.1%	+4.7%	+5.5%	+1.1%
Asset Management Alpha ¹	+3.6%	+1.8%	+0.1%	+0.7%	+0.7%	-1.2%
Weighted average lease life	24.6 years	23.3 years	25.2 years	26.9 years	27.5 years	27.8 years

¹ Alternative performance measure – see pages 67 to 70.

Alternative Performance Measures (“APMs”)

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

Asset Management Alpha

Asset Management Alpha measures the operating performance of the portfolio. It is the performance of the portfolio relative to budget due to active management and excludes the effect of variation in solar irradiation.

	Six months ended 30 September 2021 %	Six months ended 30 September 2020 %	Year ended 31 March 2021 %
Delta of generation vs. budget (A)	1.1*	11.1	6.2
Delta of irradiation vs. budget (B)	2.4	10.8	5.5
Asset Management Alpha (A – B)	-1.2*	0.3	0.7

* the values do not cast due to rounding differences.

Invested Capital

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

	30 September 2021 £'000	30 September 2020 £'000	31 March 2021 £'000
Invested capital	1,029,098	946,232	998,809

Total Gearing

Total gearing measures the aggregate of the NESF Group's financial debt and fair value of the preference shares relative to GAV.

	30 September 2021 £'000	30 September 2020 £'000	31 March 2021 £'000
NESF Group's outstanding financial debt (A)	282,832	212,636	246,300
Preference shares as per Statement of Financial Position (B)	197,989	197,850	197,920
Net assets as per Statement of Financial Position (C)	606,638	583,540	580,791
Total gearing ((A + B) / (A + B + C)), expressed as a percentage	44.2%	41.3%	43.3%

Alternative Performance Measures continued

Financial Debt Gearing

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

	30 September 2021 £'000	30 September 2020 £'000	31 March 2021 £'000
NESF Group's outstanding financial debt (A)	282,832	212,636	246,300
Preference shares as per Statement of Financial Position (B)	197,989	197,850	197,920
Net assets as per Statement of Financial Position (C)	606,638	583,540	580,791
Financial debt gearing ((A) / (A + B + C)), expressed as a percentage)	26.0%	21.4%	24.0%

Cash Income

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

	30 September 2021 £'000	30 September 2020 £'000	31 March 2021 £'000
Income as per Statement of Comprehensive Income (A)	29,954	32,577	59,996
Trade and other receivables – administrative service fee income accrual at beginning of period/year as per note 11 to Interim Financial Statements (B)	759	252	252
Trade and other receivables – administrative service fee income accrual at end of period/year as per note 11 to Interim Financial Statements (C)	2,041	339	759
Cash income (A + B – C)	28,672	32,490	59,489

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.

	30 September 2021 £'000	30 September 2020 £'000	31 March 2021 £'000
Cash Income as per the table above (A)	28,672	32,490	59,489
Total expenses as per Statement of Comprehensive Income (B)	7,976	8,049	16,351
Pre-scrip ordinary dividends paid as per Statement of Changes in Equity (C)	20,875	20,344	41,011
Cash dividend cover (pre-scrip dividends) ((A - B) / C)	1.0x	1.2x	1.1x

Alternative Performance Measures continued

Dividend Yield

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

	30 September 2021 £'000	30 September 2020 £'000	31 March 2021 £'000
Dividend per share (A)	7.16	7.05	7.05
Ordinary share price at end of period/year (B)	99.8	102.0	99.6
Dividend yield (A/B, expressed as a percentage)	7.2%	6.9%	7.1%

NAV per Ordinary Share

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

	30 September 2021 pence	30 September 2020 pence	31 March 2021 pence
Net assets as per Statement of Financial Position (£'000) (A)	606,638	583,540	580,791
Number of ordinary shares in issue at period/year end (B)	588,234,125	585,749,529	586,987,678
NAV per ordinary share ((A / B) x 1,000)	103.1p	99.6p	98.9p

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.

	Six months ended 30 September 2021 pence	Six months ended 30 September 2020 pence	Year ended 31 March 2021 pence
Basic NAV per ordinary share at period/year end as per Statement of Financial Position (A)	103.1	99.6	98.9
Annual dividend per ordinary share declared in respect of period/year (B)	3.58	3.48	7.05
Basic NAV per ordinary share at beginning of period/year as per Statement of Financial Position (C)	98.9	99.0	99.0
NAV total return per ordinary share ((A + B - C) / C, expressed as a percentage)	7.9%	4.1%	7.0%

Alternative Performance Measures continued

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.

	30 September 2021 pence	30 September 2020 pence	31 March 2021 pence
Ordinary share price at period/year end (A)	99.8	102.0	99.6
Annual dividend per ordinary share declared/paid in respect of period/year (B)	3.58	3.48	7.05
Ordinary share price at beginning of period/year (C)	99.6	101.5	101.5
Ordinary shareholder total return per share $((A + B - C) / C, \text{ expressed as a percentage})$	3.8%	3.9%	5.1%

Premium/discount to NAV per Ordinary Share

Premium to NAV per ordinary share is a measure of the performance of the ordinary share price relative to the NAV per ordinary share.

	30 September 2021 pence	30 September 2020 pence	31 March 2021 pence
Ordinary share price at period/year end (A)	99.8	102.0	99.6
NAV per ordinary share at year end as per Statement of Financial Position (B)	103.1	99.6	98.9
Premium/discount to NAV per Ordinary Share $((A - B) / B, \text{ expressed as a percentage})$	-3.3%	2.4%	0.7%

Ongoing Charges Ratio

Ongoing charges ratio measures the Company's recurring operating costs (excluding costs incurred by the HoldCos and SPVs, interest costs, preference share dividends and taxation) as a percentage of the average of the net assets at the end of each of the last four consecutive quarters ending at the year end.

	30 September 2021 £'000	30 September 2020 £'000	31 March 2021 £'000
Total expenses as per Statement of Comprehensive Income (A)	7,976	8,049	16,351
Preference share dividends as per Statement of Comprehensive Income (B)	4,718	4,750	9,526
Non-recurring expenses (C)	158	203	253
Average of quarterly net assets (D)	296,734	289,762	582,823
Ongoing charges ratio $((A - B - C) / D, \text{ expressed as a percentage})$	1.1%	1.1%	1.1%

General Shareholder Information

Alternative Investment Fund Management Directive ("AIFMD")

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

ISA Status

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

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

Net Asset Value per Ordinary Share

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

Scrip Dividends

The Company offers a scrip dividend alternative to shareholders. For further information, please see the scrip dividend alternative circular for the year ending 31 March 2022, 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, together with further information, is available on the Company's website (nextenergysolarfund.com).

General Shareholder Information continued

Financial Calendar for Year Ending 31 March 2022

Annual results announced June 2022

Annual General Meeting August 2022

Interim dividends

In the absence of unforeseen circumstances, the Directors expect to declare and pay the following interim dividends per ordinary share in respect of the financial year ending 31 March 2022.

Dividend	Announcement date	Ex-dividend Date	Payment date	Amount
2nd	11 November 21	19 November 21	31 December 21	1.79p
3rd	18 February 22	19 February 22	31 March 22	1.79p
4th	20 May 22	21 May 22	30 June 22	1.79p

Cautionary Statement

This Annual Report and the Company's website may contain certain "forward-looking statements" with respect to the Company's financial condition, results of its operations and business, and certain plans, strategies, objectives, goals and expectations with respect to these items and the markets in which the Company invests. Forward-looking statements are sometimes, but not always, identified by their use of a date in the future or such words as "aims", "anticipates", "believes", "estimates", "expects", "intends", "targets", "objective", "could", "may", "should", "will" or "would" or, in each case, their negative or other variations or comparable terminology.

Forward-looking statements are not guarantees of future performance. By their very nature forward-looking statements are inherently unpredictable, speculative and involve risk and uncertainty because they relate to events and depend on circumstances that will occur in the future. Many of these assumptions, risks and uncertainties relate to factors that are beyond the Company's ability to control or estimate precisely. There are a number of such factors that could cause the Company's actual investment performance, results of operations, financial condition, liquidity, dividend policy and financing strategy to differ materially from those expressed or implied by these forward-looking statements. These factors include, but are not limited to: changes in the economies and markets in which the Company operates; changes in the legal, regulatory and competition frameworks in which the Company operates; changes in the markets from which the Company raises finance; the impact of legal or other proceedings against or which affect the Company; changes in accounting practices and interpretation of accounting standards under IFRS; and changes in power prices and interest and exchange rates.

Any forward-looking statements made in this Annual Report or the Company's website, or made subsequently, which are attributable to the Company, or persons acting on its behalf (including the Investment Manager and Investment Adviser), are expressly qualified in their entirety by the factors referred to above. Each forward-looking statement speaks only as of the date it is made. Except as required by its legal or statutory obligations, the Company does not intend to update any forward-looking statements.

Nothing in this Annual Report or the Company's website should be construed as a profit forecast or an invitation to deal in the securities of the Company.

Glossary and Definitions

Administrator	Apex Funds and Corporate Services (Guernsey) Limited
AGM	Annual General Meeting
AIC	The Association of Investment Companies
AIC Code	The AIC Code of Corporate Governance (February 2019)
AIFM	Alternative Investment Fund Manager for the purpose of the EU's Alternative Investment Fund Management Directive (see page 71 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 25 and 26 for further details)
Asset Manager or WiseEnergy	WiseEnergy (Great Britain) Limited and WiseEnergy Italia Srl
Brexit	The withdrawal of the United Kingdom from the European Union
Cash dividend cover	The ratio of the Company's cash income to dividends paid or payable in respect of the financial period/year
CBA	Commonwealth Bank of Australia
Company or NESF	NextEnergy Solar Fund Limited
Consultants	The two independent market forecasters used by the Company
CO₂e or carbon dioxide equivalent	A term for describing different greenhouse gases in a common unit. For any quantity and type of greenhouse gas, CO ₂ e signifies the amount of CO ₂ which would have the equivalent global warming impact
DNO	Distribution Network Operators
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	A unit of power equal to 1,000 MW
GWh	GW hour, being a measure of electricity generated per hour

Glossary and Definitions continued

HoldCos	Intermediate holding companies used by the Company as pass-through vehicles to invest in underlying solar energy infrastructure assets, currently being NESH, NESH II, NESH III, NESH IV, NESH V and NESH VI
IFRS	International Financial Reporting Standards
Investment Adviser or NEC	NextEnergy Capital Limited
Investment Manager	NextEnergy Capital IM Limited
IPO	Initial Public Offering
IRR	Internal Rate of Return
KPMG	KPMG Channel Islands Limited, independent auditor to the Company
KWh	Kilowatt hour, being a measure of electricity generated per hour
LIBOR	London Interbank Offered Rate
MIDIS	Macquarie Infrastructure Debt Investment Solutions
MW	A Megawatt is unit of power equal to one million watts and is used as a measure of the output of a power plant
MWh	MW hour, being a measure of electricity generated per hour
NAB	National Australia Bank
Net assets or NAV	Net asset value
NAV total return	The actual rate of return from dividends paid and any increase or reduction in the NAV per ordinary share over a given period of time
NEC or NEC Group	The NextEnergy Capital group of companies, including the Investment Manager, Investment Adviser and Asset Manager
NESF Group	The Company, HoldCos and SPVs
NESH	NextEnergy Solar Holding Limited
NESH II	NextEnergy Solar Holding II Limited
NESH III	NextEnergy Solar Holding III Limited
NESH IV	NextEnergy Solar Holding IV Limited
NESH V	NextEnergy Solar Holding V Limited
NESH VI	NextEnergy Solar Holding VI Limited
NIROC	Like the ROCs in Great Britain, the Northern Ireland Renewable Obligation Certificate scheme obliges electricity suppliers to produce a certain number of NIROCs for each MWh of electricity which they supply to their customers in Northern Ireland or to pay a buy-out fee that is proportionate to any shortfall in the number of NIROCs being so presented
NP III	NextPower III L.P.
O&M	Operations and Maintenance
OECD	Organisation for Economic Co-operation and Development
OFGEM	Office of Gas and Electricity Markets

Glossary and Definitions continued

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 on pages 25 and 26 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 on pages 25 and 26 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 on pages 25 and 26 for further details)
SPVs	Special purpose vehicles that hold the Company's investment portfolio of underlying solar energy infrastructure assets
Thirteen Kings portfolio	13 plants held in NESH III (see the Operating Portfolio – Overview on pages 25 and 26 for further details)
Treasury shares	Ordinary shares which are bought back by the Company, reducing the number of outstanding shares on the open market, and held by the Company for resale at a future date
Wholesale revenue	Revenue from energy sold in the wholesale power market which is not connected with subsidy schemes or PPAs

Corporate Information

The Company

NextEnergy Solar Fund Limited

Registered Office:

1 Royal Plaza
Royal Avenue
St Peter Port
Guernsey GY1 2HL

Registered no.: 57739
LEI: 213800ZPHCBDDSQH5447
Ordinary Share ISIN: GG00BJ0JVY01
Ordinary Share SEDOL: BJOJVY0
London Stock Exchange Ticker: NESF
Website: www.nextenergysolarfund.com

Directors

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Vic Holmes, Senior Independent Director
Patrick Firth
Joanne Peacegood
(All non-executive and independent)

Investment Manager

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Investment Adviser

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Registrar

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