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# New Energy Solar

Consisting of:

New Energy Solar Limited  
ACN 609 396 983

New Energy Solar Fund  
ARSN 609 154 298

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## ANNUAL REPORT

*31 December 2017*

**Renewable energy.  
Sustainable investments.**

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NC-31 south side aerial view - March 2017

# Chairman's Letter



NC-47 aerial view - June 2017

# Chairman's Letter

FOR THE YEAR ENDED 31 DECEMBER 2017

Dear Securityholders,

On behalf of New Energy Solar Limited and Walsh & Company Investments Limited (**Responsible Entity** or **Walsh & Company**), it is our pleasure to present the Annual Report for New Energy Solar<sup>1</sup> (**NES** or the **Business**) for the year ended 31 December 2017.

2017 was a year of achievement for the Business as it delivered on its twin goals of generating both financial returns for its investors and positive environmental impact. Not only did our investors receive distributions of 7.2 cents per Stapled Security, the Business also generated an “environmental dividend” equivalent to a reduction in carbon emissions of 1.2 kilograms of CO<sub>2</sub> per Stapled Security. For our average investor (holding approximately 60,000 Stapled Securities) this translates into an estimated reduction in the order of 70 tonnes of CO<sub>2</sub> – which is enough to fill 15 Olympic swimming pools<sup>2</sup> and offset the annual carbon footprint of three people.

The outlook for the Business remains promising with the continued global shift toward renewables. The increasing price competitiveness of solar energy has seen investment in solar power plants exceed investment in both fossil fuel and other renewable power plants in our key markets, the United States and Australia.

Given the solid investment fundamentals in solar energy, the December 2017 capital raising and Australian Securities Exchange (**ASX**) listing has proved a sound decision. Within three months of listing, New Energy Solar has committed the majority of the \$200m raised to high-quality solar generation plants – reinforcing the proposition that New Energy Solar is an early mover in the accelerating transition to renewable power.

## 2017, A YEAR OF ACHIEVEMENT

With the commissioning of its first four power plants, the Business has turned the concept of investing in large-scale, emissions free solar power plants with attractive risk adjusted returns into a reality. Within two years of its establishment, New Energy Solar has emerged as Australia's largest listed business with a primary focus on investing in solar power plants.

Some of the key milestones achieved during 2017 include:

- Completing construction and commencing commercial operations at the NC-31 and NC-47 solar plants in North Carolina in March and May 2017, respectively – increasing the operating portfolio at the end of 2017 to four solar power plants, representing 225.6 MW<sub>DC</sub> of capacity (**Operating Portfolio**).

1. New Energy Solar refers to the stapled entity comprised of ordinary shares in New Energy Solar Limited (**Company**) and units in the New Energy Solar Fund (**Stapled Security**).

2. Calculated based on 1 tonne of CO<sub>2</sub> having a volume of 556.2m<sup>3</sup> at room temperature.

- Generating 405,000 MWh of electricity, the equivalent of powering 52,000 houses, displacing 236,000 tonnes of carbon, or removing 56,000 cars from the road<sup>3</sup>.
- Committing to acquire a 130 MW<sub>DC</sub> portfolio of solar power plants in North Carolina and Oregon from Cypress Creek Renewables (the **Rigel Portfolio**). Six of these plants are currently under construction, and are expected to be operational and selling electricity during the second and third quarters of 2018.
- Listing on the ASX and raising a further \$200 million from existing and new investors, to fund the Rigel Portfolio and new investments, with equity raised since inception now exceeding \$500 million. This has provided investors with increased liquidity and the Business with greater access to capital.

## FINANCIAL RESULTS

### Underlying Earnings

During 2017, the Operating Portfolio performed as expected – generating total underlying revenues of US\$21.7 million, with earnings before interest, tax, depreciation and amortisation (**EBITDA**) of US\$17.3 million, of which US\$11.9 million was attributable to NES.

### Statutory Earnings

During the year, the Business (before currency movements) generated total revenues of \$24.4 million, while operating expenses for the year totaled \$3.6 million, resulting in pre-tax earnings of \$20.8 million (before currency movements).

However, because the business is treated as an Investment Entity for accounting purposes all revaluation gains and losses are passed through the profit and loss account. As the US dollar depreciated 7.7% against the Australian dollar during the period (the A\$:US\$ rate was 0.7208 as at 31 December 2016 compared with 0.7809 at 31 December 2017), the Business recorded total foreign exchange losses of \$27.9 million over the period which led to a total comprehensive loss of \$7.1 million during the year.

At year end, the Business recorded a net asset value (**NAV**) of \$472.3 million or \$1.45 per Stapled Security, a decrease of \$0.14 per Stapled Security from 31 December 2016. This decrease was principally the result of the depreciation in the US dollar highlighted above and the payment of distributions to investors. If currency movements are ignored, the US\$ fair market value of NES' solar assets in the US actually increased by 8%.

## CONTINUED MOMENTUM FOR THE BUSINESS IN 2018

During the first two months of 2018, the Business has continued its strong momentum, announcing two substantial investments that will enhance the geographic diversity of the portfolio and increase its weighted average Power Purchase Agreement (**PPA**) length. Both investments are funded by the last capital

3. CO<sub>2</sub> emission reduction is calculated using the United States Environmental Protection Agency's "Avoided Emissions and Generation Tool", which estimates the regional displacement of fossil fuels for a new solar PV installation.

raising, are backed by offtake contracts with creditworthy counterparties and are expected to support future growth in distributions as well as increase the Business' social impact. The investments are:

- On 31 January 2018, the Business committed to acquire 100% of the cash equity interests in a 200 MW<sub>DC</sub> solar project in the US<sup>4</sup>. Expected to be constructed and operational by late 2019, the project has a 20-year PPA with an investment-grade utility off-taker commencing in mid-2020 that includes an escalating price mechanism expected to provide a growing income stream to investors. The plant is expected to generate over 450,000 MWh annually, the equivalent to displacing up to 245,000 tonnes of CO<sub>2</sub> emissions per annum<sup>3</sup> powering 45,000 homes, or removing 58,000 cars from the road.
- On 15 February 2018 the Business acquired a 49% cash equity interest in the Boulder Solar 1 plant (**Boulder**) from SunPower Corp for US\$55 million. Located in Clarke County, Nevada, the 125 MW<sub>DC</sub> plant has been operational for 12 months. Boulder has a 20-year PPA with NV Energy (a subsidiary of Berkshire Hathaway Energy), and the remaining 51% cash equity interest is owned by Southern Power, part of one of the largest integrated energy companies in the US. As well as providing immediate cashflow this plant will generate enough electricity to power the equivalent of 28,500 homes, equivalent to displacing up to 210,000 tonnes of CO<sub>2</sub> emissions annually<sup>3</sup>.

## OUTLOOK FOR THE BUSINESS

The continued performance of the Operating Portfolio, the acquisition of the operating Boulder plant, and the commissioning of Rigel Portfolio plants, is expected to support distribution growth of 7.6% to 7.75 cents per Stapled Security in 2018 (compared with 2017 distributions totalling 7.2 cents per Stapled Security).

Following commissioning of the Rigel Portfolio and the 200 MW<sub>DC</sub> solar plant, the Business' will hold interests in a portfolio of 680 MW<sub>DC</sub> of operating plants across four states of the US. This portfolio is expected to support further distribution growth and generate over 1,400,000 megawatt hours of electricity annually, the equivalent of powering over 156,000 homes, displacing over 895,000 tonnes of carbon emissions<sup>3</sup>, or removing 213,000 cars from the road every year.

On behalf of the Boards, we would like to thank you, our securityholders, for your ongoing support of the Business, and we look forward to continued success. We would also like to thank the Investment Management team for its significant contribution to the success of the Business during 2017.

Yours faithfully,



**ALEX MACLACHLAN**  
Chairman of the Responsible Entity

28 February 2018



**JEFFREY WHALAN**  
Chairman of the Company

4. Until transaction close, specific details are subject to disclosure restraints. Full details will be released at expected transaction close.

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TID SGS array - close up  
- September 2017

# Business Highlights



TID SGS array - September 2017

# Business Highlights

FOR THE YEAR ENDED 31 DECEMBER 2017

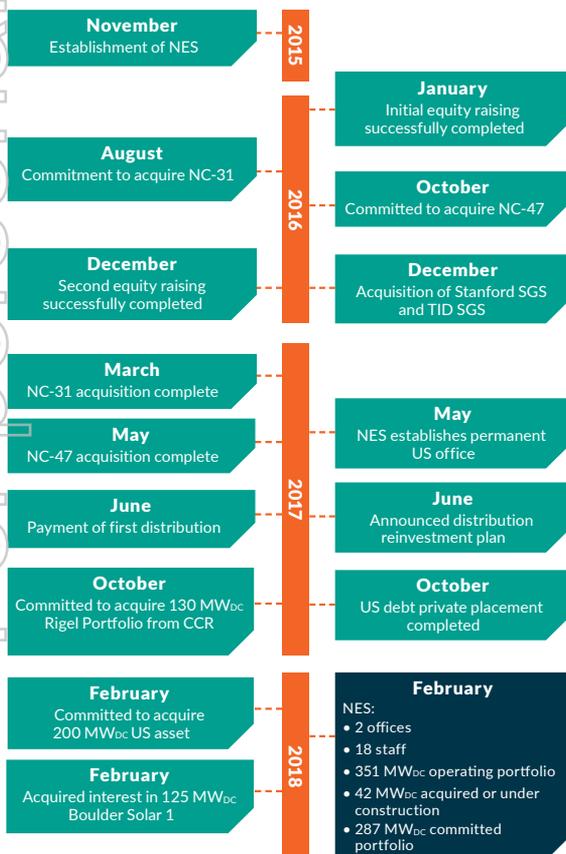
## KEY MILESTONES

### Business Objectives:

- To acquire attractive large scale solar power plants and associated assets, with contracted cash flows from creditworthy offtakers.
- To help investors generate positive social impacts and financial returns through these investments.

New Energy Solar was established in 2015 to invest in a diversified portfolio of solar and renewable energy assets across the globe. Since its establishment, the Business has successfully acquired or committed to acquire interests in a portfolio of 20 solar asset power plants, representing total capacity of 680 MW<sub>DC</sub>. An overview of the key events in New Energy Solar's history are set out below.

Figure 1: New Energy Solar milestones



## BUSINESS ACHIEVEMENTS

In order to deliver on its objectives, and deliver key investment benefits, the Business has a well-defined investment strategy, and objective criteria to measure success. The Business has made substantial progress in 2017 and believes continued execution of the strategy will result in ongoing success.

**Table 1: New Energy Solar business achievements**

KEY INVESTMENT BENEFITS	ACHIEVEMENTS
Attractive risk adjusted returns	 <ul style="list-style-type: none"> <li>• 2017 distribution of 7.2 cents per Stapled Security to investors for 2017 reflecting a yield of 4.9%<sup>5</sup>.</li> <li>• 2018 target distribution of 7.75 cents per Stapled Security for 2018 reflecting distribution growth of 7.6%, with continued growth expected from escalating PPA prices.</li> </ul>
Exposure to a growing global solar market opportunity/ An operational portfolio with contracted cash flows to creditworthy counterparties	 <ul style="list-style-type: none"> <li>• Operating Portfolio of four solar power plants with 225 MW<sub>DC</sub> capacity at year end.</li> <li>• NES also acquired a 49% interest in the operating 125 MW<sub>DC</sub> Boulder Solar I plant in February 2018.</li> <li>• The Operating Portfolio had a weighted average PPA term of 16.6 years to high-quality investment-grade counterparties at year end including Duke Energy, Stanford University, Turlock Irrigation District and NV Energy.</li> </ul>
Committed expansion and diversification/ Pipeline of future growth opportunities	 <ul style="list-style-type: none"> <li>• Construction is currently underway on six plants, with commencement of commercial operations to start selling electricity expected during the second and third quarters of 2018.</li> <li>• Commitment to invest in a further nine US plants (including the Rigel Portfolio), taking the total capacity once complete to 680 MW<sub>DC</sub><sup>6</sup> in four US states.</li> <li>• Signed Memoranda of Understanding (<b>MoU</b>) with two developers for over 750 MW<sub>DC</sub> of solar power plants in the US.</li> </ul>

5. Based on 31 December 2017 Stapled Security price of \$1.46.

6. Plants and projects shown on a 100% basis.

KEY INVESTMENT  
BENEFITS

## ACHIEVEMENTS

Once all of the solar plants NES has committed to invest in are operational, the portfolio is estimated to:

Positive social impact		<ul style="list-style-type: none"> <li>Displace the equivalent of an estimated 895,000 tonnes of CO<sub>2</sub> emissions per annum<sup>7</sup>.</li> </ul>
		<ul style="list-style-type: none"> <li>Power the equivalent of an estimated 156,000 homes per annum<sup>8</sup>.</li> </ul>
		<ul style="list-style-type: none"> <li>Remove the equivalent of 213,000 cars from the road<sup>9</sup>.</li> </ul>
Investor liquidity		<ul style="list-style-type: none"> <li>Assisting more than 4,700 investors to approach carbon neutrality.</li> </ul>
		<ul style="list-style-type: none"> <li>NES listed on the ASX in December 2017 to provide investors with increased liquidity and provide the Business with further access to equity capital.</li> </ul>
Experienced investment manager		<ul style="list-style-type: none"> <li>NES has established a well-resourced and experienced management team with proven solar asset acquisition, financing, and management expertise.</li> </ul>

7. Solar energy plant CO<sub>2</sub> emission reduction calculated using the US Environmental Protection Agency's AVOIDed Emissions and geneRation Tool (AVERT). CO<sub>2</sub> emissions displacement is calculated as the emissions that would be produced annually if the same amount of energy was produced by a coal fired plant instead.

8. Based upon an average house utilising approximately 8,375KWh per annum.

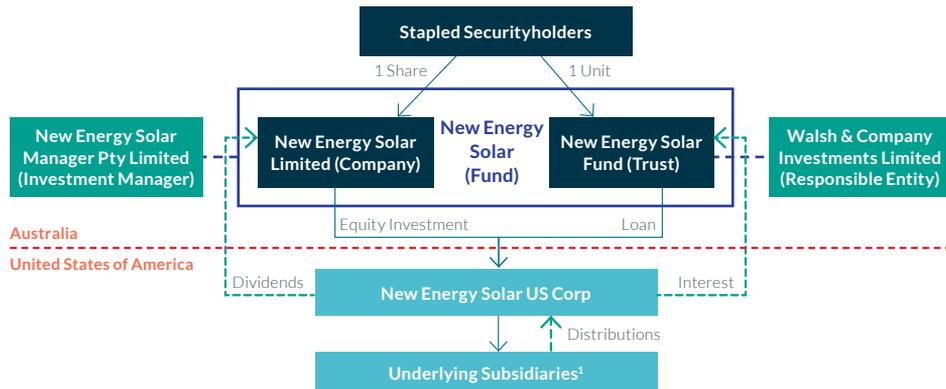
9. Based upon an average of 4.2 tonnes of CO<sub>2</sub> emissions per car per annum. Equivalent number of cars is calculated as the number of cars per annum that produce an equivalent amount of CO<sub>2</sub> emission to what is estimated to have been displaced.

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## NEW ENERGY SOLAR STRUCTURE

The following diagram is provided to assist with understanding the financial statements set out in this annual financial report.

Figure 2: New Energy Solar structure



1. Underlying plants are held by subsidiaries via partnership structures

The financial statements of both entities in the stapled structure are shown alongside one another as permitted by ASIC Corporations (Stapled Group Reports) Instrument 2015/838. The column headed “Fund” has therefore been shown to reflect the combined financial statements of the Company and its subsidiaries and the Trust and its subsidiaries, representing the Fund. It reflects the stapled securityholders’ combined interest in the Company and the Trust by combining the Company and the Trust financial information after eliminating transactions and balances between the Company and the Trust.

The Company and the Trust invest in US solar plants via the Company’s wholly owned US subsidiary New Energy Solar US Corp (NES US Corp). NES US Corp is funded by a combination of equity from the Company and a loan from the Trust, both of which are denominated in US dollars.

As the Company and the Trust are considered to meet the definition of an “Investment Entity” (refer ‘Summary of significant accounting policies’, NES US Corp is not consolidated and is required to be held at fair value in the financial statements. Furthermore, as the combined accounts reflect the net investment of the Company and the Trust in the underlying subsidiaries via the investment and the loan receivable, the loan receivable is also shown at fair value. The total investment in NES US Corp is presented on the statement of financial position as “financial assets held at fair value through profit or loss”.

The impact of this “Investment Entity” classification on the presentation of the financial statements is that the main operating revenues of the Fund consist of either dividends from NES US Corp, fair value movements in the value of the Company’s equity holding in NES US Corp, and interest income on the loan from the Trust to NES US Corp. Net operating US income and all other US expenses are reflected through the fair value movement in the profit or loss statement.

The underlying earnings of solar plants, being revenues from the sale of energy under the PPA less operating expenses, are distributed on a periodic basis from the underlying plants through to NES US Corp, and underpin NES US Corp's ability to pay interest on the loan to the Trust and dividends to the Company as noted above. These funds ultimately underpin the Fund's distributions/dividends to securityholders.

As both the Company's equity investment in NES US Corp and the Trust loan to NES US Corp are denominated in US dollars, the Fund is also exposed to valuation movements associated with foreign exchange rate movements.

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NC-47 aerial view -  
June 2017

# Investment Manager's Report



NC-31 site inspection - October 2017

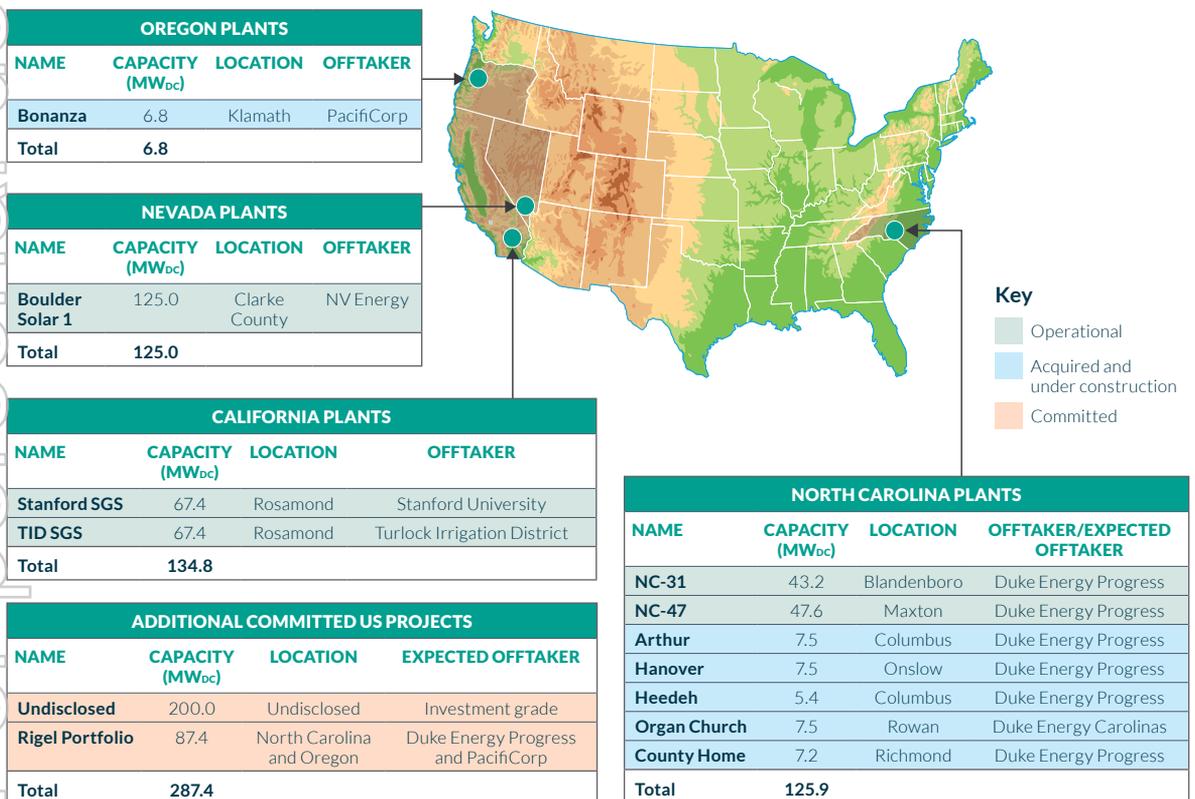
# Investment Manager's Report

FOR THE YEAR ENDED 31 DECEMBER 2017

## OVERVIEW OF THE NES PORTFOLIO

As at 31 December 2017, the Operating Portfolio comprised four operating plants with a total generation capacity of 225.6 MW<sub>DC</sub>. As at 28 February 2018, the Business had interests in a portfolio comprising 680 MW<sub>DC</sub><sup>10</sup> of capacity across twenty US solar plants or projects that are operational, acquired and under construction, or committed (with construction yet to commence). Details of the portfolio are detailed below.

Figure 3: New Energy Solar's portfolio: 680 MW<sub>DC</sub> across four states



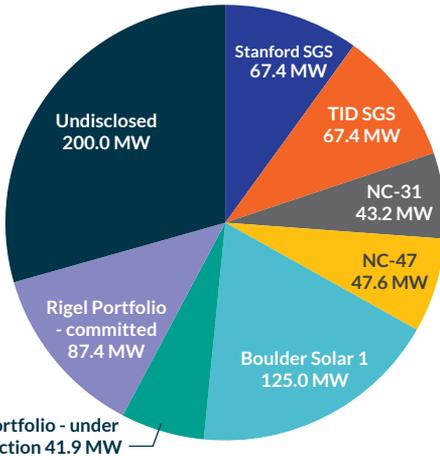
Note: The 200 MW<sub>DC</sub> US plant is currently subject to disclosure limitations. More detailed information will be provided once the conditions precedent are met and transaction close is achieved.

Further information on each of the plants is included later in the Investment Manager's Report.

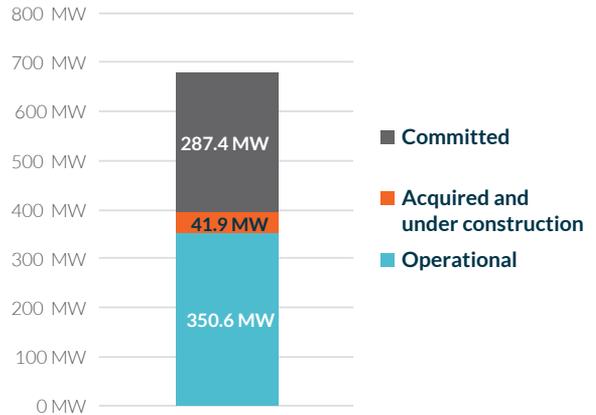
10. Plants and projects shown on a 100% basis.

Figure 4: New Energy Solar's portfolio (680 MW<sub>DC</sub>)

NES Portfolio by Capacity (MW<sub>DC</sub>)



NES Portfolio by Capacity (MW<sub>DC</sub>)

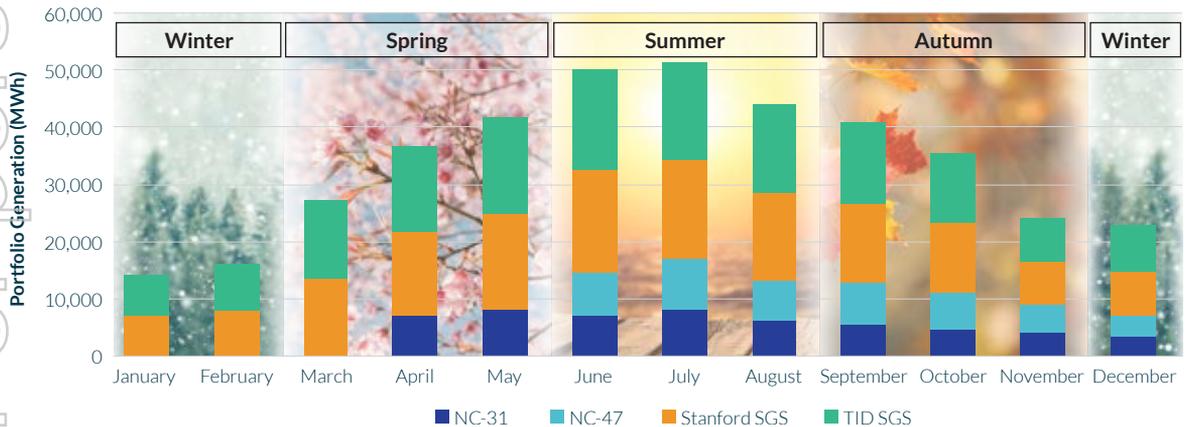


## NES' PORTFOLIO PERFORMANCE - OPERATING PLANTS

4 PLANTS WITH 225.6 MW<sub>DC</sub> CAPACITY AS AT 31 DECEMBER 2017

5 PLANTS WITH 350.6 MW<sub>DC</sub> CAPACITY (INCLUDING BOULDER SOLAR I) AS AT 28 FEBRUARY 2018

Figure 5: Operating Portfolio monthly generation (for the year ended 31 December 2017)<sup>1</sup>



Note: Electricity generation for NC-31 and NC-47 have been included from the month following their commercial operations dates (April 2017 and June 2017, respectively).

Figure 6: Operating Portfolio – PPA terms as at 31 December 2017

Plant	PPA Term Remaining (Years)	PPA Expiry Date
NC-31	9.1	January 2027
NC-47	9.3	April 2027
Stanford SGS	24.0	December 2041
TID SGS	19.2	February 2037
<b>Total (weighted average)</b>	<b>16.6</b>	

As at 31 December 2017, NES' operating portfolio had a capacity weighted average PPA term remaining of 16.6 years. The capacity weighted average PPA term remaining as at 31 December 2017 would increase to 17.5 years were the Boulder Solar I plant to be included (the Boulder Solar I plant had approximately 19 years remaining on its PPA as at 31 December 2017).

## OPERATING PORTFOLIO PERFORMANCE DURING THE YEAR ENDED 31 DECEMBER 2017

Tables 2 and 3 show the underlying generation and financial performance of NES' operating portfolio for the year ended 31 December 2017.

**Table 2: Operating Portfolio – Year to 31 December 2017 generation**

YEAR ENDED 31 DECEMBER 2017		
Plant	Capacity (MW <sub>DC</sub> )	Generation (MWh)
NC-31	43.2	54,430
NC-47	47.6	45,457
Stanford SGS	67.4	152,594
TID SGS	67.4	152,644
<b>Total NES Operating Portfolio</b>	<b>225.6</b>	<b>405,125</b>

**Table 3: Operating Portfolio – Year to 31 December 2017 Financial Performance (US\$)**

YEAR ENDED 31 DECEMBER 2017 (US\$ UNLESS OTHERWISE INDICATED)	
Revenue	21,697,126
Less: Operating expenses	(4,363,480)
<b>EBITDA</b>	<b>17,333,700</b>
Less: Distributions to Tax Equity investors and EBITDA attributable to minority investors	(5,461,160)
<b>EBITDA attributable to NES</b>	<b>11,872,723</b>

Note: Operating financial performance for NC-31 covers the period from 1 April 2017 to 31 December 2017 and NC-47 covers the period from 1 June 2017 to 31 December 2017.

Since commencing operations in late 2016 and early 2017, the plants in the Operating Portfolio have performed in line with the Investment Manager's expectations at the time of acquisition.

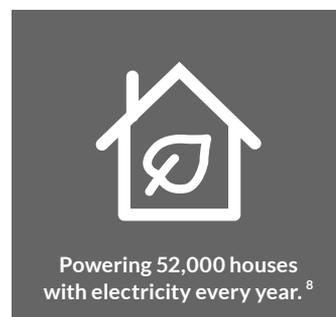
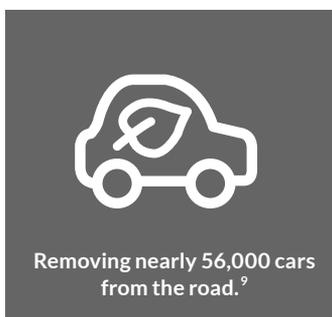
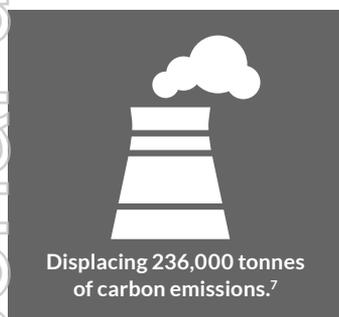
## CALIFORNIA PLANT PERFORMANCE

While wet weather conditions impacted on production yields during the first quarter of 2017, more favorable weather conditions throughout the remainder of the year resulted in power generation in line with management's expectations.

## NORTH CAROLINA PLANT PERFORMANCE

NC-31 and NC-47 commenced operations in March and May 2017, respectively. Whilst there was considerable wet weather on the East Coast of the US late in the year, both plants performed in line with management's expectations.

Electricity generated from the Operating Portfolio (since commercial operations date) during the year ended 31 December 2017 included the equivalent of:



## EVENTS SUBSEQUENT TO 31 DECEMBER 2017

On 15 February 2018, NES announced its acquisition of a 49% interest in the 125 MW<sub>DC</sub> Boulder Solar I plant in Nevada from SunPower Corp. Boulder Solar I is a significantly-sized plant that is currently generating over 279,000 MWh of electricity annually. The quantity of electricity generated by Boulder Solar I is equivalent to displacing more than 210,000 tonnes of CO<sub>2</sub> emissions<sup>7</sup>, powering 28,500 homes<sup>8</sup>, or removing 50,000 cars from the road, every year<sup>9</sup>.

## PLANTS UNDER CONSTRUCTION

### 6 PLANTS WITH 41.9 MW<sub>DC</sub> CAPACITY AS AT 28 FEBRUARY 2018

On 6 October 2017, NES announced that it had entered into a binding agreement with US solar developer Cypress Creek Renewables (**CCR**) to acquire a portfolio of fourteen utility-scale solar plants totaling 130 MW<sub>DC</sub> in Oregon and North Carolina (the **Rigel Portfolio**).

As of 28 February 2018, the Business had completed the acquisition of majority interests in the first six solar power plants, with a subsidiary of CCR being responsible for the construction of the plants. The NES asset management team is working closely with independent engineer ICF and construction management experts Dixon Projects to

ensure the plants are built to specification and delivered on time. Activities undertaken include regular site visits and weekly review meetings to ensure that construction remains on schedule.

Construction completion and the commencement of commercial operations to start selling electricity for these six plants are expected during the second and third quarters of calendar year 2018.

Once brought online, these six plants will total 41.9 MW<sub>DC</sub> of generation capacity, which is sufficient to power over 9,500 homes<sup>8</sup> and displace 48,000 tonnes of CO<sub>2</sub> emissions<sup>7</sup>, the equivalent of removing about 11,500 cars from the road per annum<sup>9</sup>.

## COMMITTED PLANTS

### 9 PLANTS WITH 287.4 MW<sub>DC</sub> CAPACITY AS AT 28 FEBRUARY 2018

NES has committed to acquire up to nine plants that are expected to commence construction in 2018 subject to the completion of certain conditions precedent:

- The eight remaining plants in the Rigel Portfolio in North Carolina and Oregon.
- The 200 MW<sub>DC</sub> US plant announced on 1 February 2018 that is anticipated to reach financial close before the end of March 2018. This plant is a world-class solar asset that will both add significant scale and, with a 20-year escalating price PPA, provide stable long-term returns to investors.

Once these plants start commercial operations, the Business will have interests in 680 MW<sub>DC</sub> of generation capacity and is expected to generate more than 1,400,000 megawatt-hours of electricity annually. This amount of generation is equivalent to displacing more than 895,000 tonnes of carbon emissions per annum<sup>7</sup>, powering more than 156,000 homes<sup>8</sup> or removing 213,000 cars from the road<sup>9</sup>.

## INVESTMENT OUTLOOK

During the year, the NES acquisition team focused on evaluating opportunities in the US and Australia. Since the beginning of 2017, the team has successfully negotiated NES' commitment to and/or the acquisition of over 455 MW<sub>DC</sub> of capacity in new US-based solar assets, in addition to establishing memoranda of understanding with two US-based solar developers that provide for the near-term expansion of the Business.

## NEW ENERGY SOLAR'S INVESTMENTS

### OPERATING PLANTS

#### North Carolina 43 MW Plant (NC-31)



NC-31 aerial view - March 2017



NC-31 ground view - October 2017

#### North Carolina 48 MW Plant (NC-47)



NC-47 Blocks 8, 9, 10 and 11 - February 2017



NC-47 ground view - June 2017

<b>Location</b>	Bladenboro, Bladen County, North Carolina, USA
<b>Generating Capacity</b>	43.2 MW <sub>DC</sub> /34.2 MW <sub>AC</sub>
<b>Structure &amp; Nature of Investment</b>	Partnership flip 85.6% equity interest in Upper Tier Partnership
<b>Commercial Operations Date (COD)</b>	March 2017
<b>PPA Term</b>	10 years from COD
<b>PPA Offtaker</b>	Duke Energy Progress, Inc.
<b>REC Sale Term</b>	10 years from COD
<b>REC Offtaker</b>	VivoRex, LLC
<b>Panels</b>	Canadian Solar
<b>O&amp;M Service Provider</b>	Grupo GranSolar, LLC
<b>Asset Description</b>	NC-31 is located on a 196-acre leased site in Bladenboro, Bladen County, North Carolina, which is approximately 232 kilometres east of Charlotte, North Carolina. The plant commenced commercial operations in March 2017, with a generation capacity of 43.2 MW <sub>DC</sub> (34.2 MW <sub>AC</sub> ). NES committed to acquiring a majority interest in the plant in August 2016 and acquired its interest in March 2017.

<b>Location</b>	Maxton, Robeson County, North Carolina, USA
<b>Generating Capacity</b>	47.6 MW <sub>DC</sub> /33.8 MW <sub>AC</sub>
<b>Structure &amp; Nature of Investment</b>	Partnership flip 90% equity interest in Upper Tier Partnership
<b>Commercial Operations Date</b>	May 2017
<b>PPA Term</b>	10 years from COD
<b>PPA Offtaker</b>	Duke Energy Progress, Inc.
<b>REC Sale Term</b>	10 years from COD
<b>REC Offtaker</b>	VivoRex, LLC
<b>Panels</b>	Canadian Solar
<b>O&amp;M Service Provider</b>	DEPCOM Power, Inc.
<b>Asset Description</b>	NC-47 is located on a 260-acre leased site in Maxton, Robeson County, North Carolina, which is approximately 166 kilometres east of Charlotte, North Carolina. The plant commenced commercial operations in May 2017, and has a generation capacity of 47.6 MW <sub>DC</sub> (33.8 MW <sub>AC</sub> ). NES committed to acquiring a majority interest in the plant in October 2016 and acquired its interests in May 2017.

### Stanford Solar Generating Station (Stanford SGS)



<b>Location</b>	Rosamond, Kern County, California, USA
<b>Generating Capacity</b>	67.4 MW <sub>DC</sub> /54 MW <sub>AC</sub>
<b>Structure &amp; Nature of Investment</b>	Partnership flip 99.9% equity interest in Upper Tier Partnership
<b>Commercial Operations Date</b>	December 2016
<b>PPA Term</b>	25 years from COD
<b>PPA Offtaker</b>	Stanford University
<b>Panels</b>	SunPower
<b>O&amp;M Service Provider</b>	SunPower Corporation, Systems
<b>Asset Description</b>	The Stanford SGS is located on a 242-acre leased site in Rosamond, Kern County, California, which is approximately 80 kilometres north of Los Angeles. The plant has a generating capacity of 67.4 MW <sub>DC</sub> (54 MW <sub>AC</sub> ). The Stanford SGS is located immediately adjacent to the TID SGS and commenced operations in December 2016. NES acquired a substantial majority interest in the plant in December 2016.

### Turlock Irrigation District Generating Station (TID SGS)



<b>Location</b>	Rosamond, Kern County, California, USA
<b>Generating Capacity</b>	67.4 MW <sub>DC</sub> /54 MW <sub>AC</sub>
<b>Structure &amp; Nature of Investment</b>	Partnership flip 99.9% equity interest in Upper Tier Partnership
<b>Commercial Operations Date</b>	December 2016
<b>PPA Term</b>	20 years from COD
<b>PPA Offtaker</b>	Turlock Irrigation District
<b>Panels</b>	SunPower
<b>O&amp;M Service Provider</b>	SunPower Corporation, Systems
<b>Asset Description</b>	The TID SGS is located on a 265-acre leased site in Rosamond, Kern County, California, which is approximately 80 kilometres north of Los Angeles, California. The plant has a generation capacity of 67.4 MW <sub>DC</sub> (54 MW <sub>AC</sub> ). The TID SGS is located immediately adjacent to the Stanford SGS and commenced operations in December 2016. NES acquired a substantial majority interest in the plant in December 2016.

## OPERATING PLANTS (CONTINUED)

## Boulder Solar 1



Boulder Solar 1 aisle - December 2016



Boulder Solar 1 solar array - December 2016

<b>Location</b>	Boulder City, Nevada
<b>Generating Capacity</b>	125 MW <sub>DC</sub> /100 MW <sub>AC</sub>
<b>Structure &amp; Nature of Investment</b>	Partnership Flip 49% equity interest in Lower Tier Partnership
<b>Commercial Operations Date</b>	December 2016
<b>PPA Term</b>	20 years from 1 January 2017
<b>PPA Offtaker</b>	NV Energy
<b>Panels</b>	SunPower
<b>O&amp;M Service Provider</b>	SunPower Corporation, Systems
<b>Asset Description</b>	Boulder Solar 1 is located on a 542-acre leased site in Boulder City, Clark County, Nevada, which is approximately 50 kilometres south of Las Vegas, Nevada. The plant commenced commercial operations in December 2016, and has a generation capacity of 125 MW <sub>DC</sub> (100 MW <sub>AC</sub> ). NES acquired a 49% minority interest in the plant in February 2018.

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## PLANTS ACQUIRED AND UNDER CONSTRUCTION

(AS AT 28 FEBRUARY 2018)

### RIGEL PORTFOLIO ASSETS

<b>Plant</b>	Arthur	Hanover	Heedeh	Organ Church	County Home	Bonanza
<b>Location</b>	Columbus, North Carolina	Onslow, North Carolina	Columbus, North Carolina	Rowan, North Carolina	Richmond, North Carolina	Klamath, Oregon
<b>Generating Capacity</b>	7.5 MW <sub>DC</sub>	7.5 MW <sub>DC</sub>	5.4 MW <sub>DC</sub>	7.5 MW <sub>DC</sub>	7.2 MW <sub>DC</sub>	6.8 MW <sub>DC</sub>
<b>Structure &amp; Nature of Investment</b>	Inverted lease 99% interest in holding company (100% economic interest)	Inverted lease 99% interest in holding company (100% economic interest)	Inverted lease 99% interest in holding company (100% economic interest)	Inverted lease 99% interest in holding company (100% economic interest)	Inverted lease 99% interest in holding company (100% economic interest)	Inverted lease 99% interest in holding company (100% economic interest)
<b>Estimated COD</b>	Q2 2018	Q2 2018	Q2 2018	Q3 2018	Q3 2018	Q3 2018
<b>PPA Term</b>	15 years from COD	Approximately 13 years from COD				
<b>PPA Offtaker</b>	Duke Energy Progress	Duke Energy Progress	Duke Energy Progress	Duke Energy Carolinas	Duke Energy Progress	PacifiCorp
<b>Panels</b>	Solar Frontier	Golden Concord	Golden Concord	Solar Frontier	Golden Concord	Golden Concord
<b>O&amp;M Service Provider</b>	CCR O&M					



Hanover aerial view – February 2018



Arthur aerial view – February 2018

## INFORMATION ON THE INVESTMENT MANAGER

New Energy Solar Manager Pty Limited is the Investment Manager of the Company and the Trust. The Investment Manager is a related body corporate of the Responsible Entity.

The Investment Manager is responsible for executing the strategy of the Business in accordance with the terms of the Investment Management Agreement. This includes:

- Identifying investment opportunities.
- Undertaking due diligence.
- Engaging and managing operations and maintenance providers.
- Engaging and managing asset, project and construction management providers.
- Seeking to maximise the value of the Business' assets.
- Negotiating with power purchasers.
- Assisting in procuring advisors to provide support (where required) in the assessment of investment opportunities.
- Assisting in procuring advisors (where required) for debt arranging and other treasury services, and procuring other third party services as reasonably required.
- Advising on and executing asset exit strategies; and
- Advising on and executing on liquidity events for investors.

## SENIOR MANAGEMENT TEAM

The senior members of the Investment Manager who are responsible for the management of New Energy Solar are set out below.

Each of the members of the senior management team are employed by a member of the Dixon Advisory Group and provide services for the benefit of the Business. Further information on the Investment Manager team is provided at [www.newenergysolar.com.au/](http://www.newenergysolar.com.au/)



**JOHN MARTIN** BEcon (Hons) (USYD)  
**CEO, NEW ENERGY SOLAR**

John was appointed as New Energy Solar's Managing Director and CEO in May 2017. John brings a wealth of experience and capability to the role after more than two decades of experience in corporate advisory and investment banking with a focus on the infrastructure, energy and utility sectors.

John previously led the Infrastructure and Utilities business at corporate advisory firm Aquasia where he advised on more than \$10 billion of infrastructure and utility M&A and financing transactions. Prior to this John held various investment bank management positions including the Head of National Australia Bank Advisory and the Joint Head of Credit Markets and Head of Structured Finance at RBS/ABN AMRO.

During his time at ABN AMRO, John managed the Infrastructure Capital business which was viewed as a market leader in the development and financing of infrastructure and utility projects in Australia.

John started his career as an economist with the Reserve Bank of Australia and then worked in various treasury and risk management positions, before moving to PwC as the partner responsible for financial risk management. At PwC John advised some of Australia's largest corporations on the management and valuation of currency, interest rate and commodity exposures – with a focus on advising energy companies trading in the Australian National Electricity Market.

John has a Bachelor of Economics (Honours) from the University of Sydney. John is a member of the Advisory Board for Cordish Dixon Private Equity Fund III (ASX:CD3), and is a past board member of Infrastructure Partnerships Australia.



**TOM KLINE** BComm, LLB (Hons) (ANU)

***EXECUTIVE DIRECTOR – NORTH AMERICA***

Tom was the inaugural CEO of New Energy Solar after the launch of the business in December 2015. Tom relocated to the US in April 2017 to oversee the operation of the Existing Portfolio. Tom will also guide the business' continued investment in North American projects.

Tom has extensive experience in funds management, corporate finance, and mergers and acquisitions, having been part of the senior management team at Walsh & Company and Dixon Advisory since 2009. Before Dixon Advisory, Tom worked at UBS AG in Sydney. During his time

at UBS, he was a member of the Power, Utilities and Infrastructure team and advised on a wide range of public and private M&A and capital market transactions. Tom advised some of Australia's leading energy generators and infrastructure players including EnergyAustralia and Transurban. Tom also advised energy and utility companies on the proposed introduction of Australia's federal carbon trading scheme (Carbon Pollution Reduction Scheme) and implications for fossil fuel and renewable energy generation.

Tom has a Bachelor of Commerce and Bachelor of Laws (Honours) from the Australian National University.



**LIAM THOMAS** BAgribus (Curtin), MSc (Curtin), MBA (MELB)

***HEAD OF INVESTMENTS***

Liam joined New Energy Solar in March 2016 to lead transaction origination and execution activities. Liam has over 14 years' experience in M&A, corporate and business development, projects, and commercial management in the energy, infrastructure, mining and agribusiness sectors.

Prior to joining NES, Liam was a senior member of the International Development team at Origin Energy, focused on the investment and development strategy for utility scale solar, hydro, and geothermal projects in Latin America and South-East Asia. Liam's previous roles have included General Manager of Commercial Development at Aurizon, Commercial Manager for the Northwest Infrastructure iron ore port joint venture, and Project Manager at Orica, focusing on large-scale mining-related infrastructure and manufacturing projects. Earlier in Liam's career, he worked in the agricultural commodities sector with AWB Limited.

Liam has a Bachelor of Agribusiness and Master of Science from Curtin University, and a Master of Business Administration from the University of Melbourne.

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TID SGS aerial view -  
September 2017

# Corporate Governance Statement



Stanford SGS & TID SGS site at sunset - September 2017

# Corporate Governance Statement

FOR THE YEAR ENDED 31 DECEMBER 2017

New Energy Solar Limited (the **Company**) and Walsh & Company Investments Limited, as Responsible Entity of New Energy Solar Fund (the **Trust**), together form New Energy Solar (the **Fund**), a stapled entity group, whose securities are traded on the Australian Securities Exchange (**ASX**). The Fund has no employees and its day-to-day functions and investment activities are managed by the Responsible Entity of the Trust (Walsh & Company Investments Limited) and New Energy Solar Manager Pty Limited (**Investment Manager**), in accordance with the relevant management agreements.

The ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations* provides guidelines for good corporate governance. The directors of the Company and the directors of the Responsible Entity, Walsh & Company Investments Limited, recognise the importance of good corporate governance.

The Fund's Corporate Governance Charter, which incorporates the Fund's policies referred to below, is designed to ensure the effective management and operation of the Fund and will remain under regular review. The Corporate Governance Charter is available on the Fund's website [newenergysolar.com.au](http://newenergysolar.com.au).

A description of the Fund's adopted practices in respect of the eight Principles and Recommendations from the 3rd Edition of the ASX *Corporate Governance Principles and Recommendations* is set out below. All these practices, unless otherwise stated, were in place throughout the year and to the date of this report.

## 1. LAY SOLID FOUNDATIONS FOR MANAGEMENT AND OVERSIGHT

### BOARD ROLES AND RESPONSIBILITIES

The Board of the Company and the Board of Walsh & Company Investments Limited are responsible for the overall operation, strategic direction, leadership and integrity of the Fund and in particular, is responsible for the Fund's growth and success. In meeting its responsibilities, the Boards undertake the following functions:

- providing and implementing the Fund's strategic direction;
- reviewing and overseeing the operation of systems of risk management ensuring that the significant risks facing the Fund are identified, that appropriate control, monitoring and reporting mechanisms are in place and that risk is appropriately dealt with;
- overseeing the integrity of the Fund's accounting and corporate reporting systems, including the external audit
- ensuring the Board is comprised of individuals who are best able to discharge the responsibilities of directors having regard to the law and the best standards of governance;
- reviewing and overseeing internal compliance and legal regulatory compliance;
- ensuring compliance with the Company and the Trust's Constitutions and with the continuous disclosure requirements of the ASX Listing Rules and the Corporations Act;

- overseeing the Fund's process for making timely and balanced disclosures of all material information concerning the Fund; and
- communicating with and protecting the rights and interests of all securityholders.

The Boards have established a formal policy which sets out its functions and responsibilities. A review of the policy is conducted annually.

The responsibility for the operation and administration of the Fund is delegated, by the Boards, to the Investment Manager as set out in the Management Agreement. The Boards ensure the Investment Manager is appropriately qualified and experienced to discharge its responsibilities. The Investment Manager will be responsible for implementing the Fund's strategic objectives and operating within the risk appetite as set out within the Investment Guidelines.

### APPOINTMENT OF DIRECTORS

The Company has adopted a formal process to ensure that appropriate checks are undertaken before appointing a person, or putting forward to security holders a candidate for election as a director. The Company has outsourced part of this function to an external service provider, which specialises in completing background checks, to verify the candidate's experience, education, criminal record and bankruptcy history.

Upon proposing a candidate for election or re-election as a director, the Company provides security holders with all the relevant material information in its possession to allow security holders to make an informed decision on whether or not to elect or re-elect the candidate. The information will generally include:

- biographical details of the candidate, including their qualifications, experience and skills which may be relevant to the Board of the Company; and
- details of any current or past directorships held by the candidate.

Each Director of the Company receives a formal appointment letter outlining their terms of employment, responsibilities, conditions and expectations of their engagement.

### ROLE OF THE COMPANY SECRETARY

The Company Secretary of the Company is directly accountable to the Board, through the Board Chairperson on all matters to do with the proper functioning of the Board. This includes:

- advising the Board on governance matters;
- circulating to the Board all board papers in advance of any proposed meeting;
- ensuring that the business at board meetings is accurately captured in the minutes; and
- facilitating the induction and professional development of directors.

### DIVERSITY

The Company currently does not have any employees and therefore has adopted a Diversity Policy which is applicable only to the Board. A copy of the policy setting out its objectives and reporting practices can be found on the Company's website.

As required by the policy, at the commencement of each financial year, the Board is required to set measurable objectives to allow it to achieve and maintain diversity on the board. The measurable objective for gender diversity, as agreed by the Company's Board of Directors for FY2017, is set out below:

- At least one female director representation on the Board.

The outcomes for the year, as reported by the Board, are set out below:

- As at 31 December 2017, there was one female and five male directors; and
- The Board was satisfied it had achieved its measurable objectives for FY2017.

## 2. STRUCTURE THE BOARD TO ADD VALUE

### BOARD COMPOSITION

The Company and the Responsible Entity of the Trust seek to maintain a Board of Directors with a broad range of skills. The Company maintains a Skills Matrix below which lists the skills that have been identified as the ideal attributes the Company seeks to achieve across its Board membership:

- Leadership
- Industry Knowledge
- Understanding of Solar Infrastructure
- Government Policy
- Communications
- Financial & Accounting
- Funds Management
- Risk Based Auditing & Risk Management
- Capital Raising
- Legal

The composition of the Board for the Company and the Responsible Entity is structured to maintain a mix of directors from different backgrounds with complementary skills and experience. Details of each director at the date of this report are given in the Directors' Report, including the period in office, skills, experience, and expertise relevant to the position of director.

The directors of the Company during the 2017 financial year and as at the date of this report are:

**Jeffrey Whalan** – Independent Non-Executive Chairperson (appointed 27 October 2017)

**Maxine McKew** – Non-Executive Director (appointed 27 October 2017)

**James Davies** – Non-Executive Director (appointed 27 October 2017)

**John Holland** – Non-Executive Director (appointed 27 October 2017)

**Alan Dixon** – Director (appointed 27 October 2017)

**John Martin** – Director (appointed 27 October 2017)

**Alex MacLachlan** – Director (resigned 27 October 2017)

**Tom Kline** – Director (resigned 27 October 2017)

**Adam Chandler** – Director (appointed 3 May 2017, resigned 27 October 2017)

**Warwick Keneally** – Director (resigned 3 May 2017)

The directors of the Responsible Entity during the 2017 financial year and as at the date of this report are:

**Alex MacLachlan** – Chairperson

**Tristan O'Connell** – Director

**Tom Kline** – Director (resigned 16 May 2017)

**Warwick Keneally** – Director (appointed 16 May 2017)

The company secretaries of the Company and the Responsible Entity during the 2017 financial year and as at the date of this report are:

**Hannah Chan**

**Simon Barnett**

The Board of the Company comprises four independent non-executive directors, Jeffrey Whalan, Maxine McKew, James Davies and John Holland. An independent non-executive director is a non-executive director who is independent of the Investment Manager and free of any business or other relationship that could materially interfere with, or could reasonably be perceived to materially interfere with, the exercise of their judgement.

The Company is committed to diversity in the composition of the Board. The directors will continue to monitor the composition of the Board.

The current Board of the Responsible Entity is not Independent. The Board of the Responsible Entity however has established a Compliance Committee with a majority of Independent members who are responsible for; monitoring the extent to which the Responsible Entity complies with the Trust's relevant regulations, compliance plan, constitution and report the findings to the Board, reporting to ASIC if the Committee is of the view that the Responsible Entity has not complied with the compliance plan or any relevant laws, and to assess at regular intervals whether the Trust's compliance plan is adequate and make recommendations to the Responsible Entity about any changes that the Committee considers should be made to the compliance plan.

The Fund recognises the ASX Recommendations with respect to establishing remuneration and nomination Committees as good corporate governance. However, considering the size and structure of the Fund, the functions that would be performed by these Committees are best undertaken by the Board.

The Board will review its view on Committees in line with the ASX Recommendations and in light of any changes to the size or structure of the Fund, and if required may establish Committees to assist it in carrying out its functions. At that time the Board will adopt a charter for such Committees in accordance with the ASX Recommendations and industry best practices.

It is the Board's policy to determine the terms and conditions relating to the appointment and retirement of non-executive directors on a case-by-case basis and in conformity with the requirements of the Listing Rules and the *Corporations Act 2001*. In accordance with the corporate governance policy, directors are entitled to seek independent advice at the expense of the Fund. Written approval must be obtained from the chair prior to incurring any expense on behalf of the Fund.

## PERFORMANCE EVALUATION

The Board of the Company conducts a review of its collective performance and the performance of its directors annually. This process includes consideration of feedback provided by directors via a questionnaire. The Board of the Company and individual directors, including the Chairperson, will be evaluated during the year ending 31 December 2018 in accordance with these processes at the end of its first full year post listing.

## INDUCTION AND ONGOING PROFESSIONAL DEVELOPMENT

On appointment, the directors are individually briefed by the Investment Manager and the Management team. Directors are entitled to receive appropriate professional development opportunities to develop and maintain the skills and knowledge needed to perform their role as directors effectively. The Company's Induction Program is structured to enable a new director to gain an understanding of the Company's Investments, the Company's financial, strategic, operational and risk management position, and their rights, duties and responsibilities.

The Company Secretary is responsible for facilitating the induction and ongoing development of all directors, and where necessary, from time to time, will recommend relevant courses and industry seminars which may assist directors in discharging their duties.

# 3. ACT ETHICALLY AND RESPONSIBLY

## CODE OF CONDUCT

The Boards are committed to maintaining ethical standards in the conduct of its business activities. The Boards reputation as an ethical business organisation is important to its ongoing success and it expects all its officers to be familiar with, and have a personal commitment to meeting these standards. In this regard the directors have adopted a Code of Conduct (Code) to define basic principles of business conduct. The Code requires officers and employees to abide by the policies of the Fund and the law. The Code is a set of principles giving direction and reflecting the Fund's approach to business conduct and is not a prescriptive list of rules for business behaviour. The Code of Conduct covers ethical operations, compliance with laws, dealings with customers and public officials, conflicts of interest, confidential and proprietary information and insider trading.

The Code of Conduct forms part of the Fund's Corporate Governance Charter. A copy of the Corporate Governance Charter is available on the Fund's website.

## SECURITY TRADING POLICY

The Boards have established a Security Trading Policy to apply to trading in the Fund's securities on the ASX. This policy outlines the permissible dealing of the Fund's securities while in possession of price sensitive information and applies to all directors of the Company, the Responsible Entity and the Investment Manager.

The Policy imposes restrictions and notification requirements, including the imposition of blackout periods, trading windows and the need to obtain pre-trade approval.

## INSIDER TRADING POLICY

The Boards have established an Insider Trading Policy to apply to trading in the Fund's securities. This policy applies to all directors, executives and employees of the Company, Responsible Entity, Investment Manager, and their parent company, Evans Dixon. All directors, executives and employees of the Company, Responsible Entity, Investment Manager, and their parent company must not deal in the Fund's securities while in possession of price sensitive information. In addition, the general Security Trading Policy sets out additional restrictions which apply to directors and executives of the Company, the Responsible Entity, Investment Manager, and their parent company.

## 4. SAFEGUARD INTEGRITY IN CORPORATE REPORTING

### COMPLIANCE COMMITTEE

As a registered managed investment scheme, the Trust has a compliance plan that has been lodged with the Australian Securities and Investments Commission (**ASIC**). The compliance plan is reviewed comprehensively every year to ensure that the way in which the Trust operates protects the rights and interests of security holders and that major compliance risks are identified and properly managed.

The Responsible Entity has formed a Compliance Committee to ensure the Trust complies with the relevant regulations, its compliance plan and its constitution. The Committee meets and reports to the Board of the Responsible Entity on a quarterly basis.

The Committee is structured with three members, the majority of which are independent. Details of the Compliance Committee members are as follows:

#### **Michael Britton** (Independent Member) (**Chairperson**)

Michael has over 35 years of commercial and financial services experience, initially with Boral Limited (ASX: BLD) and culminating in 12 years as General Manager of the corporate businesses of The Trust Company Limited (ASX: TRU) where he established the company's reputation as a leader in the delivery of independent Responsible Entity services. He has represented The Trust Company as a director on the boards of both domestic and offshore operating subsidiary companies and a large number of special purpose companies delivering the Responsible Entity function in both conventional and stapled, ASX-listed and unlisted managed investment schemes. Michael has acted as a Responsible Manager, a member of committees of inspection in relation to large insolvency administrations and as an independent compliance committee member for substantial investment managers with portfolios of managed investment schemes. He is an independent director on the board of the unlisted Knights Capital Group Limited, a Perth-based investor and property fund manager and a Panel Member for the Financial Ombudsman Service Limited.

Michael holds degrees in Jurisprudence and Law from the University of New South Wales and is a Graduate Member of the Australian Institute of Company Directors and a Fellow of the Governance Institute of Australia.

#### **Barry Sechos** (Independent Member)

Barry is a Director of Sherman Group Pty Limited, a privately owned investment company, and is responsible for managing the legal, financial and operational affairs of Sherman Group of companies. Barry has 30 years experience in corporate law and finance, having spent seven years as a banking and finance lawyer at Allen Allen & Hemsley (Sydney, Singapore and London), and eight years as a Director of EquitiLink Funds Management and Aberdeen Asset Management Australia.

Barry is also a Director of Paddington St Finance Pty Ltd, a specialist structured finance company, See-Saw Films, a film production and finance group and winner of the 2011 Academy Award for Best Picture, Transmission Films, an Australian film distribution company, Regeneus Limited, an Australian based regenerative medicine company listed on ASX, Aberdeen Leaders Limited an ASX-listed investment company. He is also a Director of Sherman Centre for Culture and Ideas, a charitable cultural organisation.

**Tristan O'Connell** (Internal Member)

Refer to information on directors on page 19.

## AUDIT & RISK COMMITTEE

The Fund has established a joint Audit & Risk Committee. The members of the Audit & Risk Committee during the year were:

**Barry Sechos** (Independent Member) (**Chairperson**)

**Jeffrey Whalan** (Independent Member)

**Tristan O'Connell** (Internal Member)

The Fund recognises the ASX recommendation with respect to appointing a non-executive director to chair the Audit & Risk Committee. The chairperson of the Audit & Risk Committee is an independent member and is not the chairperson of the Company Board or the Trust Board. The Fund believes the current appointment of the independent external member as chairperson provides the appropriate independence required under the ASX recommendations. The Committee consists of two non-executive members.

The primary function of the Audit & Risk Committee is to assist the Board of the Company and the Trust in discharging its responsibility to exercise due care, diligence and skill in relation to the following areas:

- application of accounting policies to the Fund's financial reports and statements;
- monitoring the integrity of the financial information provided to security holders, regulators and the general public;
- corporate conduct and business ethics, including Auditor independence and ongoing compliance with laws and regulations;
- maintenance of an effective and efficient audit;
- appointment, compensation and oversight of the external Auditor, and ensuring that the external Auditor meets the required standards for Auditor independence;
- assess the adequacy of the Fund's process for managing risk; and
- regularly monitoring and reviewing corporate governance policies and codes of conduct.

The Audit & Risk Committee meets four times a year. The Audit & Risk Committee will report to the Board of the Company and the Trust at a minimum of two times a year.

A copy of the Corporate Governance Charter is available on the Fund's website.

## 5. MAKING TIMELY AND BALANCED DISCLOSURE

The Boards are committed to complying with its continuous disclosure obligations under the *Corporations Act 2001*, as well as releasing relevant information to the market and security holders in a timely and direct manner to promote investor confidence in the Fund and its securities.

The Fund has adopted a Continuous Disclosure Policy to ensure the Fund complies with its continuous disclosure obligations under the *Corporations Act* and the Listing Rules.

This policy is administered by the Boards and the Investment Manager as follows:

- the Boards are involved in reviewing significant ASX announcements and ensuring and monitoring compliance with this policy;
- the Company Secretary is responsible for the overall administration of this policy and all communications with the ASX; and
- Senior management of the Investment Manager are responsible for reporting any material price sensitive information to the Company Secretary and observing the Fund's no comments policy.

## 6. RESPECT THE RIGHTS OF SECURITYHOLDERS

### RIGHTS OF SECURITYHOLDERS

The Fund promotes effective communication with security holders. The Boards have developed a strategy within its Continuous Disclosure Policy to ensure that security holders are informed of all major developments affecting the Fund's performance, governance, activities and state of affairs. This includes using a website to facilitate communication with security holders. Each security holder is also provided online access to the Registry to allow them to receive communications from, and send communication to, the Fund and the Registry. Information is communicated through announcements published on the Fund website, releases to the media and the dispatch of financial reports. Security holders are provided with an opportunity to access such reports and releases electronically. Copies of all announcements are available on the Fund's website at [newenergysolar.com.au](http://newenergysolar.com.au).

These include:

- quarterly investment updates;
  - the half-year report;
  - the annual report;
- the notice of annual general meeting, explanatory memorandum and the Chairperson's address;
- announcements made to comply with the Fund's continuous disclosure requirements; and
- correspondence sent to security holders on matters of significance to the Fund.

The Boards encourage full participation of securityholders at the general meetings to ensure a high level of accountability and identification with the Fund's strategy. Security holders who are unable to attend the general meeting are given the opportunity to provide questions or comments in relation to the audit of the Fund ahead of the meeting and where appropriate, these questions are answered at the meeting.

The external auditor is also invited to attend the annual general meeting of the Fund and is available to answer any questions concerning the conduct, preparation and content of the auditor's report.

## 7. RECOGNISE AND MANAGE RISK

The Boards are responsible for identifying, assessing, monitoring and managing the significant areas of risk applicable to the Fund and its operations. The Boards have established an Audit & Risk Committee to deal with these matters. The Boards monitor and appraise financial performance, including the approval of annual and half-year financial reports and liaising with the Fund's auditors.

In order to evaluate and continually improve the effectiveness of its risk management and internal control processes, the Responsible Entity has adopted a Risk Management Framework (**RMF**). The Board of the Responsible Entity conduct an annual review of the RMF to satisfy itself that the framework continues to be sound. The last review took place on 17 July 2017.

The Boards are responsible for maintaining proper financial records. In addition, the Boards receive a letter half yearly from the Fund's external auditor regarding their procedures and reporting that the financial records have been properly maintained and the financial statements comply with the Accounting Standards.

The Fund does not have a material exposure to environmental, economic and social sustainability risks.

The Boards provide declarations required by Section 295A of the *Corporations Act 2001* for all financial periods and confirms that in its opinion the financial records of the Fund have been properly maintained and that the financial statements and accompanying notes comply with the Accounting Standards and give a true and fair view of the financial position and performance of the Fund, based on its review of the internal control systems, management of risk, the financial statements and the letter from the Fund's external auditor.

## 8. REMUNERATE FAIRLY AND RESPONSIBLY

### REMUNERATION POLICIES

Due to the relatively small size of the Fund and its operations, the Board does not consider it appropriate, at this time, to form a separate committee to deal with the remuneration of the directors.

In accordance with the Company's Constitution, each director may be paid remuneration for ordinary services performed as a director. Under the ASX Listing Rules, the maximum fees payable to directors may not be increased without the prior approval from security holders at a general meeting of the Company. Directors will seek approval from time to time as deemed appropriate. The Company does not intend to remunerate its directors through an equity based remuneration scheme.

The maximum total remuneration of the directors of the Company has been set at \$200,000 per annum to be divided among them in such proportions as they agree. However, Alan Dixon, John Martin, Alex MacLachlan, Tom Kline, Adam Chandler and Warwick Keneally have agreed not to be paid any remuneration for the services they performed as directors. Total directors' fees for the year ended 31 December 2017 were \$37,499.

No director of the Responsible entity receives any direct remuneration from the Fund. In accordance with the Responsible Entity's constitution, the responsible entity is entitled to a management fee for services rendered.

Details of the Fund's related party transactions are set out in the notes to the financial statements in the Annual Report.

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TID SGS ground view – October 2017

# Directors' Report



TID SGS overhead view

# Directors' Report

FOR THE YEAR ENDED 31 DECEMBER 2017

The directors of New Energy Solar Limited (the **Company**) and Walsh & Company Investments Limited, as Responsible Entity of New Energy Solar Fund (the **Trust**), together forming New Energy Solar, a listed stapled group, present their report together with the annual financial report for New Energy Solar Limited and New Energy Solar Fund, (collectively referred to as the **Fund**), for the year ended 31 December 2017.

## DIRECTORS

The directors of New Energy Solar Limited at any time during or since the end of the financial year are listed below:

**Jeffrey Whalan** – Non-Executive Chairperson (appointed 27 October 2017)

**Maxine McKew** – Non-Executive Director (appointed 27 October 2017)

**James Davies** – Non-Executive Director (appointed 27 October 2017)

**John Holland** – Non-Executive Director (appointed 27 October 2017)

**John Martin** (appointed 27 October 2017)

**Alan Dixon** (appointed 27 October 2017)

**Alex MacLachlan** (resigned 27 October 2017)

**Tom Kline** (resigned 27 October 2017)

**Adam Chandler** (appointed 3 May 2017, resigned 27 October 2017)

**Warwick Keneally** (resigned 3 May 2017)

The directors of Walsh & Company Investments Limited at any time during or since the end of the financial year are listed below:

**Alex MacLachlan**

**Tristan O'Connell**

**Tom Kline** (resigned 16 May 2017)

**Warwick Keneally** (appointed 16 May 2017)

Directors were in office from the start of the year to the date of this report, unless otherwise stated.

## INFORMATION ON THE DIRECTORS OF NEW ENERGY SOLAR LIMITED



**JEFFREY WHALAN** AO, BA (UNSW), FAICD, FAIM  
*NON-EXECUTIVE CHAIRMAN (Company)*

Jeffrey is an Independent Director of New Energy Solar Limited. He is Managing Director of the Jeff Whalan Learning Group, a specialist human resources company. He was a senior executive officer in the Australian Public Service from 1990 to 2008.

Jeffrey was appointed an Officer in the Order of Australia in 2008 for his work as chief executive officer of Centrelink. Among other things, the award recognised his achievements in 'the development of corporate accountability processes'.

Jeffrey is a Fellow of the Australian Institute of Company Directors and a Fellow of the Australian Institute of Management. As CEO of Centrelink, Jeffrey was responsible for the largest agency of the Australian Public Service, \$70 billion of government outlays and 27,000 staff. Prior to joining Centrelink, he was chief executive officer of Medicare Australia. Jeffrey has held Deputy Secretary positions in the Departments of Prime Minister and Cabinet, Defence and the then Department of Family and Community Services. He has also held senior executive positions in the Transport and Health departments.

During the past three years Jeff has acted as a non-executive director or director of the responsible entity of the following Australian listed public entities:

- Australian Governance Masters Index Fund Limited (since 2010)
- Global Resource Masters Fund Limited (since 2008, delisted on 11 March 2016)



**MAXINE MCKEW**  
*NON-EXECUTIVE DIRECTOR (Company)*

Maxine is an author and Honorary Enterprise Professor of the Melbourne Graduate School of Education at the University of Melbourne. Her most recent book, published by Melbourne University Press in 2014, is *Class Act*, a study of the key challenges in Australian schooling. This publication followed the success of her memoir, *Tales From the Political Trenches*, an account of her brief but tumultuous time in the Federal Parliament.

Maxine's background traverses both journalism and politics. For many years she was a familiar face to ABC TV viewers and was anchor of prestigious programs such as the 7.30 Report and Lateline. Her work has been recognised by her peers with both Walkley and Logie awards.

When she left journalism to enter politics, Maxine wrote herself into the Australian history books by defeating Prime Minister John Howard in the Sydney seat of Bennelong. In government she was both parliamentary secretary for early childhood and later, for regional development and local government.

Maxine is a director of Per Capita and the John Cain Foundation. In 2015 she was also appointed to serve on the board of the State Library of Victoria.

During the past three years Maxine has not acted as director of any Australian listed public entity.



**JAMES DAVIES** BCS (UNE), MBA (LBS)  
**NON-EXECUTIVE DIRECTOR (Company)**

James has over 30 years' experience in investment management across real estate, private equity, infrastructure, natural resources and special situations. Most recently he was Head of Funds Management at New Forests Asset Management, overseeing \$2.5 billion worth of investments in broad acre real estate, forestry assets and environmental markets. Prior to that he held Director roles at Hastings Funds Management Limited and Royal Bank of Scotland's Strategic Investments Group. He has sat on numerous investment committees and boards including as Chairman of Timberlink Australia and Forico.

James holds a Bachelor of Computer Science from the University of New England, a Masters of Business Administration from London Business School, and is a Member of the Australian Institute of Company Directors.

During the past three years James has not acted as director of any Australian listed public entity.



**JOHN HOLLAND** MA (Hons) (Oxford)  
**NON-EXECUTIVE DIRECTOR (Company)**

John holds a portfolio of complementary non-executive board roles. In particular, he chairs KCG Europe, a brokerage business which is part of the Virtu Financial group, and Open Door Capital Management (a Greater China Asset Management company), as well as acting as Non-Executive Director of sQuidcard Limited (a UK and African Payments business in the Education and Aid Sectors). John also chairs the Board and Advisory Board respectively of ASX Listed Asian Masters Fund (AUF) and Emerging Markets Masters Fund (EMF).

Prior to his current roles, John was Managing Director and Member of UBS Investment Bank Board. Over the course of his 24-year career at UBS and its predecessor banks, John helped to build and then led UBS' leading Asian Equities and banking business based in Hong Kong, before returning to London to assume various senior management roles in the Global Equities business.

Throughout his career, John has had significant experience working with a wide range of Financial Regulators, including a three-year stint as a member of the European Securities Markets Experts Group advising the European Commission on new regulation.

John holds a Master of Arts (Hon) from Oriel College, Oxford University, majoring in Philosophy, Politics and Economics.

During the past three years John has acted as a non-executive director or director of the responsible entity of the following Australian listed public entities:

- Asian Masters Fund Limited (since 2010)



**JOHN MARTIN** BEcon (Hons) (USYD)

***DIRECTOR (Company)***

**Managing Director and CEO, New Energy Solar**

John was appointed as New Energy Solar's Managing Director and CEO in May 2017. John brings a wealth of experience and capability to the role after more than two decades' experience in corporate advisory and investment banking with a focus on the infrastructure, energy and utility sectors.

John previously led the Infrastructure and Utilities business at corporate advisory firm Aquasia where he advised on more than \$10 billion of infrastructure and utility M&A and financing transactions. Prior to this John held various investment bank management positions including the Head of National Australia Bank Advisory and the Joint Head of Credit Markets and Head of Structured Finance at RBS/ABN AMRO.

During his time at ABN AMRO, John managed the Infrastructure Capital business which was viewed as a market leader in the development and financing of infrastructure and utility projects in Australia. John started his career as an economist with the Reserve Bank of Australia and then worked in various treasury and risk management positions, before moving to PwC as the partner responsible for financial risk management. At PwC John advised some of Australia's largest corporations on the management and valuation of currency, interest rate and commodity exposures – with a focus on advising energy companies trading in the Australian National Electricity Market.

John has a Bachelor of Economics (Honours) from the University of Sydney. John is a member of the Advisory Board for the Cordish Dixon Private Equity Fund III (ASX:USP), and is a past board member of Infrastructure Partnerships Australia.

During the past three years John has not acted as director of any Australian listed public entity.



**ALAN DIXON** BComm (ANU), CA

***DIRECTOR (Company)***

**Managing Director and CEO, Evans Dixon**

Alan is the Managing Director and CEO of Evans Dixon, an asset manager and financial advisory firm established in February 2017, through the merger of Evans & Partners and Dixon Advisory. Evans Dixon has over \$20 billion of assets under management or advice.

Primarily based in the US, Alan also oversees the firm's senior leaders and influences the strategic initiatives of more than 600 professionals working with clients in Sydney, Melbourne,

Brisbane, Canberra, Jersey City and New York City. He is also Managing Director and CEO of Dixon Advisory USA, a leader in the US urban single-family home rental business.

Alan joined Dixon Advisory in January 2001. Prior to joining Dixon Advisory, Alan worked in Chartered Accountancy and Investment Banking roles in Australia.

Alan holds a Bachelor of Commerce from the Australian National University and is a member of the Institute of Chartered Accountants in Australia. He is also an SMSF Professionals' Association of Australia (SPAA) Accredited SMSF Specialist Advisor™.

During the past three years Alan has not acted as director of any Australian listed public entity.



**ALEX MACLACHLAN** BA (Cornell), MBA (Wharton)

**CHAIRMAN (Responsible Entity)**

**CEO, Walsh & Company**

Alex is the Chairman of the Responsible Entity for Cordish Dixon Private Equity Fund Series, Fort Street Real Estate Capital Fund Series, Emerging Markets Masters Fund, New Energy Solar Fund, US Masters Residential Property Fund and Evans & Partners Global Disruption Fund. Alex is also a director of Fort Street Real Estate Capital, the Australian Masters Yield Fund Series and Asian Masters Fund Limited.

Alex joined Dixon Advisory in 2008 to lead the then newly formed Funds Management division, which later became Walsh & Company.

From funds under management of under \$100 million at the time of his start, Alex has grown Walsh & Company Group to over \$5 billion of assets under management today, with investments across residential and commercial property, fixed income, private equity, listed equities and renewable energy.

Prior to joining the firm, Alex was an investment banker at UBS AG, where he rose to Head of Energy for Australasia. During his tenure in investment banking, Alex worked on more than \$100 billion in mergers and acquisitions and capital markets transactions, advising some of the world's leading companies.

Alex has a Bachelor of Arts from Cornell University and a Masters of Business Administration from The Wharton School, University of Pennsylvania.

During the past three years Alex has acted as a non-executive director or director of the responsible entity of the following Australian listed public entities:

- Asian Masters Fund Limited (since 2009)
- Australian Masters Corporate Bond Fund No 5 Limited (since 2009, delisted 26 August 2016)
- Australian Masters Yield Fund No 1 Limited (since 2010, delisted 28 July 2017)
- Australian Masters Yield Fund No 2 Limited (since 2010, delisted 28 July 2017)
- Australian Masters Yield Fund No 3 Limited (since 2011)
- Australian Masters Yield Fund No 4 Limited (since 2011)
- Australian Masters Yield Fund No 5 Limited (since 2012)
- US Masters Residential Property Fund (since 2011)
- Emerging Markets Masters Fund (since 2012)
- Global Resource Masters Fund Limited (since 2008, delisted 11 March 2016)
- Cordish Dixon Private Equity Fund I (since 2012)
- Cordish Dixon Private Equity Fund II (since 2013)
- Cordish Dixon Private Equity Fund III (since 2016)
- Evans & Partners Global Disruption Fund (since 2017)



**TOM KLINE** BComm, LLB (Hons) (ANU)

**Executive Director - North America**

Tom is the Executive Director – North America for New Energy Solar (NES). Tom was the inaugural CEO of New Energy Solar after the launch of the business in December 2015, and was previously the Chief Operating Officer of Walsh & Company Investments Limited, the Funds Management division of Dixon Advisory. Tom relocated to the US in April 2017 to oversee NES' existing portfolio of solar power assets, and to guide the business' continued North American investment.

Tom has extensive experience in funds management, corporate finance, and mergers and acquisitions, having been part of the senior management team at Walsh & Company and Dixon Advisory since 2009. Before joining the firm, Tom worked at UBS AG in Sydney. During his time at UBS, he was a member of the Power, Utilities and Infrastructure team and advised on a wide range of public and private M&A and capital market transactions. Tom advised some of Australia's leading energy generators and infrastructure players including EnergyAustralia and Transurban. Tom also advised energy and utility companies on the proposed introduction of Australia's federal carbon trading scheme (Carbon Pollution Reduction Scheme) and implications for fossil fuel and renewable energy generation.

Tom has a Bachelor of Commerce and Bachelor of Laws (Honours) from Australian National University.

During the past three years Tom has acted as a non-executive director or director of the responsible entity of the following Australian listed public entities:

- Australian Masters Yield Fund No 4 Limited (since 2011, until 19 July 2017)
- Australian Masters Yield Fund No 5 Limited (since 2011, until 19 July 2017)
- US Masters Residential Property Fund (since 2011, until 16 May 2017)
- Emerging Markets Masters Fund (since 2012, until 16 May 2017)
- Cordish Dixon Private Equity Fund I (since 2012, until 16 May 2017)
- Cordish Dixon Private Equity Fund II (since 2013, until 16 May 2017)
- Cordish Dixon Private Equity Fund III (since 2016, until 16 May 2017)



**ADAM CHANDLER** BCom (MEL)

**Portfolio Manager**

Adam is a Portfolio Manager specialising in international equities.

Adam was previously Chief Operating Officer at Walsh & Company Asset Management, the funds management division of Dixon Advisory. Adam brings to the role more than 15 years' experience in financial markets, across funds management and corporate advisory in Australia and Europe.

Prior to joining Walsh & Company Asset Management, Adam was an investment analyst and portfolio manager, working with UBS's Fundamental Investment Group and a London based, boutique fund manager. Before funds management he was an investment banker at UBS in Sydney and London, advising on mergers and acquisitions and capital raising.

Adam has a Bachelor of Commerce with honours in finance from The University of Melbourne.

During the past three years Adam has not acted as director of any Australian listed public entity.



**WARWICK KENEALLY** BEc, BComm (ANU), CA

**DIRECTOR (Responsible Entity)**

**Head of Finance, Walsh & Company**

Warwick is Head of Finance at Walsh & Company, the Funds Management division of Evans Dixon and Director of Walsh & Company Investments Limited, the Responsible Entity for Cordish Dixon Private Equity Fund Series, Fort Street Real Estate Capital Fund Series, Emerging Markets Masters Fund, New Energy Solar Fund, US Masters Residential Property Fund and Evans & Partners Global Disruption Fund.

Before joining Walsh & Company, Warwick worked in chartered accounting firms specialising in turnaround and restructuring. Warwick started his career with KPMG, working in their Canberra, Sydney and London offices and has undertaken a range of complex restructuring and insolvency engagements across Europe, UK and Australia, for a range of Australian, UK, European and US banks.

Warwick has worked with companies and lenders to develop and implement strategic business options, provide advice in relation to continuous disclosure requirements, develop cash forecasting training for national firms, and lectured on cash management. Among his former roles, Warwick worked on the initial stages of the HIH insolvency as part of the key management group tasked with the wind-down of the global estate.

Warwick has a Bachelor of Economics and Bachelor of Commerce from Australian National University and is a Member of the Institute of Chartered Accountants in Australia.

During the past three years Warwick has acted as a non-executive director or director of the responsible entity of the following Australian listed public entities:

- Australian Masters Yield Fund No 4 Limited (since 2017)
- Australian Masters Yield Fund No 5 Limited (since 2017)

- US Masters Residential Property Fund (since 2017)
- Emerging Markets Masters Fund (since 2017)
- Cordish Dixon Private Equity Fund I (since 2017)
- Cordish Dixon Private Equity Fund II (since 2017)
- Cordish Dixon Private Equity Fund III (since 2017)
- Evans & Partners Global Disruption Fund (since 2017)

## INFORMATION ON THE DIRECTORS OF WALSH & COMPANY INVESTMENTS LIMITED

ALEX MACLACHLAN BA (Cornell), MBA (Wharton)

**CHAIRMAN (Responsible Entity)**

**CEO, Walsh & Company**

Refer to information on the directors of New Energy Solar Limited.



TRISTAN O'CONNELL BComm (ANU), CPA

**DIRECTOR (Responsible Entity)**

**Group Chief Financial Officer and Company Secretary, Evans Dixon**

Tristan is Group Chief Financial Officer and Company Secretary for Evans Dixon and Director of Walsh & Company Investments Limited, the Responsible Entity for Cordish Dixon Private Equity Fund Series, Fort Street Real Estate Capital Fund Series, Emerging Markets Masters Fund, New Energy Solar Fund, US Masters Residential Property Fund and Evans & Partners Global Disruption Fund. Tristan is also a trustee of the US REIT/US Masters Residential Property (USA) Fund.

At Evans Dixon, Tristan oversees the finance and accounting function of the firm's group of companies. This incorporates funds management accounting for sixteen funds. He began his association with Dixon Advisory in 2005, joining to spearhead its financial management and growth.

Tristan brought to Dixon Advisory more than a decade in corporate financial and management roles within the wholesale markets industry. This included a long tenure at Tullet Prebon, one of the world's leading inter-dealer broker firms that specialise in over-the-counter interest rate, foreign exchange, energy and credit derivatives. Tristan was Financial Controller of the Australian operation and held senior finance roles in their Singapore and London offices.

Tristan has a Bachelor of Commerce from the Australian National University, is a member of CPA Australia and is a Fellow of the Financial Services Institute of Australasia.

During the past three years Tristan has acted as a non-executive director or director of the responsible entity of the following Australian listed public entities:

- US Masters Residential Property Fund (since 2011)
- Emerging Markets Masters Fund (since 2012)

- Cordish Dixon Private Equity Fund I (since 2012)
- Cordish Dixon Private Equity Fund II (since 2013)
- Cordish Dixon Private Equity Fund III (since 2016)
- Evans & Partners Global Disruption Fund (since 2017)

**WARWICK KENEALLY** BEd, BComm (ANU), CA

**DIRECTOR (Responsible Entity)**

**Head of Finance, Walsh & Company**

Refer to information on the directors of New Energy Solar Limited.

## INFORMATION ON THE COMPANY SECRETARIES

**HANNAH CHAN** BCom, MCom, CA

Hannah has a Bachelor of Commerce degree in Finance from the University of NSW and a Master of Commerce degree in Accounting from the University of Sydney. She is also a Chartered Accountant with the Institute of Chartered Accountants in Australia and New Zealand. Prior to joining Walsh & Company, Hannah gained extensive audit experience while working with Deloitte Touche Tohmatsu and Ernst & Young.

Hannah is also the Company Secretary of Australian Masters Yield Fund Series, Asian Masters Fund Limited, Australian Governance Masters Index Fund Limited and joint Company Secretary of Walsh & Company Investments Limited and Walsh and Company Asset Management Pty Limited. Hannah is a director of Australian Fund Accounting Services Pty Limited.

Hannah was appointed as Company Secretary on 19 November 2015.

**SIMON BARNETT** LLB, BA (Eco)

Simon is a lawyer with significant expertise assisting financial services businesses in dealing with regulators, structuring and launching new wholesale and retail products and navigating through the regulatory and legal issues that arise in this complex area of the law.

In addition to new product offerings and capital market transactions, Simon's experience extends to retail financial product advice, joint ventures and regulatory matters including ASX, ASIC and APRA issues, managed funds, privacy, AML/CTF legislation and risk and compliance policy frameworks.

Simon holds a Practising Certificate with the Law Society of NSW and is admitted as a solicitor of the Supreme Court of NSW and is a barrister and solicitor of the High Court of New Zealand. He has a Bachelor of Laws and a Bachelor of Arts (Economics) from the University of Otago.

Simon was appointed as Company Secretary on 19 November 2015.

## DIRECTORS' MEETINGS

The number of Directors' meetings of the Company held during the year ended 31 December 2017, and the number of meetings attended by each director were:

	NEW ENERGY SOLAR LIMITED BOARD	
	No. of meetings attended	No. of meetings eligible
Jeff Whalan	3	3
John Holland	3	3
Maxine McKew	3	3
James Davies	3	3
Alan Dixon	1	3
John Martin	3	3
Alex MacLachlan	6	6
Tom Kline	6	6
Adam Chandler	5	5
Warwick Keneally	1	1

Eligible: represents the number of meetings held during the time the director held office.

## AUDIT COMMITTEE MEETINGS

The Audit Committee was established in December 2017 following the listing of New Energy Solar on the Australian Stock Exchange. As such, the number of Audit Committee meetings held during the year ended 31 December 2017 was nil. The first Audit Committee meeting was held on 7 February 2018 post reporting balance date.

## REMUNERATION REPORT - NEW ENERGY SOLAR LIMITED

### (A) REMUNERATION POLICY

Under ASX Listing Rules, the maximum fees payable to directors may not be increased without the prior approval from the Company in general meeting. Directors will seek approval from time to time as deemed appropriate.

Under the Company's constitution, each director may be paid remuneration for ordinary services performed as a director. However, Alan Dixon, John Martin, Alex MacLachlan, Tom Kline, Adam Chandler and Warwick Keneally have agreed not

to be paid any remuneration for the services they performed as directors. John Martin who acts as CEO of the Fund and Tom Kline who acts as Executive Director North America are remunerated by the Investment Manager (or related entities of the Investment Manager). Investment Management fees are set out in note 18 to the financial statements.

The independent directors, John Holland, James Davies and Maxine McKew each are entitled to receive \$50,000 per annum respectively. As an independent chairperson, Jeffrey Whalan is entitled to receive \$75,000 per annum.

These fees exclude any additional fee for any service-based agreement which may be agreed upon from time to time and also excludes reimbursement of out of pocket expenses. These fees are inclusive of statutory superannuation, where appropriate.

## (B) KEY MANAGEMENT PERSONNEL REMUNERATION

Key management personnel include the directors who have authority and responsibility for planning, directing and controlling the activities of the Company. No other executive personnel are employed or remunerated by the Company.

Details of remuneration paid during the year to key management personnel are set out in the table below.

	SALARY, FEES AND COMMISSION	SUPERANNUATION CONTRIBUTIONS	CASH BONUS	NON-CASH BENEFITS	OTHER	TOTAL
2017	\$	\$	\$	\$	\$	\$
<b>Directors</b>						
Jeffrey Whalan *	11,416	1,084	-	-	-	12,500
John Holland *	8,333	-	-	-	-	8,333
Maxine McKew *	7,610	723	-	-	-	8,333
James Davies *	7,610	723	-	-	-	8,333
Alan Dixon	-	-	-	-	-	-
John Martin	-	-	-	-	-	-
Alex MacLachlan	-	-	-	-	-	-
Tom Kline	-	-	-	-	-	-
Adam Chandler	-	-	-	-	-	-
Warwick Keneally	-	-	-	-	-	-
	<b>34,969</b>	<b>2,530</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>37,499</b>

\* Remuneration represents payments made in respect of the period since appointment as director on 27 October 2017.

There were no comparative directors fees paid during the period 19 November 2015 to 31 December 2016.

### (C) SERVICE AGREEMENTS

The Company does not presently have formal service agreements or employment contracts with any key management personnel.

The Directors remuneration is not linked to the performance of the Company or Trust.

### (D) DIRECTORS' PROTECTION DEEDS

The Company has agreed to provide access to board papers and minutes to current and former directors of the Company while they are directors and for a period of seven years after they cease to be directors.

The Company has agreed to indemnify, to the extent permitted by the *Corporations Act 2001*, each officer in respect of certain liabilities, which the director may incur as a result of, or by reason of (whether solely or in part), being or acting as a Director of the Company. The Company has also agreed to maintain in favour of each director a directors' and officers' policy of insurance for the period that he or she is a director and for a period of seven years after the officer ceases to be a director.

### (E) BENEFICIAL AND RELEVANT INTEREST OF DIRECTORS IN SHARES

As at the date of this report, details of directors who hold shares for their own benefit or who have an interest in holdings through a third party and the total number of such shares held are listed as follows:

<b>DIRECTOR OF THE COMPANY</b>	<b>NO. OF SECURITIES</b>	<b>NO. OF CLASS A OPTIONS</b>	<b>NO. OF CLASS B OPTIONS</b>
Jeffrey Whalan	500,366	38,333	38,333
John Holland	-	-	-
James Davies	25,685	12,500	12,500
Maxine McKew	66,666	33,333	33,333
Alan Dixon	5,647,937	533,332	533,332
John Martin	493,725	233,998	233,998
<b>DIRECTOR OF THE RESPONSIBLE ENTITY OF THE TRUST</b>			
Alex MacLachlan	89,892	17,666	17,666
Tristan O'Connell	90,975	28,333	28,333
Warwick Keneally	47,998	23,999	23,999

## PRINCIPAL ACTIVITIES AND SIGNIFICANT CHANGES IN NATURE OF ACTIVITIES

The principal activities of the Company and the Trust during the year were pursuing and investing in large-scale solar plants that generate emissions-free power. There were no significant changes in the nature of these activities during the year.

## DISTRIBUTIONS

Distributions paid or declared to securityholders during, or since the end of, the year were as follows:

- 3.2 cents per stapled security for the six months ended 30 June 2017 paid on 15 August 2017 amounting to \$6,072,338.
- 4.0 cents per stapled security for the six months ended 31 December 2017 announced on 21 December 2017 amounting to \$13,051,907.

## REVIEW AND RESULTS OF OPERATIONS

For the year ended 31 December 2017, on a combined basis, the Fund's loss was \$7.1 million (19 November 2015 to 31 December 2016: \$7.0 million profit). The Company reported a profit of \$0.4 million (19 November 2015 to 31 December 2016: \$2.7 million profit) and the Trust reported a loss of \$7.5 million (19 November 2015 to 31 December 2016: \$4.3 million profit).

This 2017 loss was predominantly related to foreign exchange losses on US dollar denominated investments and loan receivables, offset by gains on underlying solar asset investment fair values. The foreign exchange losses noted were driven by the weakening of the US dollar against the Australian dollar over the year, with a 31 December 2017 closing A\$:US\$ rate of \$0.7809 compared to \$0.7208 as at 31 December 2016, which reflects a 7.7% depreciation of the US\$ against the A\$ during the year. Foreign exchange losses totaled \$27.9 million, comprised of \$11.6 million recorded as part of the fair value movements in the US denominated financial assets of the Company, \$15.4 million recorded as part of the fair value movements in the US denominated financial assets of the Trust and \$0.1 million and \$0.8 million foreign exchange losses recorded by the Company and the Trust respectively in relation to US denominated cash and receivables.

On a pre-currency movements basis, for the year ended 31 December 2017, on a combined basis, the Fund generated revenues of \$24.4 million (before currency movements), while operating expenses for the period totaled \$3.6 million (before currency movements), resulting in earnings (before currency movements) of \$20.8 million.

At 31 December 2017, on a combined basis, the Fund's net assets are \$472.3 million (31 December 2016: \$302.1 million), representing a net asset value per stapled security of \$1.45 (31 December 2016: \$1.59). The Company's net assets are \$210.5 million (31 December 2016: \$17.5 million), representing a net asset value per share of \$0.65 (31 December 2016: \$0.09) and the Trust's net assets are \$261.8 million (31 December 2016: \$284.6 million), representing a net asset value per unit of \$0.80 (31 December 2016: \$1.50).

During the year, the Fund provided total cash funding of \$162.6 million to the Company's wholly owned subsidiary New Energy Solar US Corp to enable the investment in US solar assets. This was split as equity funding of \$87.0 million from the Company and debt funding of \$75.6 million from the Trust.

On 26 June 2017, the Fund reallocated capital from the Trust to the Company. This was achieved by a capital return by the Trust of \$0.51 per issued unit in the Trust, which was compulsorily applied as a capital contribution for existing shares in the Company. The total number of stapled securities on issue did not change and the combined net asset value of the stapled securities remained the same before and immediately after the capital reallocation.

The purpose for undertaking the capital reallocation was to simplify inter-entity arrangements and allocate available capital so that it resides in the entity which provides the best outcome to Securityholders. The capital reallocation was approved by Securityholders at the Annual General Meeting held on 3 May 2017.

## SIGNIFICANT CHANGES IN STATE OF AFFAIRS

During the financial year, the Company and the Trust raised capital totaling \$99 million and \$103 million respectively as part an initial public offering and listing on the Australian Stock Exchange, for the purpose of carrying on the principal investment activities as described above in the report.

## EVENTS SUBSEQUENT TO THE REPORTING PERIOD

A distribution of 4.0 cents per stapled security totaling \$13,051,907 was declared on 21 December 2017 and was paid to securityholders on 15 February 2018. 3,657,035 stapled securities were issued under the Fund's Distribution Reinvestment Plan.

On 31 January 2018, NES Hercules Buyer LLC, a subsidiary of the Company, entered into an agreement to acquire a 200 MW<sub>DC</sub> solar plant (**200 MW<sub>DC</sub> plant**) in the United States to be constructed and operational by late 2019. Investment will occur progressively through to commissioning and completion of the 200 MW<sub>DC</sub> plant, coinciding with contractual milestones, with the total value of NES' investment at completion expected to be approximately \$335.2 million (US\$270 million). On 1 February 2018, NES Hercules Buyer LLC paid a deposit of \$23.3 million (US\$18.8 million) to the vendor of the 200 MW<sub>DC</sub> plant.

On 15 February 2018, NES Perseus HoldCo LLC, a subsidiary of the Company, acquired a 49% interest in the Boulder Solar I Facility, an operational 125 MW<sub>DC</sub> plant in Clarke County, Nevada in the United States for \$69.2 million (US\$55 million).

Other than the matters discussed above, no matter or circumstance has arisen since 31 December 2017 that has significantly affected, or may significantly affect the Company or the Trust's operations, the results of those operations, or the Company or the Trust's state of affairs in future financial years.

## FUTURE DEVELOPMENTS AND EXPECTED RESULTS OF OPERATIONS

The Company and the Trust will continue to undertake their activities described in this report. The Report to Stapled Securityholders which forms part of this financial report includes details of the outlook for solar markets in which the Company and the Trust invests. Further details are included in the Report to Stapled Securityholders and Manager's Report which forms part of this financial report.

## ENVIRONMENTAL REGULATION

The Company and the Trust are not subject to any particular and significant environmental regulations under a law of the Commonwealth or a State or Territory.

## OTHER RELEVANT INFORMATION

The following lists other relevant information required under the *Corporations Act 2001*:

- details of fees paid to the Responsible Entity during the financial year – refer to note 18 to the financial statements
- the Responsible Entity did not hold any interests in the Company or the Trust at the end of the financial year
- details of issued interests in the Company and the Trust during the financial year – refer to note 6 to the financial statements.

## INDEMNITY AND INSURANCE

Indemnities have been given and insurance premiums paid, during or since the end of the financial year, for all of the Directors of the Company. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

Under the Trust's constitution, the Responsible Entity, including its officers and employees, is indemnified out of the Trust's assets for any loss, damage expense or other liability incurred by it in properly performing or exercising any of its powers, duties or rights in relation to the Trust.

Insurance premiums have been paid, during or since the end of the financial year, for all of the directors of the Responsible Entity of the Trust. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

No indemnities have been given or insurance premiums paid, during or since the end of the financial year, for the auditor of the Company and the Trust.

## NON-AUDIT SERVICES

Details of the amounts paid or payable to the auditor, Deloitte Touche Tohmatsu, for non-audit services are outlined in note 19 to the financial statements.

The directors are satisfied that the provision of non-audit services during the financial year, by the auditor (or by another person or firm on the auditor's behalf), is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*.

The directors are of the opinion that the services as disclosed in note 19 to the financial statements do not compromise the external auditor's independence requirements of the *Corporations Act 2001* for the following reasons:

- all non-audit services are reviewed and approved prior to commencement to ensure they do not adversely affect the integrity and objectivity of the auditor; and
- none of the services undermine the general principles relating to auditor independence as set out in APES 110 'Code of Ethics for Professional Accountants' issued by the Accounting Professional & Ethical Standards Board, including reviewing or auditing the auditor's own work, acting in a management or decision-making capacity for the Fund, acting as advocate for the Fund or jointly sharing economic risks and rewards.

## AUDITOR'S INDEPENDENCE DECLARATION

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on the following page.

This report is made in accordance with a resolution of directors, pursuant to section 306(3) of the *Corporations Act 2001*.

On behalf of the directors



**ALEX MACLACHLAN**  
*Chairman of the Responsible Entity*

28 February 2018



**JEFFREY WHALAN**  
*Chairman of the Company*

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*Stanford SGS  
at sunset -  
September 2017*

# Auditor's Independence Declaration



*TID SGS ground view - September 2017*

# Auditor's Independence Declaration

FOR THE YEAR ENDED 31 DECEMBER 2017

## Deloitte.

Deloitte Touche Tohmatsu  
 ABN 74 490 121 060  
 Grosvenor Place  
 225 George Street  
 Sydney, NSW, 2000  
 Australia

Phone: +61 2 9322 7000  
 www.deloitte.com.au

The Board of Directors  
 New Energy Solar Limited and  
 Walsh & Company Investments Limited  
 As Responsible Entity for  
 New Energy Solar Fund  
 Level 15, 100 Pacific Highway  
 North Sydney NSW 2060

28 February 2018

Dear Board Members

### **New Energy Solar Limited and New Energy Solar Fund**

In accordance with section 307C of the *Corporations Act 2001*, I am pleased to provide the following declaration of independence to the directors of New Energy Solar Limited and to the directors of the Responsible Entity of New Energy Solar Fund.

As lead audit partner for the audit of the financial statements of New Energy Solar Limited and New Energy Solar Fund for the financial year ended 31 December 2017, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- (i) the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
- (ii) any applicable code of professional conduct in relation to the audit.

Yours sincerely



DELOITTE TOUCHE TOHMATSU



Michael Kaplan  
 Partner  
 Chartered Accountants

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TID SGS PV module close-up - September 2017

# Financial Statements



TID SGS ground view - September 2017

# Statement of Profit or Loss and Other Comprehensive Income

FOR THE YEAR ENDED 31 DECEMBER 2017

		NEW ENERGY SOLAR LIMITED (COMPANY)	NEW ENERGY SOLAR LIMITED (COMPANY)	NEW ENERGY SOLAR FUND (TRUST)	NEW ENERGY SOLAR FUND (TRUST)	FUND (COMBINED COMPANY AND TRUST)	FUND (COMBINED COMPANY AND TRUST)
	Notes	19-Nov-15 to 31-Dec-17 \$	19-Nov-15 to 31-Dec-16 \$	19-Nov-15 to 31-Dec-17 \$	19-Nov-15 to 31-Dec-16 \$	19-Nov-15 to 31-Dec-17 \$	19-Nov-15 to 31-Dec-16 \$
<b>Net income</b>							
Fair value gain/(loss) of financial assets at fair value through profit or loss	9	1,521,102	2,643,456	(15,403,191)	7,473,580	(13,882,089)	10,117,036
Foreign exchange gain/(loss)		(111,537)	336,060	(761,435)	(4,761,904)	(872,972)	(4,425,844)
Finance income	3	31,841	137,295	10,615,859	3,469,324	10,647,700	3,606,619
Other income		159,389	-	439,622	-	599,011	-
<b>Total net income</b>		<b>1,600,795</b>	<b>3,116,811</b>	<b>(5,109,145)</b>	<b>6,181,000</b>	<b>(3,508,350)</b>	<b>9,297,811</b>
Finance expenses		(240)	(375)	(423)	(547)	(663)	(922)
Responsible entity fees	18	-	-	(191,722)	(137,539)	(191,722)	(137,539)
Investment management fees	18	(234,594)	(209,098)	(353,919)	(1,033,740)	(588,513)	(1,242,838)
Accounting and audit fees		(154,333)	(8,531)	(318,124)	(165,642)	(472,457)	(174,173)
Legal and advisory expenses		(272,701)	(37,937)	(688,951)	(340,145)	(961,652)	(378,082)
Listing and registry expenses		(251,508)	(5,132)	(366,274)	(6,164)	(617,782)	(11,296)
Marketing expenses		(202,314)	(1,158)	(310,808)	(20,967)	(513,122)	(22,125)
Other operating expenses		(123,305)	(16,711)	(118,228)	(210,711)	(241,533)	(227,422)
<b>Total expenses</b>		<b>(1,238,995)</b>	<b>(278,942)</b>	<b>(2,348,449)</b>	<b>(1,915,455)</b>	<b>(3,587,444)</b>	<b>(2,194,397)</b>
<b>Profit/(loss) before tax</b>		<b>361,800</b>	<b>2,837,869</b>	<b>(7,457,594)</b>	<b>4,265,545</b>	<b>(7,095,794)</b>	<b>7,103,414</b>
Income tax expense	4	-	(85,643)	-	-	-	(85,643)
<b>Profit/(loss) after tax for the year</b>		<b>361,800</b>	<b>2,752,226</b>	<b>(7,457,594)</b>	<b>4,265,545</b>	<b>(7,095,794)</b>	<b>7,017,771</b>
<b>Other comprehensive income, net of income tax</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total comprehensive income/(loss) for the period</b>		<b>361,800</b>	<b>2,752,226</b>	<b>(7,457,594)</b>	<b>4,265,545</b>	<b>(7,095,794)</b>	<b>7,017,771</b>
<b>Earnings per security</b>							
Basic and diluted earnings/(loss) (cents per security)	5	0.18	2.74	(3.71)	4.24	(3.53)	6.98

The above statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes

# Statement of Financial Position

AS AT 31 DECEMBER 2017

	Notes	NEW ENERGY SOLAR LIMITED (COMPANY) 31-Dec-17 \$	NEW ENERGY SOLAR LIMITED (COMPANY) 31-Dec-16 \$	NEW ENERGY SOLAR FUND (TRUST) 31-Dec-17 \$	NEW ENERGY SOLAR FUND (TRUST) 31-Dec-16 \$	FUND (COMBINED COMPANY AND TRUST) 31-Dec-17 \$	FUND (COMBINED COMPANY AND TRUST) 31-Dec-16 \$
<b>ASSETS</b>							
<b>Current assets</b>							
Cash and cash equivalents	7	8,105,112	5,938,759	34,021,450	1,286,068	42,126,562	7,224,827
Trade and other receivables	8	800,078	2,568,543	1,230,916	2,395,197	2,030,994	4,963,740
<b>Total current assets</b>		<b>8,905,190</b>	<b>8,507,302</b>	<b>35,252,366</b>	<b>3,681,265</b>	<b>44,157,556</b>	<b>12,188,567</b>
<b>Non-current assets</b>							
Financial assets held at fair value through profit or loss	9	201,874,660	113,353,558	239,831,684	281,277,239	441,706,344	292,988,799
<b>Total non-current assets</b>		<b>201,874,660</b>	<b>113,353,558</b>	<b>239,831,684</b>	<b>281,277,239</b>	<b>441,706,344</b>	<b>292,988,799</b>
<b>Total assets</b>		<b>210,779,850</b>	<b>121,860,860</b>	<b>275,084,050</b>	<b>284,958,504</b>	<b>485,863,900</b>	<b>305,177,366</b>
<b>LIABILITIES</b>							
<b>Current liabilities</b>							
Trade and other payables	10	161,876	2,629,839	224,334	369,522	386,210	2,999,361
Current tax payable		85,643	85,643	-	-	85,643	85,643
Loans payable	11	-	101,641,998	-	-	-	-
Distribution payable	12	-	-	13,051,907	-	13,051,907	-
<b>Total current liabilities</b>		<b>247,519</b>	<b>104,357,480</b>	<b>13,276,241</b>	<b>369,522</b>	<b>13,523,760</b>	<b>3,085,004</b>
<b>Total liabilities</b>		<b>247,519</b>	<b>104,357,480</b>	<b>13,276,241</b>	<b>369,522</b>	<b>13,523,760</b>	<b>3,085,004</b>
<b>Net assets</b>		<b>210,532,331</b>	<b>17,503,380</b>	<b>261,807,809</b>	<b>284,588,982</b>	<b>472,340,140</b>	<b>302,092,362</b>
<b>EQUITY</b>							
Issued capital	6	207,418,305	14,751,154	264,999,858	280,323,437	472,418,163	295,074,591
Retained earnings/ (accumulated losses)		3,114,026	2,752,226	(3,192,049)	4,265,545	(78,023)	7,017,771
<b>Total equity</b>		<b>210,532,331</b>	<b>17,503,380</b>	<b>261,807,809</b>	<b>284,588,982</b>	<b>472,340,140</b>	<b>302,092,362</b>

The above statement of financial position should be read in conjunction with the accompanying notes

# Statement of Changes in Equity

FOR THE YEAR ENDED 31 DECEMBER 2017

## NEW ENERGY SOLAR LIMITED (COMPANY)

	Notes	Issued capital	Retained earnings	Total
		\$	\$	\$
<b>Balance at 19 November 2015 (date of registration)</b>		-	-	-
Profit after tax for the period		-	2,752,226	2,752,226
Other comprehensive income, net of income tax		-	-	-
<b>Total comprehensive income for the period</b>		-	<b>2,752,226</b>	<b>2,752,226</b>
Issue of securities		15,106,981	-	15,106,981
Capitalised issue costs, net of income tax		(355,827)	-	(355,827)
<b>Balance at 31 December 2016</b>		<b>14,751,154</b>	<b>2,752,226</b>	<b>17,503,380</b>
		Issued capital	Retained earnings	Total
		\$	\$	\$
<b>Balance at 1 January 2017</b>		<b>14,751,154</b>	<b>2,752,226</b>	<b>17,503,380</b>
Profit after tax for the year		-	361,800	361,800
Other comprehensive income, net of income tax		-	-	-
<b>Total comprehensive income for the year</b>		-	<b>361,800</b>	<b>361,800</b>
Issue of securities		100,061,862	-	100,061,862
Capitalised issue costs, net of income tax		(4,172,593)	-	(4,172,593)
Capital reallocation		96,777,882	-	96,777,882
<b>Balance at 31 December 2017</b>	6	<b>207,418,305</b>	<b>3,114,026</b>	<b>210,532,331</b>

## NEW ENERGY SOLAR FUND (TRUST)

		Issued capital	Retained earnings	Total
		\$	\$	\$
<b>Balance at 19 November 2015 (date of registration)</b>		-	-	-
Profit after tax for the period		-	4,265,545	4,265,545
Other comprehensive income, net of income tax		-	-	-
<b>Total comprehensive income for the period</b>		-	<b>4,265,545</b>	<b>4,265,545</b>
Issue of securities		287,032,631	-	287,032,631
Capitalised issue costs, net of income tax		(6,709,194)	-	(6,709,194)
<b>Balance at 31 December 2016</b>	6	<b>280,323,437</b>	<b>4,265,545</b>	<b>284,588,982</b>

The above statement of changes in equity should be read in conjunction with the accompanying notes

## NEW ENERGY SOLAR FUND (TRUST)

	Notes	Issued capital	Retained earnings/ (accumulated losses)	Total
		\$	\$	\$
<b>Balance at 1 January 2017</b>		<b>280,323,437</b>	<b>4,265,545</b>	<b>284,588,982</b>
Loss after tax for the year		-	(7,457,594)	(7,457,594)
Other comprehensive income, net of income tax		-	-	-
<b>Total comprehensive loss for the year</b>		<b>-</b>	<b>(7,457,594)</b>	<b>(7,457,594)</b>
Issue of securities		104,890,433	-	104,890,433
Capitalised issue costs, net of income tax		(4,311,885)	-	(4,311,885)
Capital reallocation		(96,777,882)	-	(96,777,882)
Distributions	12	(19,124,245)	-	(19,124,245)
<b>Balance at 31 December 2017</b>	<b>6</b>	<b>264,999,858</b>	<b>(3,192,049)</b>	<b>261,807,809</b>

## FUND (COMBINED COMPANY AND TRUST)

		Issued capital	Retained earnings	Total
		\$	\$	\$
<b>Balance at 19 November 2015 (date of registration)</b>		<b>-</b>	<b>-</b>	<b>-</b>
Profit after tax for the period		-	7,017,771	7,017,771
Other comprehensive income, net of income tax		-	-	-
<b>Total comprehensive income for the period</b>		<b>-</b>	<b>7,017,771</b>	<b>7,017,771</b>
Issue of securities		302,139,612	-	302,139,612
Capitalised issue costs, net of income tax		(7,065,021)	-	(7,065,021)
<b>Balance at 31 December 2016</b>		<b>295,074,591</b>	<b>7,017,771</b>	<b>302,092,362</b>
		Issued capital	Retained earnings/ (accumulated losses)	Total
		\$	\$	\$
<b>Balance at 1 January 2017</b>		<b>295,074,591</b>	<b>7,017,771</b>	<b>302,092,362</b>
Loss after tax for the year		-	(7,095,794)	(7,095,794)
Other comprehensive income, net of income tax		-	-	-
<b>Total comprehensive loss for the year</b>		<b>-</b>	<b>(7,095,794)</b>	<b>(7,095,794)</b>
Issue of securities		204,952,295	-	204,952,295
Capitalised issue costs, net of income tax		(8,484,478)	-	(8,484,478)
Distributions	12	(19,124,245)	-	(19,124,245)
<b>Balance at 31 December 2017</b>	<b>6</b>	<b>472,418,163</b>	<b>(78,023)</b>	<b>472,340,140</b>

The above statement of changes in equity should be read in conjunction with the accompanying notes

# Statement Of Cash Flows

FOR THE YEAR ENDED 31 DECEMBER 2017

		NEW ENERGY SOLAR LIMITED (COMPANY)	NEW ENERGY SOLAR LIMITED (COMPANY)	NEW ENERGY SOLAR FUND (TRUST)	NEW ENERGY SOLAR FUND (TRUST)	FUND (COMBINED COMPANY AND TRUST)	FUND (COMBINED COMPANY AND TRUST)
	Notes	31-Dec-17	19-Nov-15 to 31-Dec-16	31-Dec-17	19-Nov-15 to 31-Dec-16	31-Dec-17	19-Nov-15 to 31-Dec-16
		\$	\$	\$	\$	\$	\$
<b>Cash flows from operating activities</b>							
Interest income received		39,040	130,097	11,821,761	1,364,256	11,860,801	1,494,353
Payments to suppliers		(1,893,604)	(211,192)	(2,241,247)	(1,757,672)	(4,134,851)	(1,968,864)
<b>Net cash flow from operating activities</b>	7	<b>(1,854,564)</b>	<b>(81,095)</b>	<b>9,580,514</b>	<b>(393,416)</b>	<b>7,725,950</b>	<b>(474,511)</b>
<b>Cash flows from investing activities</b>							
Payments for investments	9	(87,000,000)	(110,710,102)	-	-	(87,000,000)	(110,710,102)
Loans to subsidiaries		-	-	(75,599,634)	(172,161,661)	(75,599,634)	(172,161,661)
Payments for forward FX contracts losses		-	-	(400,366)	-	(400,366)	-
<b>Net cash inflow/(outflow) from investing activities</b>		<b>(87,000,000)</b>	<b>(110,710,102)</b>	<b>(76,000,000)</b>	<b>(172,161,661)</b>	<b>(163,000,000)</b>	<b>(282,871,763)</b>
<b>Cash flows from financing activities</b>							
Proceeds from issue of securities	6	100,061,862	15,106,981	104,890,433	287,032,631	204,952,295	302,139,612
Payment of issue costs	6	(4,172,593)	(355,827)	(4,311,886)	(6,709,194)	(8,484,479)	(7,065,021)

The above statement of cash flows should be read in conjunction with the accompanying notes

		NEW ENERGY SOLAR LIMITED (COMPANY)	NEW ENERGY SOLAR LIMITED (COMPANY)	NEW ENERGY SOLAR FUND (TRUST)	NEW ENERGY SOLAR FUND (TRUST)	FUND (COMBINED COMPANY AND TRUST)	FUND (COMBINED COMPANY AND TRUST)
	Notes	31-Dec-17	19-Nov-15 to 31-Dec-16	31-Dec-17	19-Nov-15 to 31-Dec-16	31-Dec-17	19-Nov-15 to 31-Dec-16
		\$	\$	\$	\$	\$	\$
Proceeds from/ (payment of) capital reallocation	6	96,777,882	-	(96,777,882)	-	-	-
Proceeds/ (repayment) of loans from New Energy Solar Fund to New Energy Solar Limited	9	(101,641,998)	101,641,998	101,641,998	(101,641,998)	-	-
Distributions paid		-	-	(6,072,338)	-	(6,072,338)	-
<b>Net cash flow from financing activities</b>		<b>91,025,153</b>	<b>116,393,152</b>	<b>99,370,325</b>	<b>178,681,439</b>	<b>190,395,478</b>	<b>295,074,591</b>
<b>Net increase in cash and cash equivalents</b>		<b>2,170,589</b>	<b>5,601,955</b>	<b>32,950,839</b>	<b>6,126,362</b>	<b>35,121,428</b>	<b>11,728,317</b>
Cash at the beginning of the year		5,938,759	-	1,286,068	-	7,224,827	-
Effect of exchange rate changes		(4,236)	336,804	(215,457)	(4,840,294)	(219,693)	(4,503,490)
<b>Cash and cash equivalents at the end of the year</b>	7	<b>8,105,112</b>	<b>5,938,759</b>	<b>34,021,450</b>	<b>1,286,068</b>	<b>42,126,562</b>	<b>7,224,827</b>

The above statement of cash flows should be read in conjunction with the accompanying notes

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NC-31 Blocks 9 and 12 -  
February 2017

# Notes to the Financial Statements



Stanford SGS at sunset - September 2017

# Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2017

## 1. GENERAL INFORMATION

The financial statements comprise:

- New Energy Solar Limited (**Company**), a listed public company incorporated in Australia;
- New Energy Solar Fund (**Trust**), a listed managed investment scheme registered and domiciled in Australia, with Walsh & Company Investments Limited acting as Responsible Entity;

on a combined basis referred to as New Energy Solar (the **Fund**).

One share in the Company and one unit in the Trust have been stapled together to form a listed single stapled security (**Stapled Security**). These securities are publicly traded on the Australian Securities Exchange Limited (**ASX**).

The principal activity of the Company and the Trust is indirectly investing (via underlying investment entities) in large-scale solar plants that generate emissions-free power.

## BASIS OF PREPARATION

The financial statements have been prepared on an accrual basis and are based on historical cost with the exception of financial assets held at fair value through profit or loss, which are measured at fair value. All amounts are presented in Australian dollars unless otherwise noted.

## STATEMENT OF COMPLIANCE

The financial statements are general purpose financial statements which have been prepared in accordance with Australian Accounting Standards issued by the Australian Accounting Standards Board (**AASB**) and the *Corporations Act 2001*. Compliance with Australian Accounting Standards ensures the financial statements and notes to the financial statements of the Company and the Trust comply with the International Reporting Standards (**IFRS**) issued by the International Accounting Standards Board (**IASB**).

The financial statements were authorised for issue by the directors of the Company and the Responsible Entity of the Trust, Walsh & Company Investments Limited, on 28 February 2018. For the purposes of preparing the financial statements, the Company and the Trust are for-profit entities.

The Company and the Trust have each applied ASIC Corporations (Stapled Group Reports) Instrument 2015/838 and therefore include the financial statements of the other entity in their financial report in adjacent columns to their own financial statements.

The comparative period covers the period 19 November 2015 to 31 December 2016.

## AMENDMENTS TO ACCOUNTING STANDARDS THAT ARE MANDATORILY EFFECTIVE FOR THE CURRENT YEAR

The Company and the Trust have adopted all of the new and revised Standards and Interpretations issued by the AASB that are relevant to their operations and effective for an accounting period that begins on or after 1 January 2017.

New and revised Standards and amendments thereof and Interpretations effective for the current year that are relevant to the Company and the Trust include:

- AASB 1048 'Interpretation of Standards'
- AASB 2016-1 'Amendments to Australian Accounting Standards – Recognition of Deferred Tax Assets for Unrealised Losses'
- AASB 2016-2 'Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 107'
- AASB 2017-2 'Amendments to Australian Accounting Standards – Further Annual Improvements 2014-2016'

## ACCOUNTING STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE

At the date of authorisation of the financial statements, the Standards and Interpretations listed below were in issue but not yet effective. The potential impact of the new or revised Standards and Interpretations which will be applied in the financial year ending 31 December 2018 are not expected to be material. The potential impact of the new or revised Standards and Interpretations that will be effective for years ending on or after 31 December 2019 have not yet been determined.

STANDARD/INTERPRETATION	EFFECTIVE FOR ANNUAL REPORTING PERIODS BEGINNING ON OR AFTER	EXPECTED TO BE INITIALLY APPLIED IN THE FINANCIAL YEAR ENDING
AASB 15 'Revenue from Contracts with Customers', AASB 2014-5 'Amendments to Australian Accounting Standards arising from AASB 15', AASB 2015-8 'Amendments to Australian Accounting Standards – Effective Date of AASB 15' and AASB 2016-3 'Amendments to Australian Accounting Standards – Clarifications to AASB 15'	1 January 2018	31 December 2018
AASB 16 'Leases'	1 January 2019	31 December 2019

<b>STANDARD/INTERPRETATION</b>	<b>EFFECTIVE FOR ANNUAL REPORTING PERIODS BEGINNING ON OR AFTER</b>	<b>EXPECTED TO BE INITIALLY APPLIED IN THE FINANCIAL YEAR ENDING</b>
AASB 2014-10 'Amendments to Australian Accounting Standards – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture', AASB 2015-10 'Amendments to Australian Accounting Standards – Effective Date of Amendments to AASB 10 and AASB 128' and AASB 2017-5 'Amendments to Australian Accounting Standards – Effective Date of Amendments to AASB 10 and AASB 128 and Editorial Corrections'	1 January 2022  (Editorial corrections in AASB 2017-5 apply from 1 January 2018)	31 December 2022
AASB 2016-5 'Amendments to Australian Accounting Standards – Classification and Measurement of Share-based Payment Transactions'	1 January 2018	31 December 2018
AASB 2017-1 'Amendments to Australian Accounting Standards – Transfers of Investment Property, Annual Improvements 2014-2016 Cycle and Other Amendments'	1 January 2018	31 December 2018
AASB 2017-6 'Amendments to Australian Accounting Standards – Prepayment Features with Negative Compensation'	1 January 2019	31 December 2019
AASB 2017-7 'Amendments to Australian Accounting Standards – Long-term Interests in Associates and Joint Ventures (Amendments to IAS 28)'	1 January 2019	31 December 2019
Interpretation 22 'Foreign Currency Transactions and Advance Consideration'	1 January 2018	31 December 2018
Interpretation 23 'Uncertainty over Income Tax Treatments'	1 January 2019	31 December 2019

In addition, at the date of authorisation of the financial statements the following IASB Standards and IFRIC Interpretations were on issue but not yet effective, but for which Australian equivalent Standards and Interpretations have not yet been issued.

<b>STANDARD/INTERPRETATION</b>	<b>EFFECTIVE FOR ANNUAL REPORTING PERIODS BEGINNING ON OR AFTER</b>	<b>EXPECTED TO BE INITIALLY APPLIED IN THE FINANCIAL YEAR ENDING</b>
Annual Improvements to IFRS Standards 2015–2017 Cycle	1 January 2019	31 December 2019

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The following accounting policies have been adopted in the preparation and presentation of the financial report.

### A) BASIS FOR NON-CONSOLIDATION

New Energy Solar (or the **Fund**) comprises New Energy Solar Limited (the **Company**) and New Energy Solar Fund (the **Trust**). The equity securities of the Company and the Trust are stapled and cannot be traded separately.

The parent entity of the stapled group has been determined to be the Company. The Company holds investments, directly or indirectly, through subsidiaries or other underlying entities including the Trust which is considered to be a subsidiary of the Company under the accounting standards.

The Company and the Trust are considered to meet the definition of an “Investment Entity” as described in AASB 10 ‘Consolidated Financial Statements’ (refer below). Under AASB 10 an Investment Entity is required to hold its subsidiaries at fair value through the profit and loss rather than consolidate them. Subsidiaries are entities over which control is exercised. Control exists when the entity is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

As noted above the Trust is considered to be a subsidiary of the Company under accounting standards and is therefore required to be recorded by the Company at its fair value. However, the fair value of the Company’s investment in the Trust as reflected in the Company’s financial statements is considered to be nil as a result of the Company holding no direct interest in this subsidiary. The Company financial statements therefore include all of its own direct and indirect interest in subsidiaries at fair value, but do not reflect any value attributable to the Trust except for loans made between the Company and the Trust.

The financial statements of the Trust are shown separately under the heading “New Energy Solar Fund (Trust)”. As noted above because the Trust is considered to be an investment entity, its financial statements reflect its investment in its direct and indirect subsidiaries at fair value.

The column headed “**Fund**” in the financial statements represents non-IFRS financial information (Fund financial statements) which has been included to reflect the combined financial statements of the Company and the Trust, together representing the Fund. The Fund financial statements have been prepared to reflect the stapled securityholders’ combined interest in the Company and the Trust by aggregating the Company and the Trust financial information after eliminating transactions and balances between the Company and the Trust. The accounting policies adopted in the preparation of the Fund financial statements is consistent with that adopted in respect of the Company and the Trust financial statements.

#### Investment Entity Classification

Under the definition of an Investment Entity, as set out in AASB 10, an entity must satisfy all of the following three tests:

- obtains funds from one or more investors for the purpose of providing those 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; and
- measures and evaluates the performance of substantially all of its investments on a fair value basis.

The Company and the Trust satisfy the above three tests in consideration of the following factors:

- the Company and the Trust have multiple investors, having obtained funds from a diverse group of securityholders that would not otherwise have access individually to invest in renewable power generation assets;
- the business purpose of the Company and the Trust, is to invest funds for investment income and potential capital growth. The intended underlying assets, including those held directly or indirectly by the Company and the Trust, will have limited operational lives and therefore minimal residual value and so will not be expected to be held indefinitely; and
- the Company and Trust measure and evaluate performance of their existing and intended future underlying investments on a fair value basis which is most relevant for its securityholders.

The directors have also assessed that the Company meets the typical characteristics of an Investment Entity described in AASB 10 in that:

- it is a separate legal entity;
- ownership interests in the entity are held by a wide pool of investors who are not related parties; and
- through its subsidiary, New Energy Solar US Corp, it holds a portfolio of investments.

In respect of the Trust, the directors have assessed that whilst the first two characteristics above are met, since it presently does not hold any investments, it therefore does not meet all the typical characteristics described in the accounting standard. Notwithstanding this, the directors have concluded based on the structure and purpose of the stapled Trust, that it is appropriately classified as an Investment Entity in consideration of having the same investment business purpose consistent with that of the Company and it being in a relatively early stage of its investment cycle with asset acquisitions being actively sought.

## B) FUNCTIONAL AND PRESENTATION CURRENCY

The functional and presentation currency of the Company and the Trust is Australian dollars.

Transactions in foreign currencies are initially recorded in Australian dollars by applying the exchange rates at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies that are outstanding at the reporting date are retranslated at the rate of exchange at the Statement of Financial Position date. Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not translated.

## C) FINANCIAL INSTRUMENTS

Financial Instruments, incorporating financial assets and financial liabilities, are recognised when the Company and the Trust become a party to the contractual provisions of the instrument. The Company and the Trust have early adopted AASB 9 'Financial Instruments' which was issued in December 2014.

### i. Financial assets

Being "Investment Entities", the financial assets of both the Company and the Trust are measured initially and on an ongoing basis at fair value through profit or loss. Financial assets of the Company and the Trust includes investments in subsidiaries and receivables.

## ii. Financial liabilities

Financial liabilities are classified as derivative and non-derivative instruments as appropriate. The Company and the Trust determines the classification of its financial liabilities at initial recognition. All financial liabilities are recognised initially at fair value.

Non-derivative instruments are subsequently measured at amortised cost using the effective interest rate method.

Derivative instruments are subsequently measured at fair value, with movements recorded through profit or loss.

## iii. Derecognition

Financial assets are derecognised where the contractual rights to receipt of cash flows expire or the asset is transferred to another party whereby the entity no longer has any significant continuing involvement in the risks and benefits associated with the asset. Financial liabilities are derecognised where the related obligations are discharged or cancelled or expire. The difference between the carrying value of the financial liability extinguished or transferred to another party and the fair value of consideration paid, including the transfer of non-cash assets or liabilities assumed, is recognised in profit or loss.

## iv. Fair value

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants under current market conditions at the measurement date. The Responsible Entity of the Trust and the directors of the Company determine the fair value of subsidiary investments based on underlying assets information received from the Investment Manager. The Investment Manager's assessment of fair value of underlying asset investments is determined in accordance with AASB 13 'Fair Value Measurement', using discounted cash flow principles unless a more appropriate methodology is applied. The Investment Manager may at its discretion source independent valuers to undertake these valuations.

## D) IMPAIRMENT OF ASSETS

The directors of the Company and Responsible Entity assess at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, an estimate is made of the expected loss which is recognised in profit or loss.

No impairment assessment is performed in respect of financial assets where fair value changes are recorded in profit or loss.

## E) CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

## F) RECEIVABLES

Receivables are financial assets with a contractual right to receive fixed or determinable payments. Receivables are recorded at fair value through profit or loss.

## G) INTERESTS IN ASSOCIATES AND JOINT VENTURES

An associate is an entity over which the Company or the Trust has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

As permitted by AASB 128 'Investments in Associates and Joint Ventures' the Company and the Trust have elected to measure investments in associates and joint ventures at fair value through profit or loss.

## H) TRADE AND OTHER PAYABLES

Trade and other payables are recognised when the Company and the Trust becomes obliged to make payments resulting from the purchase of goods or services. The balance is unsecured and is recognised as a current liability with the amount being normally paid within 30 days of the recognition of the liability.

## I) PROVISIONS

Provisions are recognised when there is a present obligation (legal or constructive) as a result of a past event, it is probable an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

## J) BORROWINGS

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

Borrowings are classified as current liabilities unless there is an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

## K) TAXES

### i. Income tax

#### Australian Trust

Under current Australian income tax laws, the Responsible Entity (as trustee of the Trust) is not liable to pay income tax on the net (taxable) income of the Trust, provided the Trust is not a corporate unit trust or a public trading trust and its distributable income (taxable income) for each income year is fully distributed to securityholders, by way of cash or reinvestment.

#### Australian Company

Under current Australian income tax laws, the Company is liable to pay income tax at the prevailing corporate tax rate, currently 30%.

Deferred tax is accounted for using the balance sheet liability method. Temporary differences are differences between the tax base of an asset or liability and its carrying amount in the statement of financial position. The tax base of an asset or liability is the amount attributed to that asset or liability for tax purposes.

In principle, deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that sufficient taxable amounts will be available against which deductible temporary differences or unused tax losses can be utilised. However, deferred tax assets and liabilities are not recognised if the temporary differences giving rise to them arise from the initial recognition of assets and liabilities (other than as a result of a business combination) which affects neither taxable income nor accounting profit. Furthermore, a deferred tax liability is not recognised in relation to taxable temporary differences arising from the initial recognition of goodwill.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period(s) when the asset and liability giving rise to them are realised or settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the reporting date. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the company expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authority and the company intends to settle its current tax assets and liabilities on a net basis.

#### **ii. Goods and Services Tax (GST)**

Revenues, expenses and assets are recognised net of the amount of GST, except to the extent the amount of GST incurred is not recoverable from the Australian Taxation Office. In these circumstances, the unrecoverable GST is recognised as part of the cost of acquisition of the asset or as part of an item of expense.

Where fees are stated to be exclusive of GST and GST is payable on any fee, the fee will be increased by an amount equal to the GST payable. Cash flows are included in the Statement of Cash Flows on a gross basis, except for the GST component of cash flows arising from investing and financing activities which are disclosed as operating cash flows.

The Trust qualifies for reduced input tax credits at a minimum rate of 55% as a recognised trust scheme under specific provisions in the GST legislation.

### **L) REVENUE RECOGNITION**

Revenue is recognised and measured at the fair value of the consideration received or receivable to the extent it is probable that the economic benefits will flow to the Company and the Trust and the revenue can be reliably measured. All revenue is stated net of goods and services tax (GST).

#### **i. Interest income**

Interest income is recognised in profit or loss using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

#### **ii. Dividend/distribution income**

Dividend/distribution income is recognised on the date that the Company and the Trust's right to receive the dividend/distribution is established.

## M) EARNINGS PER SECURITY

Basic earnings per security is calculated by dividing the profit or loss attributable to securityholders by the weighted average number of securities outstanding during the financial year. Diluted earnings per security is the same as there are no potential dilutive ordinary securities as at reporting date.

## N) OPERATING SEGMENTS

The Company and the Trust currently operate in a single operating segment, being in the business of investing in solar asset plants. Presently these solar asset plants are owned in the United States of America.

## O) COMPARATIVES

When required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year.

## P) SHARE/UNIT CAPITAL

### i. Ordinary shares, units and options

Ordinary shares, units and options are classified as equity. Issued capital is recognised at the fair value of consideration received by the Company and the Trust. Incremental costs directly attributable to the issue of ordinary shares/units are recognised as a deduction from equity.

### ii. Dividend/distribution to securityholders

Dividends/distributions are recognised in the reporting period in which they are declared, determined, or publicly recommended by the board of the Company and/or the Responsible Entity.

## Q) CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

In the application of the Company and the Trust's accounting policies, management is required to make judgements, estimates and assumptions about carrying values of assets and liabilities that are not readily apparent from other sources.

Estimates and judgements are continually evaluated and based on historic experience and other factors believed to be reasonable under the circumstances.

### Investment entity classification

The directors have assessed that both the Company and the Trust continue to meet the definition of an Investment Entity. This assessment includes judgement of the factors supporting Investment Entity classification as set out in note 2(a).

### Fair value recognition

As the definition of an 'Investment Entity' under AASB 10 is met, the Company and the Trust account for their subsidiaries at fair value through profit or loss, rather than consolidating them. In performing this fair value assessment underlying investment assets are therefore measured at fair value for financial reporting purposes. Once an underlying asset held by a subsidiary has been owned for a period of no more than twelve months, the Board and the Responsible Entity will appoint the Investment Manager to produce investment valuations on an appropriate basis. Such valuations will be performed at least annually thereafter. The valuation of solar asset investments are based on discounted cash flow models which are subject to key estimates and assumptions relating to weighted average cost of capital, electricity prices, electricity production and operating expenses. The valuations include unobservable inputs and will therefore be categorised as Level 3 investments. The Investment Manager may at its discretion source independent valuers to undertake these valuations. Refer note 9 and note 15 for further information relating to fair value assessments.

## 3. FINANCE INCOME

	NEW ENERGY SOLAR LIMITED (COMPANY)	NEW ENERGY SOLAR LIMITED (COMPANY)	NEW ENERGY SOLAR FUND (TRUST)	NEW ENERGY SOLAR FUND (TRUST)	FUND (COMBINED COMPANY AND TRUST)	FUND (COMBINED COMPANY AND TRUST)
	31-Dec-17	19-Nov-15 to 31-Dec-16	31-Dec-17	19-Nov-15 to 31-Dec-16	31-Dec-17	19-Nov-15 to 31-Dec-16
	\$	\$	\$	\$	\$	\$
Interest income on cash at bank	31,841	137,295	29,205	1,372,900	61,046	1,510,195
Interest income on loan to New Energy Solar US Corp (subsidiary of the Company)	-	-	10,586,654	2,096,424	10,586,654	2,096,424
	<b>31,841</b>	<b>137,295</b>	<b>10,615,859</b>	<b>3,469,324</b>	<b>10,647,700</b>	<b>3,606,619</b>

## 4. INCOME TAX EXPENSE

	NEW ENERGY SOLAR LIMITED (COMPANY)	NEW ENERGY SOLAR LIMITED (COMPANY)	NEW ENERGY SOLAR FUND (TRUST)	NEW ENERGY SOLAR FUND (TRUST)	FUND (COMBINED COMPANY AND TRUST)	FUND (COMBINED COMPANY AND TRUST)
	19-Nov-15 to 31-Dec-17	19-Nov-15 to 31-Dec-16	19-Nov-15 to 31-Dec-17	19-Nov-15 to 31-Dec-16	19-Nov-15 to 31-Dec-17	19-Nov-15 to 31-Dec-16
	\$	\$	\$	\$	\$	\$
<b>Income tax expense</b>						
Current tax	-	85,643	-	-	-	85,643
<b>Aggregate income tax expense</b>	-	<b>85,643</b>	-	-	-	<b>85,643</b>
<b>Numerical reconciliation of income tax expense and tax at the statutory rate</b>						
Profit before income tax expense	361,800	2,837,869	(7,457,594)	4,265,545	(7,095,794)	7,103,414
Tax at the statutory Australian tax rate (Trust income tax at 0%)	108,540	851,361	-	-	108,540	851,361
Tax effect amounts which are not deductible/(taxable) in calculating taxable income:						
Fair value gains not assessable	(456,331)	(793,037)	-	-	(456,331)	(793,037)
Non-deductible expenses	38,569	36,729	-	-	38,569	36,729
Deferred tax asset not recognised	309,222	(9,410)	-	-	309,222	(9,410)
<b>Income tax expense</b>	-	<b>85,643</b>	-	-	-	<b>85,643</b>
<b>Deferred tax assets not recognised at balance date comprises:</b>						
	31-Dec-17	31-Dec-16	31-Dec-17	31-Dec-16	31-Dec-17	31-Dec-16
	\$	\$	\$	\$	\$	\$
Tax losses (revenue)	309,222	-	-	-	309,222	-
Deductible temporary differences	652,861	43,834	-	-	652,861	43,834
<b>Total</b>	<b>962,083</b>	<b>43,834</b>	-	-	<b>962,083</b>	<b>43,834</b>

## 5. EARNINGS PER SECURITY

### (i) Calculated earnings per security

	NEW ENERGY SOLAR LIMITED (COMPANY)	NEW ENERGY SOLAR LIMITED (COMPANY)	NEW ENERGY SOLAR FUND (TRUST)	NEW ENERGY SOLAR FUND (TRUST)	FUND (COMBINED COMPANY AND TRUST)	FUND (COMBINED COMPANY AND TRUST)
	19-Nov-15 to 31-Dec-17	19-Nov-15 to 31-Dec-16	19-Nov-15 to 31-Dec-17	19-Nov-15 to 31-Dec-16	19-Nov-15 to 31-Dec-17	19-Nov-15 to 31-Dec-16
	cents	cents	cents	cents	cents	cents

Basic and diluted earnings/ (loss) per security	0.18	2.74	(3.71)	4.24	(3.53)	6.98
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### (ii) Earnings used to calculate basic and diluted earnings per security

	\$	\$	\$	\$	\$	\$
Profit/(loss) from continued operations used to calculate basic and diluted earnings/ (loss) per security	361,800	2,752,226	(7,457,594)	4,265,545	(7,095,794)	7,017,771

### (iii) Weighted average number of securities

	No.	No.	No.	No.	No.	No.
Weighted average number of securities outstanding used to calculate basic earnings per security	200,796,527	100,514,417	200,796,527	100,514,417	200,796,527	100,514,417
Effect of dilution *	-	-	-	-	-	-

Weighted average number of securities outstanding used to calculate diluted earnings per security	200,796,527	100,514,417	200,796,527	100,514,417	200,796,527	100,514,417
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There are no transactions that would significantly change the number of securities at the end of the reporting period.

\* Outstanding options are "out of the money" (option exercise price exceeds security price) at balance date and therefore have no dilutionary impact on diluted earnings per security.

## 6. EQUITY – ISSUED CAPITAL

### (i) Movements in issued capital

	NEW ENERGY SOLAR LIMITED (COMPANY)	NEW ENERGY SOLAR LIMITED (COMPANY)	NEW ENERGY SOLAR FUND (TRUST)	NEW ENERGY SOLAR FUND (TRUST)	FUND (COMBINED COMPANY AND TRUST)	FUND (COMBINED COMPANY AND TRUST)
	19-Nov-15 31-Dec-17 to 31-Dec-16		19-Nov-15 31-Dec-17 to 31-Dec-16		19-Nov-15 to 31-Dec-16	
	\$	\$	\$	\$	\$	\$
<b>Balance at beginning of year</b>	<b>14,751,154</b>	<b>-</b>	<b>280,323,437</b>	<b>-</b>	<b>295,074,591</b>	<b>-</b>
Issue of securities –						
January 2016	-	8,951,293	-	170,074,565	-	179,025,858
December 2016	-	6,155,688	-	116,958,066	-	123,113,753
Capital reallocation –						
June 2017	96,777,882	-	(96,777,882)	-	-	-
Issue of securities –						
August 2017	1,065,106	-	1,852,993	-	2,918,099	-
December 2017	98,996,756	-	103,037,440	-	202,034,196	-
Less: Issue costs	(4,172,593)	(355,827)	(4,311,885)	(6,709,194)	(8,484,478)	(7,065,021)
Distributions – June 2017	-	-	(6,072,338)	-	(6,072,338)	-
Distributions – December 2017	-	-	(13,051,907)	-	(13,051,907)	-
<b>Balance as the end of year</b>	<b>207,418,305</b>	<b>14,751,154</b>	<b>264,999,858</b>	<b>280,323,437</b>	<b>472,418,163</b>	<b>295,074,591</b>

### (ii) Movements in stapled securities

	No.	No.	No.	No.	No.	No.
<b>Balance at beginning of year</b>	<b>189,760,552</b>	<b>-</b>	<b>189,760,552</b>	<b>-</b>	<b>189,760,552</b>	<b>-</b>
Issue of securities –						
January 2016	-	113,764,408	-	113,764,408	-	113,764,408
December 2016	-	75,996,144	-	75,996,144	-	75,996,144
Issue of securities –						
August 2017	1,847,668	-	1,847,668	-	1,847,668	-
Issue of securities –						
December 2017	134,689,464	-	134,689,464	-	134,689,464	-
<b>Balance as the end of year</b>	<b>326,297,684</b>	<b>189,760,552</b>	<b>326,297,684</b>	<b>189,760,552</b>	<b>326,297,684</b>	<b>189,760,552</b>

All issued stapled securities are fully paid. The holders of stapled share/unit securities are entitled to one vote per security at meetings of the Company and the Trust and are entitled to receive dividends/distributions declared from time to time by the Company and the Trust.

During the year, 67,344,732 Class A Options and 67,344,732 Class B Options were issued over stapled securities in the Fund for nil consideration in conjunction with the December 2017 security issue. At year end, 67,344,732 Class A Options and 67,344,732 Class B Options were outstanding. The Class A Options are exercisable at \$1.55 per security during a 20 business day period ending at 5.00pm (AEDT) on 8 February 2019. The Class B Options are exercisable at \$1.60 per security during a 20 business day period ending at 5.00pm (AEDT) on 8 August 2019.

## 7. CURRENT ASSETS – CASH AND CASH EQUIVALENTS

For the purposes of the statement of cash flows, cash and cash equivalents include cash on hand and in banks. Cash and cash equivalents at the end of the reporting period as shown in the statement of cash flows can be reconciled to the related items in the statement of financial position as follows:

	NEW ENERGY SOLAR LIMITED (COMPANY)	NEW ENERGY SOLAR LIMITED (COMPANY)	NEW ENERGY SOLAR FUND (TRUST)	NEW ENERGY SOLAR FUND (TRUST)	FUND (COMBINED COMPANY AND TRUST)	FUND (COMBINED COMPANY AND TRUST)
	31-Dec-17	31-Dec-16	31-Dec-17	31-Dec-16	31-Dec-17	31-Dec-16
	\$	\$	\$	\$	\$	\$
Cash and bank balances	8,105,112	5,938,759	34,021,450	1,286,068	42,126,562	7,224,827

Reconciliation of profit/(loss) after income tax to net cash used in operating activities:

	NEW ENERGY SOLAR LIMITED (COMPANY)	NEW ENERGY SOLAR LIMITED (COMPANY)	NEW ENERGY SOLAR FUND (TRUST)	NEW ENERGY SOLAR FUND (TRUST)	FUND (COMBINED COMPANY AND TRUST)	FUND (COMBINED COMPANY AND TRUST)
	19-Nov-15 to 31-Dec-17	19-Nov-15 to 31-Dec-16	19-Nov-15 to 31-Dec-17	19-Nov-15 to 31-Dec-16	19-Nov-15 to 31-Dec-17	19-Nov-15 to 31-Dec-16
	\$	\$	\$	\$	\$	\$
Profit/(loss) after income tax expense for the year	361,800	2,752,226	(7,457,594)	4,265,545	(7,095,794)	7,017,771
Adjustments for:						
Fair value movement of financial assets at fair value through profit or loss	(1,521,102)	(2,643,456)	15,403,191	(7,473,580)	13,882,089	(10,117,036)
Net foreign exchange gains	4,236	(336,804)	615,824	4,840,294	620,060	4,503,490
Change in operating assets and liabilities:						
Decrease/(Increase) in receivables	1,768,465	(2,568,543)	1,164,282	(2,395,197)	2,932,747	(4,963,740)
Increase/(decrease) in payables	(2,467,963)	2,629,839	(145,189)	369,522	(2,613,152)	2,999,361
Increase in provision for income tax	-	85,643	-	-	-	85,643
<b>Net cash flow from operating activities</b>	<b>(1,854,564)</b>	<b>(81,095)</b>	<b>9,580,514</b>	<b>(393,416)</b>	<b>7,725,950</b>	<b>(474,511)</b>

Reconciliation of liabilities arising from financing activities:

COMPANY	1-JAN-17	FINANCING CASH FLOWS	31-DEC-17
	\$	\$	\$
Loan payable	101,641,998	(101,641,998)	-
	<b>101,641,998</b>	<b>(101,641,998)</b>	<b>-</b>

There were no liabilities arising from financing activities in relation to the Trust.

## 8. CURRENT ASSETS – TRADE AND OTHER RECEIVABLES

	NEW ENERGY SOLAR LIMITED (COMPANY)	NEW ENERGY SOLAR LIMITED (COMPANY)	NEW ENERGY SOLAR FUND (TRUST)	NEW ENERGY SOLAR FUND (TRUST)	FUND (COMBINED COMPANY AND TRUST)	FUND (COMBINED COMPANY AND TRUST)
	31-Dec-17	31-Dec-16	31-Dec-17	31-Dec-16	31-Dec-17	31-Dec-16
	\$	\$	\$	\$	\$	\$
Interest receivable – New Energy Solar US Corp	-	7,199	833,753	2,183,457	833,753	2,190,656
GST receivable	301,851	22,498	397,163	211,740	699,014	234,238
Other receivables – subsidiary entity, New Energy Solar US Corp	498,227	2,538,846	-	-	498,227	2,538,846
	<b>800,078</b>	<b>2,568,543</b>	<b>1,230,916</b>	<b>2,395,197</b>	<b>2,030,994</b>	<b>4,963,740</b>

There are no balances included in receivables that contain assets that are impaired. The receivables are recorded at carrying amounts that are reasonable approximations of fair value.

## 9. NON-CURRENT ASSETS – FINANCIAL ASSETS HELD AT FAIR VALUE THROUGH PROFIT OR LOSS

The Fund owns its existing underlying solar asset portfolio through the Company's immediate subsidiary company, New Energy Solar US Corp. The Fund's investment in New Energy Solar US Corp consists of equity provided by the Company and debt provided by the Trust. As an 'Investment Entity' the Company records its equity investment in New Energy Solar US Corp at fair value, which comprises the assessed fair value of the underlying solar asset portfolio and the residual net assets of the company and its controlled entities. Similarly, the Trust as an 'investment entity' records its loan receivable at fair value.

At 31 December the fair value of the Company and Trust's combined total investment in New Energy Solar US Corp and its controlled entities comprises the following:

	NEW ENERGY SOLAR LIMITED (COMPANY)	NEW ENERGY SOLAR LIMITED (COMPANY)	NEW ENERGY SOLAR FUND (TRUST)	NEW ENERGY SOLAR FUND (TRUST)	FUND (COMBINED COMPANY AND TRUST)	FUND (COMBINED COMPANY AND TRUST)
	31-Dec-17	31-Dec-16	31-Dec-17	31-Dec-16	31-Dec-17	31-Dec-16
	\$	\$	\$	\$	\$	\$
Investment in New – Equity Energy Solar US Corp	201,874,660	113,353,558	-	-	201,874,660	113,353,558
– Loans	-	-	239,831,684	179,635,241	239,831,684	179,635,241
	<b>201,874,660</b>	<b>113,353,558</b>	<b>239,831,684</b>	<b>179,635,241</b>	<b>441,706,344</b>	<b>292,988,799</b>

Also at 31 December, the New Energy Solar Fund loan receivable from New Energy Solar Limited was as follows:

	NEW ENERGY SOLAR LIMITED (COMPANY)	NEW ENERGY SOLAR LIMITED (COMPANY)	NEW ENERGY SOLAR FUND (TRUST)	NEW ENERGY SOLAR FUND (TRUST)	FUND (COMBINED COMPANY AND TRUST)	FUND (COMBINED COMPANY AND TRUST)
	31-Dec-17	31-Dec-16	31-Dec-17	31-Dec-16	31-Dec-17	31-Dec-16
	\$	\$	\$	\$	\$	\$
Loan receivable from New Energy Solar Limited <sup>(i)</sup>	-	-	-	101,641,998	-	-
<b>Total financial assets held at fair value through profit or loss</b>	<b>201,874,660</b>	<b>113,353,558</b>	<b>239,831,684</b>	<b>281,277,239</b>	<b>441,706,344</b>	<b>292,988,799</b>

(i) As at 31 December 2017, New Energy Solar Limited has fully repaid amounts advanced to it by New Energy Solar Fund under the loan agreement (effective 5 July 2016) that was entered into to advance loans to each other from time to time. Any advances under this loan agreement were unsecured non-interest bearing and were repayable no later than 10 years from the commencement of the loan agreement but were immediately callable by the lending party.

The investment in New Energy Solar US Corp comprises on a "look-through" basis the following:

	NEW ENERGY SOLAR LIMITED (COMPANY)	NEW ENERGY SOLAR LIMITED (COMPANY)	NEW ENERGY SOLAR FUND (TRUST)	NEW ENERGY SOLAR FUND (TRUST)	FUND (COMBINED COMPANY AND TRUST)	FUND (COMBINED COMPANY AND TRUST)
	31-Dec-17	31-Dec-16	31-Dec-17	31-Dec-16	31-Dec-17	31-Dec-16
	\$	\$	\$	\$	\$	\$
Fair value of underlying solar asset interests held <sup>(i)</sup>	302,733,158	176,531,447	-	-	302,733,158	176,531,447
Cash or cash equivalents	216,994,573	1,054,462	-	-	216,994,573	1,054,462
Construction loans to underlying solar projects <sup>(ii)</sup>	22,303,041	-	-	-	22,303,041	-
Funds held in an escrow account to settle the NC-31 and NC-47 solar asset projects (settlement expected first half 2017)	-	123,395,278	-	-	-	123,395,278

	NEW ENERGY SOLAR LIMITED (COMPANY)	NEW ENERGY SOLAR LIMITED (COMPANY)	NEW ENERGY SOLAR FUND (TRUST)	NEW ENERGY SOLAR FUND (TRUST)	FUND (COMBINED COMPANY AND TRUST)	FUND (COMBINED COMPANY AND TRUST)
	31-Dec-17	31-Dec-16	31-Dec-17	31-Dec-16	31-Dec-17	31-Dec-16
	\$	\$	\$	\$	\$	\$
Fund on deposit as security for guarantees	-	19,712,290	-	-	-	19,712,290
Loan funding provided by New Energy Solar						
Fund to New Energy Solar US Corp <sup>(iii)</sup>	(239,831,684)	(179,635,241)	239,831,684	179,635,241	-	-
3rd party loan funding provided <sup>(iv)</sup>	(105,652,439)	(23,924,117)	-	-	(105,652,439)	(23,924,117)
Other net assets/liabilities	5,328,011	(3,780,561)	-	-	5,328,011	(3,780,561)
	<b>201,874,660</b>	<b>113,353,558</b>	<b>239,831,684</b>	<b>179,635,241</b>	<b>441,706,344</b>	<b>292,988,799</b>

(i) The balance recorded at 31 December 2017 relates to the company's interest in the NC-31, NC-47, Stanford and TID operating solar asset plants. The fair value of these assets is based on a discounted cash flow valuation as further described in note 15.

(ii) This balance represents loans provided in connection with the five solar asset plants acquired from Cypress Creek which are under construction. The loans are interest bearing and provided on commercial terms and are repayable at the earlier of the occurrence of specific construction milestones or pre-defined maturity dates.

(iii) As at 31 December 2017, Note Purchase Agreements with New Energy Solar US Corp that New Energy Solar Fund invested into in the order of US\$129,481,082 (effective 9 December 2016) and US\$57,803,480 (effective 15 December 2017) has been converted to Australian dollars at the prevailing A\$:US\$ spot rate of 0.7809 (31 December 2016 spot rate 0.7208). The loans to New Energy Solar US Corp have a 7 year loan term and a fixed interest rate of 6%. These loans are unsecured. Their carrying value is considered to represent their fair value at balance date.

(iv) In August 2017 NES US Funding 1 LLC, a wholly owned subsidiary of the company, entered into a US\$20.0 million term credit facility with KeyBank National Association. As at 31 December 2017, this facility was full drawn to US\$20.0 million. The loan matures on 23 August 2018. As part of the financing agreement, KeyBank National Association hold a charge over the NC-31 and NC-47 solar plant assets.

In October 2017 NES Antares HoldCo LLC, a wholly owned subsidiary of the company, issued senior secured fixed rate notes for a total value of US\$62.5million to notes purchasers via the United States private placement market. The notes are amortising over 24 years maturing 30 September 2041. As part of the note purchase agreements, the noteholders hold a charge over the Stanford SGS and TID SGS assets.

In addition to the above, during the year KeyBank National Association has also provided Letter of Credit facilities to both NES US Funding 1 LLC and NES Antares HoldCo LLC to the value of US\$4.8 million and US\$21.5 million expiring on 5 June 2027. As at 31 December 2017, these Letter of Credit facilities were drawn to US\$2.5 million and US\$19.6 million respectively.

Movement in the equity and debt investments associated with the Company and the Trust's investment in New Energy Solar US Corp during the year were as follows:

	NEW ENERGY SOLAR LIMITED (COMPANY)	NEW ENERGY SOLAR LIMITED (COMPANY)	NEW ENERGY SOLAR FUND (TRUST)	NEW ENERGY SOLAR FUND (TRUST)	FUND (COMBINED COMPANY AND TRUST)	FUND (COMBINED COMPANY AND TRUST)
	31-Dec-17	31-Dec-16	31-Dec-17	31-Dec-16	31-Dec-17	31-Dec-16
	\$	\$	\$	\$	\$	\$
<b>Investment in financial assets held at fair value through profit or loss</b>						
<b>opening balance</b>	<b>113,353,558</b>	<b>-</b>	<b>179,635,241</b>	<b>-</b>	<b>292,988,799</b>	<b>-</b>
Total funds invested during the year in New Energy Solar US Corp	87,000,000	110,710,102	75,599,634	172,161,662	162,599,634	282,871,764
Unrealised movement in fair value through profit or loss <sup>(i) (ii)</sup>	1,521,102	2,643,456	(15,403,191)	7,473,580	(13,882,089)	10,117,035
<b>Investment in financial assets held at fair value through profit or loss</b>						
<b>closing balance</b>	<b>201,874,660</b>	<b>113,353,558</b>	<b>239,831,684</b>	<b>179,635,241</b>	<b>441,706,344</b>	<b>292,988,799</b>

- (i) The Company's 'movement in fair value' amount of \$1,521,102 is comprised of a \$13,104,908 increase in New Energy Solar US Corp net asset value offset by an unrealised foreign exchange translation loss component of \$11,583,806. The net asset value increase is mainly associated with a fair value increase of solar assets, driven mainly by the favourable impact of the reduction of US federal corporate tax rates 35% to 21%, offset by interest expense incurred on loans provided by New Energy Solar Fund to New Energy Solar US Corp and loans provided by third parties to subsidiaries of the company, and other sundry operating expenses of the company and its subsidiaries.

- (ii) The Trust's 'movement in fair value' amount of \$(15,403,191) is comprised of foreign exchange losses during the year in relation to the US dollar denominated loan provided by the Trust to New Energy Solar US Corp. As at 31 December 2017, the value of Note Purchase Agreements with New Energy Solar US Corp that New Energy Solar Fund invested into in the order of US\$129,481,082 (effective 9 December 2016) and US\$57,803,480 (effective 15 December 2017) have been converted to Australian dollars at the prevailing A\$:US\$ spot rate of 0.7809 (31 December 2016 spot rate 0.7208). The loans to New Energy Solar US Corp have a 7 year loan term and a fixed interest rate of 6% and are unsecured. Based on an assessment at balance date, the loan carrying value is considered to materially represent its fair value at balance date.

## 10. CURRENT LIABILITIES – TRADE AND OTHER PAYABLES

	NEW ENERGY SOLAR LIMITED (COMPANY)	NEW ENERGY SOLAR LIMITED (COMPANY)	NEW ENERGY SOLAR FUND (TRUST)	NEW ENERGY SOLAR FUND (TRUST)	FUND (COMBINED COMPANY AND TRUST)	FUND (COMBINED COMPANY AND TRUST)
	31-Dec-17	31-Dec-16	31-Dec-17	31-Dec-16	31-Dec-17	31-Dec-16
	\$	\$	\$	\$	\$	\$
Trade payables	15,111	1,201	22,014	14,637	37,125	15,838
Accrued liabilities	136,115	2,628,638	197,856	354,885	333,971	2,983,523
Other liabilities	10,650	-	4,464	-	15,114	-
	<b>161,876</b>	<b>2,629,839</b>	<b>224,334</b>	<b>369,522</b>	<b>386,210</b>	<b>2,999,361</b>

The average credit period for trade payables is generally 30 days. No interest is charged on trade payables from the date of invoice. The Company and the Trust have risk management policies to ensure payables are paid within credit terms.

## 11. CURRENT LIABILITIES – LOANS PAYABLE

	NEW ENERGY SOLAR LIMITED (COMPANY)	NEW ENERGY SOLAR LIMITED (COMPANY)	NEW ENERGY SOLAR FUND (TRUST)	NEW ENERGY SOLAR FUND (TRUST)	FUND (COMBINED COMPANY AND TRUST)	FUND (COMBINED COMPANY AND TRUST)
	31-Dec-17	31-Dec-16	31-Dec-17	31-Dec-16	31-Dec-17	31-Dec-16
	\$	\$	\$	\$	\$	\$
<b>Loan payable to New Energy Solar Fund</b>	-	<b>101,641,998</b>	-	-	-	-

The loan payable relates to the loan agreement between New Energy Solar Fund and New Energy Solar Limited. Refer to note 9 for details.

## 12. DISTRIBUTIONS

Distributions paid or declared to securityholders during or since the end of the year were as follows:

- 3.2 cents per stapled security for the six months ended 30 June 2017 paid on 15 August 2017 amounting to \$6,072,338; and
- 4.0 cents per stapled security for the six months ended 31 December 2017 announced on 21 December 2017, paid on 15 February 2018 amounting to \$13,051,907.

## 13. OPERATING SEGMENTS

The Company and the Trust currently operate solely in a single segment being investing in solar assets. Presently, all solar assets are in the United States of America. Revenue, profit/(loss), net assets and other financial information reported to and monitored by the Chief Operating Decision Maker (CODM) for the single identified operating segment are the amounts reflected in the Statement of Profit & Loss and Other Comprehensive Income, Statement of Financial Position, Statement of Changes in Equity and Statement of Cash Flows.

The board of directors of the Company and the Responsible Entity of the Trust, together are considered to represent the CODM for the purposes of assessing performance and determining the allocation of resources.

## 14. FINANCIAL INSTRUMENTS

### CAPITAL MANAGEMENT

The Company and the Trust manage their capital to ensure that they will be able to continue as going concerns, while maximising the return to securityholders. The Company and the Trust's principal use of cash raised is to fund investments as well as ongoing operational expenses.

The directors monitor and review the broad structure of the Company and the Trust's capital on an ongoing basis. At balance date, the capital structure consists of equity only. There are no externally imposed capital requirements.

### FINANCIAL RISK MANAGEMENT OBJECTIVES

The Company and the Trust are exposed to the following risks from its use of financial instruments:

- market risk (market price risk, foreign exchange risk and interest rate risk);
- credit risk; and
- liquidity risk.

The directors of the Company and the Responsible Entity of the Trust have overall responsibility for the establishment and oversight of the risk management framework, including developing and monitoring risk management policies.

### A) MARKET RISK

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices, such as foreign exchange rates, interest rates and equity prices. The Company and the Trust are primarily exposed to market risks arising from fluctuations in market prices, foreign currency and interest rates. Refer to note 15 for further details of market price risk relating to the Company's investment portfolio.

The objective of market risk management is to manage and control market risk exposures within acceptable parameters while optimising the return.

### Foreign exchange risk

Foreign exchange risk arises on financial instruments that are denominated in a foreign currency. Foreign exchange rate movements will impact on the Australian dollar value of the Company's and the Trust's financial assets and liabilities denominated in a currency that is not the Company's or Trust's functional currency.

The Company and the Trust are exposed to US\$ foreign exchange risk through their US\$ denominated cash and receivable balances, their investment activities and income derived from these activities.

The table below details the carrying amounts of the Company's and the Trust's foreign currency denominated assets and liabilities (US\$) at the reporting date that are denominated in a currency different to the functional currency. This represents the Australian dollar exposure, converted at an exchange rate of 0.7809 (31 December 2016 rate 0.7208).

#### 31 DECEMBER 2017

	NEW ENERGY SOLAR LIMITED (COMPANY)	NEW ENERGY SOLAR FUND (TRUST)	FUND (COMBINED COMPANY AND TRUST)
	31-Dec-17	31-Dec-17	31-Dec-17
	\$	\$	\$
Cash and cash equivalents	110	11,569,618	11,569,728
Financial assets (equity investments)	201,874,660	-	201,874,660
Financial assets (loan receivables)	-	239,831,684	239,831,684
Financial assets (other receivables)	-	833,753	833,753
	<b>201,874,770</b>	<b>252,235,055</b>	<b>454,109,825</b>

#### 31 DECEMBER 2016

	NEW ENERGY SOLAR LIMITED (COMPANY)	NEW ENERGY SOLAR FUND (TRUST)	FUND (COMBINED COMPANY AND TRUST)
	31-Dec-16	31-Dec-16	31-Dec-16
	\$	\$	\$
Cash and cash equivalents	481	501	982
Financial assets (equity investments)	113,353,558	-	113,353,558
Financial assets (loan receivables)	-	179,635,241	179,635,241
Financial assets (other receivables)	-	2,174,813	2,174,813
	<b>113,354,039</b>	<b>181,810,555</b>	<b>295,164,594</b>

### Sensitivity Analysis

The effect of the foreign exchange risk relating to equity investments (investment in New Energy Solar US Corp) is recorded in profit or loss as part of the overall fair value movement in the financial asset (refer to note 9). The effect of foreign exchange risk relating to cash and cash equivalents, loans receivable and other receivables is recorded in profit or loss as a foreign exchange gain or loss.

The Company and the Trust considers a 5% movement in the A\$ against US\$ as at 31 December 2017 to be a reasonable possibility at the end of the reporting period. The impact of the strengthening and weakening of A\$ against US\$ in profit or loss is shown by the amounts below as it relates to cash and cash equivalents, equity investments, debt investments and other receivables. This analysis assumes that all other variables remain constant.

#### 31 DECEMBER 2017

	NEW ENERGY SOLAR LIMITED (COMPANY)	NEW ENERGY SOLAR FUND (TRUST)	FUND (COMBINED COMPANY AND TRUST)
<b>A\$ strengthened +5%</b>	<b>Effect on profit before tax \$</b>	<b>Effect on profit before tax \$</b>	<b>Effect on profit before tax \$</b>
Cash and cash equivalents	(5)	(550,934)	(550,939)
Financial assets (equity investments)	(9,613,079)	-	(9,613,079)
Financial assets (loan receivables)	-	(11,420,556)	(11,420,556)
Financial assets (other receivables)	-	(39,703)	(39,703)
	<b>(9,613,084)</b>	<b>(12,011,193)</b>	<b>(21,624,277)</b>
<b>A\$ weakened -5%</b>	<b>Effect on profit before tax \$</b>	<b>Effect on profit before tax \$</b>	<b>Effect on profit before tax \$</b>
Cash and cash equivalents	6	608,927	608,933
Financial assets (equity investments)	10,624,982	-	10,624,982
Financial assets (loan receivables)	-	12,622,720	12,622,720
Financial assets (other receivables)	-	43,882	43,882
	<b>10,624,988</b>	<b>13,275,529</b>	<b>23,900,517</b>

## 31 DECEMBER 2016

	NEW ENERGY SOLAR LIMITED (COMPANY)	NEW ENERGY SOLAR FUND (TRUST)	FUND (COMBINED COMPANY AND TRUST)
<b>A\$ strengthened +5%</b>	Effect on profit before tax \$	Effect on profit before tax \$	Effect on profit before tax \$
Cash and cash equivalents	(23)	(24)	(47)
Financial assets (equity investments)	(5,397,788)	-	(5,397,788)
Financial assets (loan receivables)	-	(8,554,059)	(8,554,059)
Financial assets (other receivables)	-	(103,563)	(103,563)
	<b>(5,397,811)</b>	<b>(8,657,646)</b>	<b>(14,055,457)</b>
<b>A\$ weakened -5%</b>	Effect on profit before tax \$	Effect on profit before tax \$	Effect on profit before tax \$
Cash and cash equivalents	25	26	51
Financial assets (equity investments)	5,965,977	-	5,965,977
Financial assets (loan receivables)	-	9,454,486	9,454,486
Financial assets (other receivables)	-	114,464	114,464
	<b>5,966,002</b>	<b>9,568,976</b>	<b>15,534,978</b>

In managements opinion the above sensitivity analysis is not representative of the inherent foreign exchange risk, as the year end exposure does not necessarily reflect the exposure during the course of the entire year.

**Interest rate risk**

Interest rate risk is the risk that cash flows associated with financial instruments will fluctuate due to changes in market interest rates.

The Company and the Trust are directly exposed to interest rate risk on their variable rate bank deposits and currently do not hedge against this exposure. The Trust does not bear interest rate risk on its loan funding provided to New Energy Solar US Corp as the loan interest rate is fixed for the duration of the loan facility.

### Sensitivity analysis

The Company and the Trust consider a 50 basis point increase or decrease to be a reasonably possible change in interest rates. The impact of a 50 basis point movement in interest rates on profit or loss and equity is shown in the table below.

#### 31 DECEMBER 2017

		NEW ENERGY SOLAR LIMITED (COMPANY)	NEW ENERGY SOLAR FUND (TRUST)	FUND (COMBINED COMPANY AND TRUST)
		Effect on profit before tax \$	Effect on profit before tax \$	Effect on profit before tax \$
Variable rate deposits	+50 basis points	40,526	170,107	210,633
Variable rate deposits	-50 basis points	(40,526)	(170,107)	(210,633)

#### 31 DECEMBER 2016

		NEW ENERGY SOLAR LIMITED (COMPANY)	NEW ENERGY SOLAR FUND (TRUST)	FUND (COMBINED COMPANY AND TRUST)
		Effect on profit before tax \$	Effect on profit before tax \$	Effect on profit before tax \$
Variable rate deposits	+50 basis points	29,694	6,430	36,124
Variable rate deposits	-50 basis points	(29,694)	(6,430)	(36,124)

### B) CREDIT RISK

Credit risk is the risk that contracting parties to a financial instrument will cause a financial loss for the Company or the Trust by failing to discharge an obligation. The Company and the Trust manage credit risk by ensuring deposits are made with reputable financial institutions. The majority of funds of the Company and the Trust at reporting date were deposited with Australia and New Zealand Banking Group Limited and Macquarie Bank Limited (Australia).

The carrying amount of financial assets that represents the maximum credit risk exposure at the reporting date are detailed below:

**31 DECEMBER 2017**

	<b>NEW ENERGY SOLAR LIMITED (COMPANY)</b>	<b>NEW ENERGY SOLAR FUND (TRUST)</b>	<b>FUND (COMBINED COMPANY AND TRUST)</b>
<b>Summary of exposure</b>	<b>31-Dec-17</b>	<b>31-Dec-17</b>	<b>31-Dec-17</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>
Cash and cash equivalents	8,105,112	34,021,450	42,126,562
Loans receivable *	-	239,831,684	239,831,684
Interest receivable	-	833,753	833,753
GST receivable	301,851	397,163	699,014
Other receivables – related party	498,227	-	498,227
	<b>8,905,190</b>	<b>275,084,050</b>	<b>283,989,240</b>

**31 DECEMBER 2016**

	<b>NEW ENERGY SOLAR LIMITED (COMPANY)</b>	<b>NEW ENERGY SOLAR FUND (TRUST)</b>	<b>FUND (COMBINED COMPANY AND TRUST)</b>
<b>Summary of exposure</b>	<b>31-Dec-16</b>	<b>31-Dec-16</b>	<b>31-Dec-16</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>
Cash and cash equivalents	5,938,759	1,286,068	7,224,827
Loans receivable *	-	281,277,239	179,635,241
Interest receivable	7,199	2,183,457	2,190,656
GST receivable	22,498	211,740	234,238
Other receivables – related party	2,538,846	-	2,538,846
	<b>8,507,302</b>	<b>284,958,504</b>	<b>191,823,808</b>

\* Loans receivable represent loans to New Energy Solar Limited (2016 only) and to New Energy Solar US Corp.

**C) LIQUIDITY RISK**

Liquidity risk is the risk that the Company or the Trust will encounter difficulty in meeting the obligations associated with their financial liabilities that are settled by delivering cash or another financial asset. The Company's and the Trust's approach to managing liquidity is to ensure, as far as possible, that they will always have sufficient liquidity to meet their liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's and the Trust's reputation.

The Company's and the Trust's liquidity primarily comprises cash at bank totaling \$8,105,112 and \$34,021,450 respectively at 31 December 2017 (\$5,938,759 and \$1,286,068 respectively at 31 December 2016) which is held to cover their day-to-day running costs and expenditures.

The following is the contractual maturity of financial liabilities. The table has been drawn based on the undiscounted cash flows of liabilities based on the earliest date on which the Company and the Trust can be required to settle the liability.

### 31 DECEMBER 2017

<b>NEW ENERGY SOLAR LIMITED (COMPANY)</b>	<b>On call</b>	<b>Less than 12 months</b>	<b>Remaining contractual maturities</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>
Trade and other payables	-	161,876	-
<b>NEW ENERGY SOLAR FUND (TRUST)</b>	<b>On call</b>	<b>Less than 12 months</b>	<b>Remaining contractual maturities</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>
Trade and other payables	-	224,334	-
<b>FUND (COMBINED COMPANY AND TRUST)</b>	<b>On call</b>	<b>Less than 12 months</b>	<b>Remaining contractual maturities</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>
Trade and other payables	-	386,210	-

### 31 DECEMBER 2016

<b>NEW ENERGY SOLAR LIMITED (COMPANY)</b>	<b>On call</b>	<b>Less than 12 months</b>	<b>Remaining contractual maturities</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>
Trade and other payables	-	2,629,839	-
Loans payable	101,641,998	-	-
<b>NEW ENERGY SOLAR FUND (TRUST)</b>	<b>On call</b>	<b>Less than 12 months</b>	<b>Remaining contractual maturities</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>
Trade and other payables	-	369,522	-
<b>FUND (COMBINED COMPANY AND TRUST)</b>	<b>On call</b>	<b>Less than 12 months</b>	<b>Remaining contractual maturities</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>
Trade and other payables	-	2,999,361	-

## 15. FAIR VALUE MEASUREMENT

The Company is exposed to market price risk based on its investment in underlying solar assets which are measured on a fair value basis.

### FAIR VALUE

The fair value of financial assets and financial liabilities approximate their carrying values at the reporting date.

The table below analyses recurring fair value measurements for financial assets. The fair value measurements are categorised into different levels in the fair value hierarchy based on the inputs to the valuation techniques used.

The different levels are defined as follows:

- Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).
- Level 3 – Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

### 31 DECEMBER 2017

<b>NEW ENERGY SOLAR LIMITED (COMPANY)</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Investments held at fair value through profit or loss	–	–	201,874,660	201,874,660
<b>NEW ENERGY SOLAR FUND (TRUST)</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Loans receivable at fair value	–	–	239,831,684	239,831,684
<b>FUND (COMBINED COMPANY AND TRUST)</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Investments held at fair value through profit or loss	–	–	201,874,660	201,874,660
Loans receivable at fair value	–	–	239,831,684	239,831,684

### 31 DECEMBER 2016

<b>NEW ENERGY SOLAR LIMITED (COMPANY)</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Investments held at fair value through profit or loss	–	113,353,558	–	113,353,558
<b>NEW ENERGY SOLAR FUND (TRUST)</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Loans receivable at fair value	–	281,277,239	–	281,277,239
<b>FUND (COMBINED COMPANY AND TRUST)</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Investments held at fair value through profit or loss	–	113,353,558	–	113,353,558
Loans receivable at fair value	–	179,635,241	–	179,635,241

Refer below for a description of the valuation basis adopted for the material asset class constituting the Company's equity investment in its subsidiary, New Energy Solar US Corp, being the underlying solar assets held at balance date.

Loan advances to New Energy Solar US Corp were made on arms-length terms and their fair value was assessed at balance date based on comparable market pricing. The assessment concluded that the loan carrying value is considered to materially represent its fair value at balance date.

## TRANSFERS DURING THE YEAR

The Company and the Trust recognises transfers between levels of the fair value hierarchy during the reporting period which the transfer has occurred. There were transfers between levels during the financial period from level 2 to level 3 where solar asset fair value measurements moved from being based on observable market based transactions in short proximity to balance date to a discounted cash flow methodology, which includes inputs that are not based on observable market data.

### Reconciliation of Level 3 fair value measurements

31 DECEMBER 2017

	NEW ENERGY SOLAR LIMITED (COMPANY)	NEW ENERGY SOLAR FUND (TRUST)	FUND (COMBINED COMPANY AND TRUST)	FUND (COMBINED COMPANY AND TRUST)
	Investments held at fair value through profit or loss \$	Loans receivable at fair value \$	Investments held at fair value through profit or loss \$	Loans receivable at fair value \$
Opening balance	-	-	-	-
Transfers into level 3	113,353,558	281,277,239	113,353,558	281,277,239
Total gains or losses:				
- in profit or loss	1,521,102	(15,403,191)	1,521,102	(15,403,191)
Total funds invested during the year in New Energy Solar US Corp	87,000,000	75,599,634	87,000,000	75,599,634
Disposals/settlements	-	(101,641,998)	-	(101,641,998)
<b>Closing balance</b>	<b>201,874,660</b>	<b>239,831,684</b>	<b>201,874,660</b>	<b>239,831,684</b>

## SOLAR ASSET VALUATION METHODOLOGY AND PROCESS

For underlying investments in solar plants under construction or acquired shortly (up to 12 months) prior to balance date, given the proximity of these acquisition dates to balance date, the directors assess the existence of any significant changes in market factors impacting the value of such assets in the interim period. The fair value of these assets at balance date may be considered to materially reflect their denominated currency purchase price paid inclusive of direct acquisition costs, where this represents the value at which the directors consider the assets could be sold in an orderly transaction between market participants at balance date.

For other underlying investments in solar plants which are operational at balance date, the Directors base the fair value of the investments in the solar assets held based on information received from the Investment Manager. At a minimum, valuations will be performed annually and otherwise as determined by the Directors. The Business engages suitably qualified independent valuation firms to assist in its assessment of fair market value.

The Directors review and consider the fair value arrived at by the Investment Manager, including any independent external valuation obtained, before incorporating into the fair value of the investments adopted. Fair value is calculated with reference to a discounted cash flow (**DCF**) methodology.

In a DCF analysis, the fair value of the renewable energy asset is derived from the present value of the asset's expected future cash flows, comprising a range of operating assumptions for revenues and costs and an appropriate discount rate range.

The Investment Manager reviews a range of sources in determining its fair market valuation of the renewable energy asset investments and applicable discount rate ranges. The analysis undertaken includes:

- reviewing the capital asset pricing model outputs and implied risk premia over relevant risk-free rates;
- comparing New Energy Solar's discount rates to global peers; and
- having a suitably qualified independent valuation firm review the discount rate ranges determined by the Investment Manager.

A broad range of assumptions are used in the valuation models. Given the long-term nature of the investments, the valuation inputs are assessed using long-term historical data to reflect the asset's life. Where possible, assumptions are based on observable market and technical data.

The Investment Manager also engages technical experts such as long-term electricity price forecasters to provide reliable long-term data for use in its valuations.

## FAIR VALUE OF SOLAR ASSET INVESTMENTS

As at 31 December 2017, the fair value of the operating solar asset investments was \$302.7 million (US\$236.4 million), comprising:

PLANT	FAIR VALUE AS AT 31 DECEMBER 2017 (\$)	FAIR VALUE AS AT 31 DECEMBER 2016 (\$)
Stanford SGS	US\$72.4 million	US\$67.7 million
TID SGS	US\$68.1 million	US\$59.5 million
NC-31	US\$45.0 million	–
NC-47	US\$50.9 million	–
<b>Total (US\$)</b>	<b>US\$236.4 million</b>	<b>US\$127.2 million</b>
A\$ to US\$ foreign exchange rate at balance date	0.7809	0.7208
<b>Total (A\$)</b>	<b>A\$302.7 million</b>	<b>A\$176.5 million</b>

The fair value of the Business' renewable energy assets as at 31 December 2017 was determined through the adoption of a pre-tax weighted average cost of capital (**WACC**) in the range of 6.2% to 7.3%.

The Company and the Trust have established a control framework with respect to measurement and assessment of fair values. The Board of Directors of the Company and the responsible entity of the Trust have overall responsibility for analysing the performance and fair value movements of underlying US investments during each reporting period.

## SENSITIVITY ANALYSIS

Set out below are the key assumptions the Directors believe would have a material impact upon the fair value of NES' renewable energy asset investments and NAV per Stapled Security should they change. The following sensitivities assume the relevant input is changed over the entire useful life of each of the underlying renewable energy assets, while all other variables remain constant. All sensitivities have been calculated independently of each other.

The Directors consider the changes in inputs to be within a reasonable expected range based on their understanding of market transactions. This is not intended to imply that the likelihood of change or that possible changes in value would be restricted to this range.

Input	31 DECEMBER 2017			31 DECEMBER 2016 *	
	Change in input	Change in fair value of investments (A\$ thousands)	Change in NAV per Stapled Security (A\$ cents)	Change in fair value of investments (A\$) *	Change in NAV per Stapled Security (A\$ cents) *
A\$/US\$ foreign exchange rate	+ 5.0%	(14,420)	(4.42)	NA	NA
	- 5.0%	15,938	4.88	NA	NA
Pre-tax discount rate	+ 0.5%	(18,983)	(5.82)	NA	NA
	- 0.5%	21,071	6.46	NA	NA
Electricity production (change from P50)	P90	(34,557)	(10.59)	NA	NA
	P10	29,122	8.93	NA	NA
Electricity prices	- 10.0%	(16,911)	(5.18)	NA	NA
	+ 10.0%	16,911	5.18	NA	NA
Operations and maintenance expenses	+ 10.0%	(10,166)	(3.12)	NA	NA
	10.0%	10,166	3.12	NA	NA

\* As at 31 December 2016 the investments were recorded at carrying cost representing fair value. Therefore DCF sensitivities were not applicable.

### FOREIGN EXCHANGE RATE

The fair value of NES' renewable energy asset investments are first determined in US\$ for financial reporting purposes. The sensitivity shown looks at the impact of a change in the A\$ to US\$ exchange rate. A 5% appreciation and 5% depreciation of assumed US\$ to A\$ exchange rate (of A\$: US\$0.7809 as at 31 December 2017) has been considered to determine the resultant impact on NES's fair value of investments and NAV per Stapled Security.

### PRE-TAX DISCOUNT RATE

The value of NES' operating renewable energy asset investments are determined using a pre-tax WACC approach based on the Capital Asset Pricing Model. This approach takes into account long-term assumptions regarding risk-free rates, market risk premia, applicable tax rates, gearing levels, counterparty quality and asset specific items. The pre-tax WACC range used to determine the fair market valuation of its underlying solar assets is in the range of 6.2% to 7.3%.

This sensitivity demonstrates the impact of a change in the pre-tax WACC applied to all of NES' renewable energy asset investments as at 31 December 2017. A range of +/- 0.5% has been considered to determine the resultant impact on NES's NAV per Stapled Security and fair market value of its investments.

### ELECTRICITY PRODUCTION

NES' operating renewable energy asset investments are valued based upon a forecast P50 solar energy generation profile (being a 50% probability that this generation estimate will be met or exceeded). A technical adviser has derived this generation estimate by taking into account a range of irradiation datasets, satellite and ground-based measurements, and site-specific loss factors including module performance degradation, module mismatch and inverter losses. These items are then considered in deriving the anticipated production of the individual site (MWh per annum) based upon a 50% probability of exceedance.

The sensitivity shown looks at the impact on the fair value of investments and NAV per Stapled Security of a change of production estimates to P90 (90% likely probability of exceedance) and a P10 generation estimate calculated as a 7.5% increase in the P50 production yield.

As P10 generation estimates were not independently obtained for each asset on or about the time of the asset acquisition, the Directors have determined a proxy P10 estimate for those assets by assessing the relationship between the independently determined P50 and P90 generation estimates for each of the assets in the Operating Portfolio (e.g. a one-year P90 generation estimate might be 92.5% of a one-year P50 generation estimate, implying that it is 7.5% lower than the P50 generation estimate).

In determining the proxy P10 generation estimate, the Directors have assumed that the relationship between a P50 generation estimate and a P10 generation estimate is the same as that between a P50 generation estimate and a P90 generation estimate in absolute terms. Therefore a 1-year P10 generation estimate by this methodology would be 107.5% (i.e. 100% + 7.5%) of the asset's P50 generation estimate.

## ELECTRICITY PRICES

Each of the assets underlying NES' renewable energy asset investments have long-term PPAs in place with creditworthy energy purchasers and thus the PPA prices are not impacted by energy price changes during this period. For the post-PPA period of each asset, the Directors use long-term electricity price forecasts that have been prepared by a leading market consultant in their determination of the fair value of NES' operating renewable energy asset investments.

The sensitivities show the impact of an increase/decrease in power prices for each year of the power price curve for each plant over the plant's remaining economic life (after the conclusion of the existing PPAs). A flat 10% increase/decrease in market electricity prices from forecasted levels over the remaining asset life of all plants from the valuation date have been used in the sensitivity analysis.

## OPERATING EXPENSES

The operating costs of the assets underlying NES' renewable energy asset investments include annual operations and maintenance (O&M), asset management (AM), insurance expenses, land lease expenses, major maintenance and general administration expenses.

The sensitivity above assumes a 10% increase/decrease in annual operating costs for all underlying assets and the resultant impact on NES's fair value of investments and NAV per Stapled Security.

## LOAN FAIR VALUE SENSITIVITY ANALYSIS

The Directors have also assessed the impact of a change in interest rate environment on the fair value of the loan receivable to New Energy Solar US Corp held by the Trust as set out below.

Input	Change in input	31 DECEMBER 2017		31 DECEMBER 2016	
		Change in fair value of investments (A\$ thousands)	Change in NAV per Stapled Security (A\$ cents)	Change in fair value of investments (A\$ thousands)	Change in NAV per Stapled Security (A\$ cents)
US interest rates	+ 0.5%	(6,086)	(1.87)	(4,961)	(2.61)
	- 0.5%	6,255	1.92	5,114	2.69

Sensitivity of the loan receivable to foreign exchange movements is included in note 14.

## 16. CONTROLLED AND JOINTLY CONTROLLED ENTITIES

As 'Investment Entities' the Company and the Trust recognise all underlying investments in its subsidiaries and jointly controlled entities at fair value through profit or loss. Below is the legal name for the Holding Company and the remaining legal entities controlled or jointly controlled through the investment in the Holding Company at reporting date.

### COMPANY

Name of entity	Place of registration and operation	Direct or Indirect Holding	Principal Activity	Economic interest 31 Dec 2017	Economic interest 31 Dec 2016
New Energy Solar US Corp.	United States of America	Direct	HoldCo	100.00%	100.00%
NES Rosamond 1S, LLC	United States of America	Indirect	SPV	100.00%	100.00%
SSCA XLI Class B Member HoldCo, LLC	United States of America	Indirect	SPV	99.90%	99.90%
SSCA XLI Class B Member, LLC	United States of America	Indirect	SPV	100.00%	100.00%
NES Rosamond 2T, LLC	United States of America	Indirect	SPV	100.00%	100.00%
GFS I Class B Member HoldCo, LLC	United States of America	Indirect	SPV	99.90%	99.90%
GFS I Class B Member, LLC	United States of America	Indirect	SPV	100.00%	100.00%
NES US NC-31 LLC	United States of America	Indirect	SPV	100.00%	100.00%
NES US NC-47 LLC	United States of America	Indirect	SPV	100.00%	100.00%
NES US Funding 1, LLC	United States of America	Indirect	SPV	100.00%	-
NES Antares HoldCo, LLC	United States of America	Indirect	SPV	100.00%	-
NES Orion HoldCo, LLC	United States of America	Indirect	SPV	100.00%	-
NES Callisto Lender, LLC	United States of America	Indirect	SPV	100.00%	-
SSCA XLI Holding Company, LLC	United States of America	Indirect	SPV	(i)	(i)
GFS I Holding Company, LLC	United States of America	Indirect	SPV	(i)	(i)
US-NC-31 Sponsor Partner, LLC	United States of America	Indirect	SPV	(i)	(i)
US-NC-47 Sponsor Partner, LLC	United States of America	Indirect	SPV	(i)	(i)
NES Rigel HoldCo, LLC	United States of America	Indirect	SPV	99.00%	-

## TRUST

Name of entity	Place of registration and operation	Direct or Indirect Holding	Principal Activity	Economic interest 31 Dec 2017	Economic interest 31 Dec 2016
	N/A	N/A	N/A	N/A	N/A

(i) The economic interest percentage held is not readily determinable since the investors have different classes of shares with entitlements which change over time, including preferential entitlements and entitlements to tax losses.

All Special Purpose Vehicle (SPV) activities relate to ownership and operation of solar energy assets.

## 17. KEY MANAGEMENT PERSONNEL

### DIRECTORS

The following persons were directors of New Energy Solar Limited during the financial year:

**Jeffrey Whalan** – Non-Executive Chairperson (appointed 27 October 2017)

**Maxine McKew** – Non-Executive Director (appointed 27 October 2017)

**James Davies** – Non-Executive Director (appointed 27 October 2017)

**John Holland** – Non-Executive Director (appointed 27 October 2017)

**John Martin** (appointed 27 October 2017)

**Alan Dixon** (appointed 27 October 2017)

**Alex MacLachlan** (resigned 27 October 2017)

**Tom Kline** (resigned 27 October 2017)

**Adam Chandler** (appointed 3 May 2017, resigned 27 October 2017)

**Warwick Keneally** (resigned 3 May 2017)

The following persons were directors of Walsh & Company Investments Limited during the financial year:

**Alex MacLachlan**

**Tristan O'Connell**

**Tom Kline** (resigned 16 May 2017)

**Warwick Keneally** (appointed 16 May 2017)

John Martin, Alex MacLachlan and Tom Kline are also directors of the Investment Manager, New Energy Solar Manager Pty Limited.

## KEY MANAGEMENT PERSONNEL REMUNERATION

The remuneration of directors and other members of key management personnel during the year was as follows:

	31 DEC 2017	31 DEC 2016
	\$	\$
Short-term benefits	37,499	-
Post-employment benefits	-	-
Other long-term benefits	-	-
Share-based payments	-	-
Termination benefits	-	-
	<b>37,499</b>	<b>-</b>

As at the reporting date, details of directors who hold securities for their own benefit or who have an interest in holdings through a third party and the total number of such securities held are listed as follows:

DIRECTOR OF THE COMPANY	NO. OF SECURITIES	NO. OF CLASS A OPTIONS	NO. OF CLASS B OPTIONS
Jeffrey Whalan	500,366	38,333	38,333
John Holland	-	-	-
James Davies	25,000	12,500	12,500
Maxine McKew	66,666	33,333	33,333
Alan Dixon	5,326,679	533,332	533,332
John Martin	480,593	233,998	233,998
<b>DIRECTOR OF THE RESPONSIBLE ENTITY OF THE TRUST</b>			
Alex MacLachlan	87,494	17,666	17,666
Tristan O'Connell	88,549	28,333	28,333
Warwick Keneally	47,998	23,999	23,999

## 18. RELATED PARTY DISCLOSURES

### KEY MANAGEMENT PERSONNEL

Disclosures relating to key management personnel are set out in note 17 and the remuneration report included in the Directors' Report.

### RELATED PARTY INVESTMENTS IN THE FUND

The Responsible Entity or its associates does not hold any investments in the Company or the Trust.

### RESPONSIBLE ENTITY FEE

Walsh & Company Investments Limited, as Responsible Entity of the Trust receives a Responsible Entity Fee for the performance of its duties under the constitution of the Trust. The Responsible Entity Fee is 0.08% per annum (exclusive of GST) calculated on the gross asset value of the Trust and payable monthly in arrears by the Trust.

For the year ended 31 December 2017, \$182,632 (19 November 2015 to 31 December 2016: \$132,450), exclusive of GST, was paid or payable to the Responsible Entity.

Total Responsible Entity fee included in trade and other payables of the Trust at 31 December 2017 is \$19,523 (31 December 2016: \$19,362).

### INVESTMENT MANAGER FEE

Since December 2017, New Energy Solar Manager Pty Limited, as Investment Manager of the Fund receives an Investment Manager Fee of 0.7% per annum (exclusive of GST) calculated on the Enterprise Value of the Fund, payable quarterly in arrears. Fees are either payable by the Company, Trust or Controlled Entities depending on the recipient of investment manager services.

Prior to listing on the Australian Stock Exchange, New Energy Solar Manager Pty Limited received an Investment Manager Fee of 0.7% per annum (exclusive of GST) calculated on the gross asset value of the combined Company and Trust and their respective Controlled Entities, payable monthly in arrears. Fees were either payable by the Company, Trust or Controlled Entities depending on the recipient of investment manager services.

For the year ended 31 December 2017, \$233,902 (19 November 2015 to 31 December 2016: \$205,705), exclusive of GST, was paid or payable to the Investment Manager by the Company, \$352,544 (19 November 2015 to 31 December 2016: \$1,011,184), exclusive of GST, was paid or payable by the Trust and \$1,822,903 (19 November 2015 to 31 December 2016: nil), exclusive of GST, was paid or payable by New Energy Solar US Corp, a controlled entity of the Company.

Total Investment Manager fee included in trade and other payables at 31 December 2017 is \$29,384 (31 December 2016: \$69,983) for the Company and \$36,802 (31 December 2016: \$108,989) for the Trust.

### STRUCTURING AND HANDLING FEES

In respect of the Offer by the Fund under the Product Disclosure Statement & Prospectus dated 2 November 2017, the Responsible Entity was entitled to receive a Contribution Fee of 3.0% (excluding GST), which was broken down by the Responsible Entity into the Structuring Fee of 0.75% (excluding GST) and the Handling Fee of 2.25% (excluding GST), of the gross proceeds raised by the Fund under the Offer, payable after the close of the Offer. The component of the Contribution Fee payable by the Trust falls under the Trust Constitution. The component of the Contribution Fee payable by the Company falls under an agreement between the Responsible Entity and the Company.

For the year ended 31 December 2017, Structuring and Handling fees of \$2,969,903, exclusive of GST, was paid to the Responsible Entity by the Company and \$3,091,123, exclusive of GST, was paid by the Trust. There were no outstanding Structuring and Handling Fees as at 31 December 2017.

Per the Product Disclosure Statement & Prospectus dated 2 November 2017, the fees noted above were then used to partially or fully fund the payment of fees to Morgan Stanley, Evans and Partners, Walsh & Company and other Licensees in relation to the capital raising.

In relation to prior year Structuring Fees, in respect of the Offers by the Fund, the Responsible Entity was entitled to receive a Structuring Fee of 1.5% (excluding GST) of the gross proceeds raised by the Fund under the Offers, payable after the close of the Offers. For the period 19 November 2015 to 31 December 2016, \$226,605, exclusive of GST, was paid to the Responsible Entity by the Company and \$4,305,489, exclusive of GST, was paid by the Trust. There were no outstanding Structuring Fees as at 31 December 2016.

In relation to prior year Handling Fees, in respect of the Offers by the Fund, Dixon Advisory Superannuation Services, a related party of the Responsible Entity, was entitled to receive a Handling Fee of 1.5% (excluding GST) of the gross proceeds raised by the Fund under the Offers, payable after the close of the Offers. The Handling Fee payable was set out under the Product Disclosure Statements for capital raisings undertaken. For the period 19 November 2015 to 31 December 2016, \$227,840, exclusive of GST, was paid to Dixon Advisory Superannuation Services by the Company and \$4,328,956, exclusive of GST, was paid by the Trust. In respect of the Handling Fee payments made, for the first capital raising in January 2016, the Handling Fee was deducted from the gross proceeds raised by the Fund with the Company and Trust receiving the net proceeds, and for the second capital raising in December 2016, the Fund received the gross proceeds and the Company and Trust paid the Handling Fee to Dixon Advisory Superannuation Services. There were no outstanding Handling fees as at 31 December 2016.

## ACQUISITION AND DISPOSAL FEE

New Energy Solar Manager Pty Limited, in its capacity as Investment Manager, is responsible for sourcing, undertaking due diligence investigations, recommending solar energy asset acquisitions as well as advising, providing recommendations, and executing investment exit strategies to the Fund.

The Investment Manager receives an Acquisition Fee of 1.5% (excluding GST) of the purchase price (excluding acquisition costs) of assets acquired by the Company and the Trust or their respective Controlled Entities. The Acquisition Fee is payable to the Investment Manager upon completion of the acquisition of any asset by the Company and the Trust or their respective Controlled Entities, and prorated fee payment in the case of an acquisition by instalments/part-payments.

The Investment Manager receives a Disposal Fee of 1.5% (excluding GST) of the net proceeds of the sale of any asset of the Company and the Trust or their respective Controlled Entities. The Disposal Fee is payable to the Investment Manager upon completion of sale of any asset disposed of by the Company and the Trust or their respective controlled entities.

For the year ended 31 December 2017, Acquisition Fees of \$1,821,312 (19 November 2015 to 31 December 2016: \$nil), exclusive of GST, was paid or payable to the Investment Manager by New Energy Solar US Corp, a Controlled Entity of the Company. For the year ended 31 December 2017, no acquisition fees (period 19 November 2015 to 31 December 2016: \$2,538,846), exclusive of GST, was paid or payable to the Investment Manager directly by the Company.

Total Acquisition Fees included in trade and other payables of the Company at 31 December 2017 is nil (31 December 2016: \$2,538,846).

There were no disposal fees paid to the Investment Manager for the year ended 31 December 2017 (19 November 2015 to 31 December 2016: nil).

### FUND ADMINISTRATION FEES

Australian Fund Accounting Services Pty Limited, a wholly-owned subsidiary of Dixon Advisory Group Limited, the parent of the Responsible Entity, provides fund administration services to the Company and the Trust under an agreement with the Investment Manager. Time spent by staff is charged to the Company and the Trust at agreed rates. These services include net asset valuation, management accounting, statutory reporting, capital management and taxation. Total fund administration fees paid or payable for the year ended 31 December 2017 were \$26,300 (19 November 2015 to 31 December 2016: \$3,000), exclusive of GST, by the Company and \$93,700 (19 November 2015 to 31 December 2016: \$57,000), exclusive of GST, by the Trust.

Total fund administration fees included in trade and other payables at 31 December 2016 is \$13,090 (31 December 2016: \$3,000) for the Company and \$19,910 (31 December 2016: \$57,000) for the Trust.

### DEBT ARRANGING FEES

Walsh & Company Corporate Advisory, a division of Walsh & Company Asset Management Pty Limited which is a wholly-owned subsidiary of Dixon Advisory Group Limited, the parent of the Responsible Entity, was engaged on 21 June 2017 to provide debt arranging services to the Fund, including contacting and liaising with capital providers, negotiating borrowing terms, obtaining credit ratings, implementing interest rate hedging strategies and executing documentation. Walsh & Company Corporate Advisory were successful in securing debt, interest rate hedging and letter of credit facilities at competitive terms for the Fund, providing diversification to the Fund's capital sources.

For this service, Walsh & Company Corporate Advisory received a debt arranging fee of ranging from 0.5%–2.0% of the face value of new third party debt and letter of credit facilities.

During the year, Walsh & Company Corporate Advisory successfully negotiated new debt and banking facilities totaling US\$108.8 million (A\$139.3 million) and associated interest rate hedging.

For the year ended 31 December 2017, debt arranging fees of \$2,051,103 (19 November 2015 to 31 December 2016: nil) was paid or payable to Walsh & Company Corporate Advisory by wholly owned subsidiaries of NES US Corp.

Total debt arranging fees included in trade and other payables of the Company and the Trust at 31 December 2017 is nil (31 December 2016: nil).

### PROJECT SERVICES AGREEMENT

New Energy Solar US Corp, a subsidiary of the Company, has entered into a non-exclusive arrangement dated 27 October 2017 with NES Project Services, LLC for the provision of asset management, operations and maintenance services and/or construction management services (**Services**). The agreement is for an initial one year term, with rolling one year extensions if the agreement has not been terminated. The Services will be provided upon request by NES US Corp. at prevailing market rates at the time. The Services will be provided on arm's length and commercial terms.

No services have been provided under this agreement for the year ended 31 December 2017.

## DEVELOPMENT AGREEMENT

The Trust and Company have entered into an arrangement dated 27 October 2017 with NES Development Services Pty Limited (**NES Development Services**) pursuant to which they have appointed NES Development Services on a non-exclusive basis to provide asset development services to the Fund from time to time as agreed between the parties for any renewables project, including but not limited to individual large scale solar plants, which the Fund directly or indirectly invests in from time to time.

The asset development services will be provided on arm's length and commercial terms. Under the agreement, the Fund also has a first right of refusal to purchase assets developed and offered for sale by NES Development Services from time to time. The acquisition of assets developed by NES Development Services will be offered on terms to be agreed by the parties which must be on arm's length commercial terms. The Fund is under no obligation to accept the offer. The agreement is for an initial one-year term, with rolling one-year extensions if the agreement has not been terminated.

No services have been provided under this agreement for the year ended 31 December 2017.

## 19. REMUNERATION OF AUDITORS

During the financial year the following fees were paid or payable for services provided by Deloitte Touche Tohmatsu, the auditor of the Company and the Trust:

	NEW ENERGY SOLAR LIMITED (COMPANY)	NEW ENERGY SOLAR LIMITED (COMPANY)	NEW ENERGY SOLAR FUND (TRUST)	NEW ENERGY SOLAR FUND (TRUST)
	31-Dec-17	31-Dec-17	31-Dec-17	31-Dec-17
	\$	\$	\$	\$
<b>Auditors of the Company and the Trust</b>				
<b>Deloitte Touche Tohmatsu</b>				
Audit and review of the Company and the Trust financial statements	54,340	4,750	88,660	90,250
Other advisory services, including IPO related services	141,456	3,275	149,744	62,225
Taxation services	7,996	12,824	33,122	243,657
	<b>203,792</b>	<b>20,849</b>	<b>271,526</b>	<b>396,132</b>

Fees were also paid by subsidiaries of the Company to Deloitte Touche Tohmatsu as follows:

Audit of subsidiary financial statements \$60,000

Fees were also paid by subsidiaries of the Company to other audit firms – Deloitte Tax LLP as follows:

Taxation services \$171,961

## 20. CAPITAL COMMITMENTS

As at 31 December 2017, the Company and the Trust do not have any direct outstanding capital commitments.

## 21. CONTINGENT LIABILITIES

The directors of the Company and Responsible Entity are not aware of any potential liabilities or claims against the Company or the Trust as at the end of the reporting period.

## 22. EVENTS AFTER THE REPORTING PERIOD

A distribution of 4.0 cents per stapled security totaling \$13,051,907 was declared on 21 December 2017 and was paid to securityholders on 15 February 2018. 3,657,035 stapled securities were issued under the Fund's Distribution Reinvestment Plan.

On 31 January 2018, NES Hercules Buyer LLC, a subsidiary of the Company, entered into an agreement to acquire a 200 MW<sub>DC</sub> solar plant (**200 MW<sub>DC</sub> plant**) in the United States to be constructed and operational by late 2019. Investment will occur progressively through to commissioning and completion of the 200 MW<sub>DC</sub> plant, coinciding with contractual milestones, with the total value of NES' investment at completion expected to be approximately \$335.2 million (US\$270 million). On 1 February 2018, NES Hercules Buyer LLC paid a deposit of \$23.3 million (US\$18.8 million) to the vendor of the 200 MW<sub>DC</sub> plant.

On 15 February 2018, NES Perseus HoldCo LLC, a subsidiary of the Company, acquired a 49% interest in the Boulder Solar I Facility, an operational 125 MW<sub>DC</sub> plant in Clarke County, Nevada in the United States for \$69.2 million (US\$55 million).

Other than the matters discussed above, no matter or circumstance has arisen since 31 December 2017 that has significantly affected, or may significantly affect the Company or the Trust's operations, the results of those operations, or the Company or the Trust's state of affairs in future financial years.

# Directors' Declaration

FOR THE YEAR ENDED 31 DECEMBER 2017

The directors of the Company and directors of the Responsible Entity of the Trust declare that, in the directors' opinion:

- the financial statements and notes thereto are in accordance with the *Corporations Act 2001*, including compliance with the Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*;
- the financial statements are in compliance with International Financial Reporting Standards as stated in the notes to the financial statements;
- the attached financial statements and notes give a true and fair view of the Company and the Trust's financial position as at 31 December 2017 and of their performance for the financial year ended on that date; and
- there are reasonable grounds to believe that the Company and the Trust will be able to pay their debts as and when they become due and payable.

The directors have been given the declarations required by section 295A of the *Corporations Act 2001*.

This declaration is made in accordance with a resolution of the directors made pursuant to section 295(5) of the *Corporations Act 2001*.

On behalf of the directors



**ALEX MACLACHLAN**

*Chairman of the Responsible Entity*

28 February 2018



**JEFFREY WHALAN**

*Chairman of the Company*

# Independent Auditor's Report

FOR THE YEAR ENDED 31 DECEMBER 2017

## Deloitte.

Deloitte Touche Tohmatsu  
 ABN 74 490 121 060  
 Grosvenor Place  
 225 George Street  
 Sydney, NSW, 2000  
 Australia

Phone: +61 2 9322 7000  
 www.deloitte.com.au

### Independent Auditor's Report to the Stapled Security Holders of New Energy Solar Limited and New Energy Solar Fund

#### Report on the Audit of the Financial Report

##### Opinion

We have audited the financial report of New Energy Solar Limited (the "Company") and New Energy Solar Fund (the "Trust"), which comprise the statements of financial position as at 31 December 2017, the statements of profit or loss and other comprehensive income, the statements of changes in equity and the statements of cash flows for the year then ended, and notes to the financial statements, including a summary of accounting policies and other explanatory information, and the directors' declarations.

In our opinion the accompanying financial report of the Company and the Trust, is in accordance with the *Corporations Act 2001*, including:

- (i) giving a true and fair view of the Company and Trust's financial position as at 31 December 2017 and of their financial performance for the year then ended; and
- (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

##### Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Company and the Trust in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Company and the directors of Walsh & Company Investments Limited (the "Responsible Entity" of the Trust), would be in the same terms if given to the directors as at the time of this auditor's report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

##### Key Audit Matters

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

## Deloitte.

Key Audit Matter	How the scope of our audit responded to the Key Audit Matter
<p><i>Fair Value Recognition - Company</i></p> <p>As at 31 December 2017 the Company has determined the fair value of its investment in its immediate subsidiary company, New Energy Solar US Corp., to be \$201.9 million as disclosed in Note 9. The fair value amount comprises the assessed fair value of the underlying solar asset portfolio and the residual net assets of New Energy Solar US Corp. and its controlled entities.</p> <p>As disclosed in note 2(q), significant estimation uncertainty is involved in the determination of the fair value of the underlying solar asset portfolio. This is based on discounted cash-flow models, subject to key assumptions including weighted average cost of capital (WACC), electricity production, electricity prices and operating expenses, and as a result was a key audit matter.</p>	<p>Our procedures included, but were not limited to:</p> <ul style="list-style-type: none"> <li>• Obtaining an understanding of the key processes adopted by Management to determine the fair value of the Company's investment in its subsidiary New Energy Solar US Corp., including the fair value of underlying solar energy assets held;</li> <li>• Obtaining management's valuation models in respect of the solar asset portfolio and: <ul style="list-style-type: none"> <li>• In conjunction with our valuation specialists assessing the appropriateness of the approach adopted in the valuation models and assessing the reasonableness of the assumptions underlying the WACC and the electricity price forecasts adopted;</li> <li>• Agreeing a sample of inputs to underlying power purchase contracts, supplier agreements and independent data sources relating to electricity production and future electricity price forecasts; and</li> <li>• Testing on a sample basis the mathematical accuracy of the valuation models.</li> </ul> </li> <li>• Obtaining Management's expert valuation report and: <ul style="list-style-type: none"> <li>• Assessing the objectivity and competence of the valuer; and</li> <li>• Assessing the valuer's considerations and conclusions reached, including consistency with Management's valuation model outputs.</li> </ul> </li> <li>• Assessing the appropriateness of the disclosures included in Note 2, Note 9 and Note 15.</li> </ul>

### *Other Information*

The directors of the Company and the Responsible Entity of the Trust (the "Directors") are responsible for the other information. The other information comprises the information included in the Company and the Trust's annual report for the year ended 31 December 2017, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information we are required to report that fact. We have nothing to report in this regard.

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### *Responsibilities of the Directors for the Financial Report*

The directors are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the ability of the Company and the Trust to continue as going concerns, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or the Trust or to cease operations, or have no realistic alternative but to do so.

### *Auditor's Responsibilities for the Audit of the Financial Report*

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company or the Trust's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company or the Trust's ability to continue as going concerns. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company or the Trust to cease to continue as going concerns.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial report of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

### Report on the Remuneration Report

#### *Opinion on the Remuneration Report*

We have audited the Remuneration Report included in pages 15 to 17 of the Directors' Report for the year ended 31 December 2017.

In our opinion, the Remuneration Report of New Energy Solar Limited, for the year ended 31 December 2017, complies with section 300A of the *Corporations Act 2001*.

#### *Responsibilities*

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

### Report on the Fund Financial Statements

#### *Opinion on the Fund Financial Statements*

We have audited the Fund Financial Statements, representing the combined financial statements of the Company and the Trust ("the Fund"), which comprises the statement of financial position as at 31 December 2017, the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of accounting policies.

In our opinion, the accompanying Fund Financial Statements for the year ended 31 December 2017 are prepared, in all material respects, in accordance with the basis of preparation described in note 2(a).

#### *Responsibilities*

The directors are responsible for the preparation and presentation of the Fund Financial Statements. Our responsibility is to express an opinion on the Fund Financial Statements based on our audit conducted in accordance with Australian Auditing Standards.



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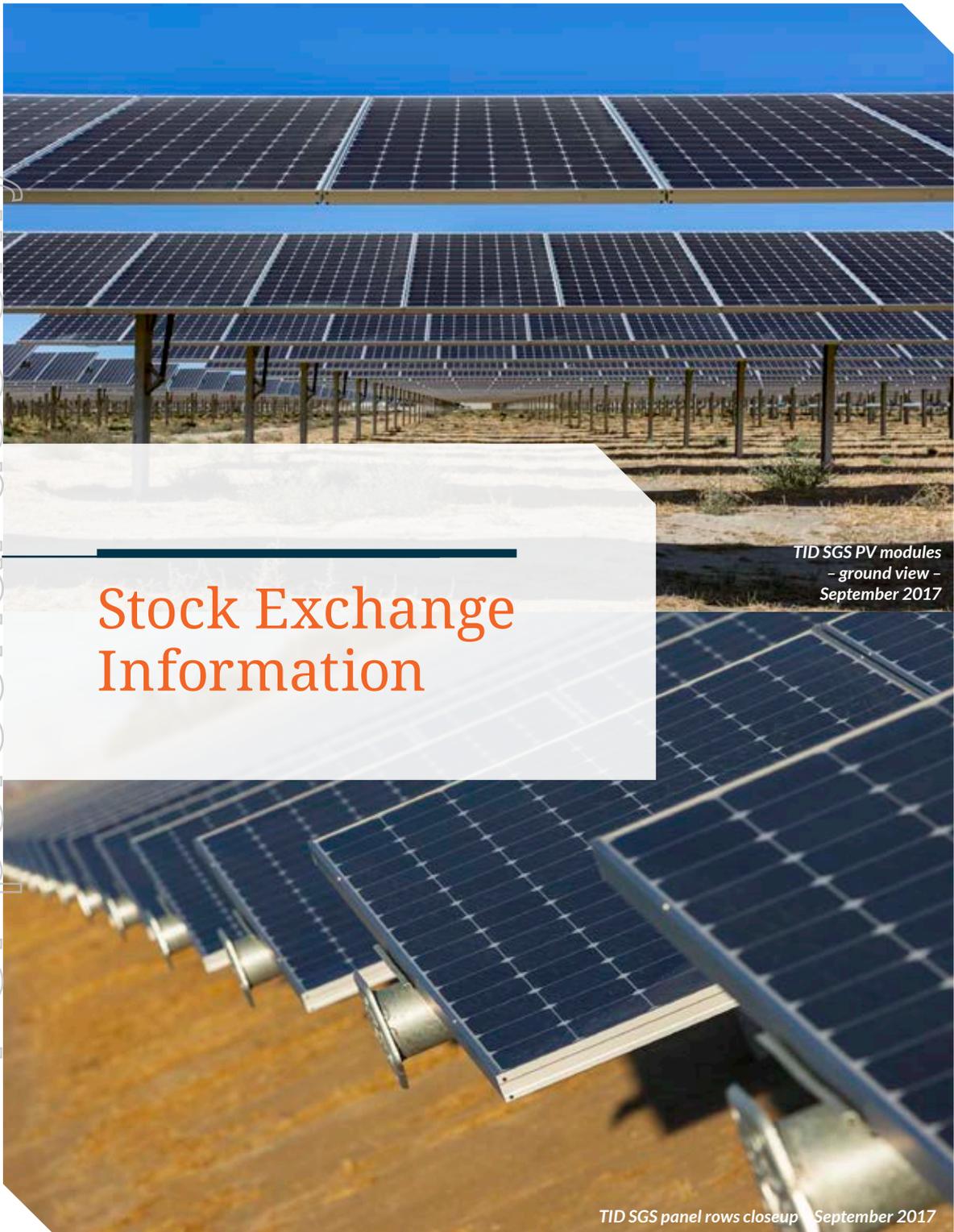


Michael Kaplan  
Partner  
Chartered Accountants  
Sydney, 28 February 2018

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# Stock Exchange Information

TID SGS PV modules  
- ground view -  
September 2017

TID SGS panel rows closeup September 2017

# Stock Exchange Information

FOR THE YEAR ENDED 31 DECEMBER 2017

## STATEMENT OF QUOTED SECURITIES AS AT 31 JANUARY 2018

- There are 5,332 securityholders holding a total 326,297,684 ordinary securities.
- The 20 largest securityholders between them hold 7.32% of the total securities on issue.

## DISTRIBUTION OF QUOTED SECURITIES AS AT 31 JANUARY 2018

DISTRIBUTION OF SECURITYHOLDERS CATEGORY (SIZE OF HOLDING)	NUMBER OF SECURITYHOLDERS
1-1,000	65
1,001-5,000	241
5,001-10,000	369
10,001-100,000	3,845
100,001 and over	812
<b>Totals</b>	<b>5,332</b>
Holding less than marketable parcel	13

## SUBSTANTIAL SECURITYHOLDINGS AS AT 31 JANUARY 2018

There are no substantial securityholders pursuant to the provisions of section 671B of the *Corporations Act 2001*.

## DIRECTORS' SECURITYHOLDINGS

As at 31 January 2018 directors of the Fund held a relevant interest in the following securities on issue by the Fund.

DIRECTOR OF THE COMPANY	ORDINARY SECURITIES	CLASS A OPTIONS	CLASS B OPTIONS
Jeffrey Whalan	500,366	38,333	38,333
John Holland	-	-	-
James Davies	25,000	12,500	12,500
Maxine McKew	66,666	33,333	33,333
Alan Dixon	5,506,310	533,332	533,332
John Martin	480,593	233,998	233,998
DIRECTOR OF THE RESPONSIBLE ENTITY OF THE TRUST			
Alex MacLachlan	87,494	17,666	17,666
Tristan O'Connell	88,549	28,333	28,333
Warwick Keneally	47,998	23,999	23,999

## RESTRICTED SECURITIES

There are no restricted securities on issue by the Fund.

## TOP 20 HOLDERS OF ORDINARY SECURITIES AT 31 JANUARY 2018

SECURITYHOLDER NAME	NUMBER OF SECURITIES HELD	% OF TOTAL
MR ORANGE PTY LIMITED	5,189,134	1.590%
J P MORGAN NOMINEES AUSTRALIA LIMITED	3,070,498	0.941%
PJA INVESTMENTS AUSTRALIA PTY LTD	2,666,666	0.817%
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	2,166,591	0.664%
CITICORP NOMINEES PTY LIMITED	1,538,550	0.472%
NETWEALTH INVESTMENTS LIMITED	1,476,685	0.453%
ZONDA CAPITAL PTY LTD	1,333,334	0.409%
MR DAMIEN JOSEPH KENNEALLY & MRS CANDACE LYNN KENNEALLY	782,581	0.240%
J & V KING PTY LTD	704,410	0.216%
NETWEALTH INVESTMENTS LIMITED	634,644	0.194%
THEROPOD PTY LTD	486,947	0.149%
PROF ARTHUR DAVID SHULMAN & PROF LINDA SOPHIE ROSENMAN	457,439	0.140%
SILKZINC PTY LTD	441,250	0.135%
MR NICHOLAS ANTHONY JACQUES & MRS VIRGINIA LOUISE JACQUES	433,332	0.133%
CRIMSON PERMANENT ASSURANCE COMPANY PTY LTD	422,671	0.130%
MR NEIL CLIFFORD BARRETT & MRS HEATHER MAEVE BARRETT	419,446	0.129%
MJG BLOOM PTY LIMITED	417,379	0.128%
D & P MULLANE PTY LTD	416,666	0.128%
MR ROGER ALLNUTT & MRS HELEN ALLNUTT	412,267	0.126%
MR ERNEST YUET NING SHAW & MRS ELIZABETH PUI CHI SHAW	400,097	0.123%
<b>Total held by top 20 holders of ordinary securities</b>	<b>23,870,587</b>	<b>7.316%</b>

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Stanford SGS  
at sunset -  
September 2017

## Additional Disclosures



TID SGS ground view - September 2017

# Additional Disclosures

FOR THE YEAR ENDED 31 DECEMBER 2017

## OTHER

Since admission to the ASX on 4 December 2017 to the date of the financial report, the Company and the Trust has used the cash assets at the time of admission in a way consistent with its business objectives.

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# Directory

31 DECEMBER 2017

The Fund's securities are quoted on the official list of the Australian Securities Exchange Limited (ASX).

ASX Code is NEW.

## NEW ENERGY SOLAR

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**New Energy Solar Fund (ARSN 609 154 298)**

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NORTH SYDNEY NSW 2060

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**F** 1300 883 159

**E** [info@newenergysolar.com.au](mailto:info@newenergysolar.com.au)

[www.newenergysolar.com.au](http://www.newenergysolar.com.au)

## RESPONSIBLE ENTITY

**Walsh & Company Investments Limited  
(ACN 152 367 649) (AFSL 410 433)**

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NORTH SYDNEY NSW 2060

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[www.walshandco.com.au](http://www.walshandco.com.au)

## DIRECTORS - NEW ENERGY SOLAR LIMITED

Jeff Whalan (Non-Executive Chairman)  
John Holland (Non-Executive Director)  
Maxine McKew (Non-Executive Director)  
James Davies (Non-Executive Director)  
Alan Dixon  
John Martin

## SECRETARIES

Simon Barnett  
Hannah Chan

## DIRECTORS - WALSH & COMPANY INVESTMENTS LIMITED

Alex MacLachlan  
Tristan O'Connell  
Warwick Keneally

## SECRETARIES

Simon Barnett  
Hannah Chan

## INVESTMENT MANAGER

**New Energy Solar Manager Pty Limited  
(ACN 609 166 645)**

Level 15, 100 Pacific Highway  
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**F** 1300 883 159

## AUDITOR

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## SHARE REGISTRAR

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