

**NextEnergy Solar Holdings III Limited**  
**Annual Report and Financial Statements**  
**for the year ended 31 March 2020**

**Company Number: 09693016**

## **NextEnergy Solar Holdings III Limited**

### **COMPANY INFORMATION**

#### **Directors**

Aldo Beolchini  
Michael Fritz Herbert Bonte-Friedheim  
Ross Grier  
Abid Kazim (resigned 30 November 2019)

#### **Company Number**

09693016

#### **Registered Office and Business Address**

5<sup>th</sup> Floor North Side  
7/10 Chandos Street  
Cavendish Square  
London  
W1G 9DQ

#### **Independent Auditors**

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

#### **Bankers**

Lloyds Bank  
25 Gresham Street  
London  
EC2V 7HN

# **NextEnergy Solar Holdings III Limited**

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# **NextEnergy Solar Holdings III Limited**

## **DIRECTORS' REPORT**

for the year ended 31 March 2020

The directors present their report and the audited financial statements of NextEnergy Solar Holdings III Limited (the "Company") for the year ended 31 March 2020.

### **Principal Activities**

The principal activity of the Company is to act as a holding company of investments for its parent undertaking, NextEnergy Solar Fund Limited ("NESF").

### **Directors**

The directors who served during the year, and up to the date of signing the financial statements, are as follows:

Aldo Beolchini  
Michael Fritz Herbert Bonte-Friedheim  
Ross Grier  
Abid Kazim (resigned 30 November 2019)

### **Political Contributions**

The Company did not make any disclosable political donations in the current year.

### **Qualifying third-party and pension scheme indemnity provisions**

The Company did not have any qualifying third-party indemnity provision and/or qualifying pension scheme indemnity provision for any of the directors, during the financial year and at the date of approval of the directors' report.

### **Directors' Responsibilities Statement**

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' ("FRS 102"). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

In preparing these financial statements, the directors are required to:

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

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have the general responsibility for taking such steps as are reasonably open to them, to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

**NextEnergy Solar Holdings III Limited**  
**DIRECTORS' REPORT (CONTINUED)**  
for the year ended 31 March 2020

**Disclosure of information to auditors**

Each of the persons who are directors at the time when this Directors' Report is approved has confirmed that:

- so far as the directors are aware, there is no relevant audit information of which the Company's auditors are unaware; and
- the directors have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

**Independent auditors**

Pricewaterhouse Coopers LLP resigned as the auditors on 14 May 2020. KPMG Channel Islands Limited were appointed as auditors on 15 May 2020, and have indicated their willingness to continue in office and a resolution concerning their re-appointment will be proposed at the Annual General Meeting.

This report was approved by the board on 21 December 2020 and signed on its behalf.



**Ross Grier**  
**Director**  
**21 December 2020**

# **NextEnergy Solar Holdings III Limited**

## **STRATEGIC REPORT**

for the year ended 31 March 2020

The directors present their strategic report and the audited financial statements of the Company for the year ended 31 March 2020.

### **Business review**

The Company is committed to project implementation excellence, the provision of long-term clean energy projects, environmentally sensitive developments for the local community, and long term sustainable returns to investors.

The Company's statement of financial position, as detailed on page 8, shows a satisfactory position, with capital and reserves amounting to £289,098,213 (2019: £336,893,698). The operational solar parks held as investments generated 250,022MWh during the year. Please refer to Note 8 for further details on the movement in investments.

The key performance indicator of the Company is its investment portfolio. The investment portfolio of the Company increased during the year following the acquisition of the solar park Ballygarvey Solar Limited totalling £8,724,934 and additional investment in the development of subsidy free solar PV projects. The fair value of the investment portfolio of the Company increased during the year to £365,717,198 (2019: 295,923,439). Please refer to Note 8 for further details on the movement in investments.

### **Results and Dividends**

The loss for the year after providing for taxation amounted to £19,641,038 (2019: profit of £15,192,863) which is mainly as a result of an unrealised loss on valuation of investments in the year of £17,463,314 (2019: unrealised gain £14,438,389). During the year, the Company declared dividends of £28,154,447 and paid dividends of £24,423,449 (2019: declared and paid £6,530,015) to the shareholder, NextEnergy Solar Fund Limited ("NESF").

### **Future Developments**

The directors have no planned developments and have a reasonable expectation that the Company will continue operating in the foreseeable future. For the detailed assessment refer to page 12.

### **Principal risks and uncertainties**

The Company is exposed to a variety of financial and operational risks as detailed in Note 18 to the financial statements.

### **Eurobond**

On 16 September 2019, the Company issued Eurobond instruments ("Eurobonds") listed on The International Stock Exchange totalling £125m, which were purchased by the shareholder, NESF, as a non-cash transaction. Coupon interest is charged on the Eurobonds at a rate of 4.0% per annum, payable quarterly. The Eurobonds are unsecured and are repayable in full on 31 March 2036.

# **NextEnergy Solar Holdings III Limited**

## **STRATEGIC REPORT (continued)**

for the year ended 31 March 2020

### **Going Concern**

The directors believe that the Company is well placed to manage its business risks successfully. Having reviewed the Company's current position and given the continued financial support provided by the ultimate parent company, NextEnergy Solar Fund Limited, the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the directors' report and financial statements. The financial support will be made available for a period of not less than 12 months and one day from the date of signing these financial statements. The directors have received confirmation of this support.

### **COVID-19**

The impact of COVID-19 has been considered as part of the directors' review of going concern. Refer to page 12 for details.

This report was approved by the board on 21 December 2020 and signed on its behalf.



**Ross Grier**  
**Director**

**21 December 2020**

# Independent Auditor's Report to the Member of NextEnergy Solar Holdings III Limited

## *Our opinion*

We have audited the financial statements of NextEnergy Solar Holdings III Limited (the "Company"), which comprise the statement of financial position as at 31 March 2020, the statements of comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

## *In our opinion, the accompanying financial statements:*

- give a true and fair view of the state of the Company's affairs as at 31 March 2020 and of the Company's loss for the year then ended;
- are properly prepared in accordance with United Kingdom accounting standards, including FRS 102 The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

## *Basis for opinion*

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

## *We have nothing to report on going concern*

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least twelve months from the date of approval of the financial statements. We have nothing to report in these respects.

## *The directors' report and strategic report*

The directors are responsible for the strategic report and directors' report. Our opinion on the financial statements does not cover those reports and we do not express an audit opinion thereon.

Our responsibility is to read the strategic report and directors' report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the strategic and directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

## *Matters on which we are required to report by exception*

Under the Companies Act 2006, we are required to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in these respects.



# Independent Auditor's Report to the Member of NextEnergy Solar Holdings III Limited (continued)

## *Respective responsibilities*

### *Directors' responsibilities*

As explained more fully in their statement set out on page 1, the directors are responsible for: the preparation of the financial statements including being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

### *Auditor's responsibilities*

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

A fuller description of our responsibilities is provided on the FRC's website at [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities).

### *The purpose of our audit work and to whom we owe our responsibilities*

This report is made solely to the Company's member, in accordance with chapter 3 of part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's member those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and its member, as a body, for our audit work, for this report, or for the opinions we have formed.



**David Alexander (Senior Statutory Auditor)**

**For and on behalf of KPMG Channel Islands Limited (Statutory Auditor)**

*Chartered Accountants*

Guernsey

21 December 2020

**NextEnergy Solar Holdings III Limited**  
**STATEMENT OF COMPREHENSIVE INCOME**  
for the year ended 31 March 2020

	<b>Note</b>	<b>2020</b> <b>£</b>	<b>2019</b> <b>£</b>
Revenue	2	5,102,477	4,720,858
Operating expenses	3	(6,438,919)	(4,315,157)
Finance income	5	7,135,374	878,088
Net changes in fair value of financial assets at fair value through profit and loss	8	(17,463,314)	14,438,389
<b>Operating (loss)/profit</b>		<b>(11,664,382)</b>	<b>15,722,178</b>
Finance cost	6	(6,898,630)	(529,315)
<b>(Loss)/profit before taxation</b>		<b>(18,563,012)</b>	<b>15,192,863</b>
Tax on (loss)/profit	7	(1,078,026)	-
<b>Total comprehensive (loss)/income and (loss)/profit for the year</b>		<b>(19,641,038)</b>	<b>15,192,863</b>

The Company's revenue and expenses all relate to continuing operations.

The accounting policies and notes on pages 11 to 30 form an integral part of the financial statements.

**NextEnergy Solar Holdings III Limited**

Company number: 09693016

**STATEMENT OF FINANCIAL POSITION**

as at 31 March 2020

	<b>Note</b>	<b>2020</b> £	2019 £
<b>Fixed assets</b>			
Investments	8	365,717,198	295,923,439
		<b>365,717,198</b>	295,923,439
<b>Current assets</b>			
Debtors: amounts falling due within one year	10	161,163,022	153,942,368
Other debtors	9	1,396,343	651,604
Cash and cash equivalents	11	13,923,394	3,255,582
		<b>176,482,759</b>	157,849,554
Creditors: amounts falling due within one year	12	(21,630,920)	(10,005,277)
<b>Net current assets</b>		<b>154,851,839</b>	147,844,277
<b>Total assets less current liabilities</b>		<b>520,569,037</b>	443,767,716
Creditors: amounts falling due after more than one year	12	(230,000,000)	(105,000,000)
<b>Provisions</b>			
Provision for liabilities and charges	14	(1,470,824)	(1,874,018)
<b>Net assets</b>		<b>289,098,213</b>	336,893,698
<b>Capital and reserves</b>			
Called up share capital	17	3	3
Profit and loss account		6,983,495	26,624,533
Distributable reserves		282,114,715	310,269,162
<b>Total equity</b>		<b>289,098,213</b>	336,893,698

The financial statements were approved and authorised for issue by the Board and were signed on its behalf 21 December 2020.



Ross Grier

Director

The accounting policies and notes on pages 11 to 30 form an integral part of the financial statements.

**NextEnergy Solar Holdings III Limited**  
**STATEMENT OF CHANGES IN EQUITY**  
for the year ended 31 March 2020

	Called up share capital	Share premium	Profit and loss account	Distributable reserves	Total equity
	£	£	£	£	£
<b>Shareholders' equity at 1 April 2018</b>	1	-	11,431,670	-	11,431,671
<b>Comprehensive income for the year</b>					
Profit for the year	-	-	15,192,863	-	15,192,863
Capitalisation of loan due to parent	2	316,799,177	-	-	316,799,179
Share capital reduction	-	(316,799,177)	-	316,799,177	-
Dividends declared	-	-	-	(6,530,015)	(6,530,015)
<b>Shareholders' equity at 1 April 2019</b>	<u>3</u>	<u>-</u>	<u>26,624,533</u>	<u>310,269,162</u>	<u>336,893,698</u>
<b>Comprehensive loss for the year</b>					
Loss for the year	-	-	(19,641,038)	-	(19,641,038)
Dividends declared	-	-	-	(28,154,447)	(28,154,447)
<b>Shareholders' equity at 31 March 2020</b>	<u>3</u>	<u>-</u>	<u>6,983,495</u>	<u>282,114,715</u>	<u>289,098,213</u>

On 21 March 2019, the Company capitalised its shareholder loan of £316,799,177 owed to NextEnergy Solar Fund Limited in exchange for the issue of two ordinary shares, to create additional capital in the Company. The additional capital was then converted into distributable reserves by cancelling the Company's share premium account.

The accounting policies and notes on pages 11 to 30 form an integral part of the financial statements.

**NextEnergy Solar Holdings III Limited**  
**STATEMENT OF CASH FLOWS**  
for the year ended 31 March 2020

	<b>2020</b>	2019
	<b>£</b>	£
<b>Cash flows from operating activities</b>		
(Loss) / profit for the year	(19,641,038)	15,192,863
<b>Adjustments for:</b>		
Finance income	(7,135,374)	(878,088)
Finance costs	6,898,630	529,315
Taxation charge	1,078,026	-
(Increase) / decrease in debtors	(744,739)	1,670,079
Increase in creditors	132,000,654	103,496,079
(Decrease)/increase in provisions	(403,194)	1,386,983
Net changes in fair value of financial assets at fair value through profit and loss	17,463,314	(14,438,389)
<b>Net cash generated from from operating activities</b>	<b><u>129,516,279</u></b>	<b><u>106,958,842</u></b>
<b>Cash flows from investing activities</b>		
Movement in cost of investments	(120,589,071)	(87,897,847)
Finance income received	7,135,374	878,088
Repayment from investments	33,332,000	92,458,936
Decrease/(increase) in amounts owing from related parties	14,381,692	(28,227,498)
<b>Net cash used in investing activities</b>	<b><u>(65,740,005)</u></b>	<b><u>(22,788,321)</u></b>
<b>Cash flows from financing activities</b>		
Increase in amounts owing from parent undertaking	(21,889,398)	(75,022,880)
Dividends paid	(24,423,449)	(6,530,015)
Eurobond interest paid	(6,795,615)	(368,219)
<b>Net cash used in financing activities</b>	<b><u>(53,108,462)</u></b>	<b><u>(81,921,114)</u></b>
<b>Net increase in cash and cash equivalents</b>	<b>10,667,812</b>	<b>2,249,407</b>
Cash and cash equivalents at the beginning of the year	3,255,582	1,006,175
<b>Cash and cash equivalents at the end of the year</b>	<b><u>13,923,394</u></b>	<b><u>3,255,582</u></b>

The accounting policies and notes on pages 11 to 30 form an integral part of the financial statements.

# **NextEnergy Solar Holdings III Limited**

## **ACCOUNTING POLICIES**

for the year ended 31 March 2020

### **General information**

NextEnergy Solar Holdings III Limited (the “Company”) was incorporated with limited liability in England & Wales under the Companies Act 2006, on 20 July 2015 with registered number 09693016. The registered office and principal place of business of the Company is 5<sup>th</sup> Floor North Side, 7-10 Chandos Street, Cavendish Square, London, W1G 9DQ.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

### **Basis of preparation**

The financial statements of NextEnergy Solar Holdings Limited have been prepared under the historical cost convention unless specified within these accounting policies and in accordance with Financial Reporting Standard 102, the Financial Reporting Standard Applicable in the UK and Republic of Ireland (“FRS 102”) and the Companies Act 2006.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgment in applying the Company’s accounting policies.

The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed on pages 16 and 17.

### *Reclassification*

Certain amounts relating to 2019 in these financial statements have been reclassified to conform to the 2020 presentation.

### *Basis of non-consolidation*

The Company has acquired investments in its capacity as a holding company for its parent undertaking, NextEnergy Solar Fund Limited. The parent is an investment entity in accordance with IFRS 10 definition. The Company meets the same criteria of the parent undertaking, however, prepares financial statements under FRS 102. In line with section 9.9 of FRS 102, the Company take the exemption from consolidation and hold the investments at fair value through profit and loss.

Under FRS 102 section 9.9C, the subsidiaries are held as part of an investment portfolio therefore are measured at fair value with changes in fair value recognised in profit and loss.

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

# **NextEnergy Solar Holdings III Limited**

## **ACCOUNTING POLICIES (CONTINUED)**

for the year ended 31 March 2020

### **Fair value measurement**

Fair value is the price that would be received on sale of an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or liability, the Company takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these financial statements is determined on such a basis.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety which are described as follows:

Level 1 inputs are quoted prices in active markets for identical assets or liabilities that the Company can access at the measurement date.

Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly.

Level 3 inputs are unobservable inputs for the asset or liability.

### **Going Concern**

The directors believe that the Company is well placed to manage its business risks successfully. Having reviewed the Company's current position and given the continued financial support provided by the ultimate parent company, NESF, the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the directors' report and financial statements. The financial support will be made available for a period of not less than 12 months and one day from the date of signing these financial statements. The directors have received confirmation of this support.

### **COVID-19**

COVID-19 is a developing situation and as of the date of signing the financial statements, the assessment of this situation will need continued attention and will evolve over time. The Company has a letter of financial support from the parent entity, NESF, which has sufficient liquidity to support the company's ability to continue as a going concern for the next 12 months from approval of the financial statements. COVID-19 will have an impact on the Company, but such impact cannot be quantifiable as at the date of signing of the accounts.

### **Cash and cash equivalents**

Cash and cash equivalents include cash at bank.

### **Financial instruments**

The Company has chosen to adopt sections 11 and 12 of FRS 102 in respect of the financial instruments.

Financial instruments recognised on the statement of financial position include debtors, cash at bank, creditors and other financial assets/liabilities.

# **NextEnergy Solar Holdings III Limited**

## **ACCOUNTING POLICIES (CONTINUED)**

for the year ended 31 March 2020

### **Initial recognition and measurement**

Financial assets and financial liabilities are recognised in the statement of financial position when the Company becomes party to the contractual provisions of the instrument. Financial instruments are initially recorded at fair value plus, in the case of a financial asset or financial liability not recorded at fair value through profit and loss, transaction costs that are attributable to the acquisition of the financial asset or financial liability. Subsequent measurement and impairment of each classification is specified in the sections below.

### **Financial assets**

All regular purchases and sales of financial assets are recognised on the trade date i.e. the date that the Company commits to purchase or sell a financial asset. Debtors reflected on the statement of financial position are net of any allowance(s) for the uncollectible amounts.

After initial recognition, financial assets carried at amortised cost are subsequently measured at amortised cost using the effective interest method. Interest earned on these financial assets is recognised as Investment Income in the Statement of Comprehensive Income.

A financial asset, or a portion of a financial asset, is derecognised when:

- the rights to receive cash flows from the asset have expired;
- the Company retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a “pass-through” arrangement; or
- the Company has transferred the rights to receive cash flows from the asset and either:
  - i. has transferred substantially all the risks and rewards of the assets; or
  - ii. has neither transferred nor retained substantially all the risks and rewards of the assets but has transferred control of the assets.

### **Provision and Contingencies**

#### *i. Provisions*

Provisions are recognised when the Company has as present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount of the obligation can be estimated reliably.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations might be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in provision due to passage of time is recognised as a finance cost.

#### *ii. Contingencies*

Contingent liabilities arise as a result of past events when (i) it is not probable that there will be an outflow of resources or that the amount cannot be reliably measured at the reporting date or (ii) when the existence will be confirmed by the occurrence or non-occurrence of uncertain future events not wholly within the Company's control. Contingent liabilities are not recognised, but disclosed in the financial statements unless the probability of an outflow of resources is remote.

### **Impairment of financial assets**

The Company's financial assets are reviewed at each reporting date, or whenever events or changes in circumstances indicate that the carrying amount may not be recoverable, to determine whether or not there is any indication of impairment.



# **NextEnergy Solar Holdings III Limited**

## **ACCOUNTING POLICIES (CONTINUED)**

for the year ended 31 March 2020

### **Assets carried at amortised cost**

If there is objective evidence that an impairment loss has been incurred, it is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate. The loss is recognised in the Statement of Comprehensive Income.

The Company first assesses whether objective evidence of impairments exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the assets is included in a group of financial assets with similar credit risk characteristics and that group of financial assets is collectively assessed for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

If, in a subsequent period, the amount of impairment loss decreases, and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed. Any subsequent reversal of an impairment loss is recognised in the Statement of Comprehensive Income, to the extent that the carrying amount of the asset does not exceed its amortised cost at the reversal date.

### **Financial liabilities**

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method. Gains and losses are recognised in the Statement of Comprehensive Income when the liabilities are de-recognised as well as through the effective interest amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest method. The effective interest amortisation is included as finance costs in the Statement of Comprehensive Income.

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities. Any instrument that includes a repayment obligation is classified as a liability.

Where the contractual liabilities of financial instruments (including share capital) are equivalent to a similar debt instrument, those financial instruments are classified as financial liabilities, and are presented as such in the statement of financial position. Finance costs and gains or losses relating to financial liabilities are included in the Statement of Comprehensive Income. Finance costs are calculated so as to produce a constant rate of return on the outstanding liability.

A financial liability is de-recognised when the obligation under the liability is discharged, cancelled or has expired.

### **Distributions to equity holders**

Dividends and other distributions to the Company's shareholders are recognised as a liability in the financial statements in the period in which the dividends and other distributions are approved by the Company's shareholders. These amounts are recognised in the statement of changes in equity.

### **Transactions costs**

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

# **NextEnergy Solar Holdings III Limited**

## **ACCOUNTING POLICIES (CONTINUED)**

for the year ended 31 March 2020

### **Offsetting of financial instruments**

Financial assets and liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

Where the contractual terms of share capital do not have any features meeting the definition of a financial liability then such share capital is classed as an equity instrument. Dividends and distributions relating to equity instruments are debited direct to equity.

### **Equity instruments**

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

### **Investments**

Investments are recognised when the Company has control of the asset. Control is assessed considering the purpose and design of the investments including any options to acquire the investments where these options are substantive. The options are assessed for factors including the exercise price and the incentives for exercise. Investments are designated upon initial recognition to be accounted for at fair value through profit or loss in accordance with section 9 of FRS 102. After initial recognition, investments at fair value through profit or loss are measured at fair value with changes recognised in the Statement of Comprehensive Income.

The Company finances its subsidiaries through capital contributions and loans. Based on the fact that the contractual substance of the loan is that it is intended to provide the subsidiary with a long-term source of additional capital. The parent accounts for the financing as an investment in the subsidiary.

Refer to pages 16 and 17 for details of accounting estimates and assumptions used to determine the fair value of investments.

### **Taxation**

Current tax represents the amount expected to be paid or recovered in respect of taxable profits for the period and is calculated using the tax rates and laws that have been enacted or substantially enacted at the statement of financial position date.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the statement of financial position date where transactions or events have occurred at that date that will result in an obligation to pay more tax in the future, or a right to pay less tax in the future. Timing differences are temporary differences between the Company's taxable profits and its results as stated in the financial statements.

Deferred tax is measured on an undiscounted basis at the tax rates that are anticipated to apply in the periods in which the timing differences are expected to reverse based on tax rates and laws that have been enacted or substantively enacted by the statement of financial position date.

Management assess the recoverability of deferred tax assets as and when they arise and will recognise any such assets if they are deemed recoverable.

### **Management fees**

Management fees are charged to the Company's investments in respect of management services provided. Management fee income is measured at the fair value of the consideration received or receivable, net of value added taxes.

### **Marketing fees**

Marketing fees are charged to an external party which represents monies for a rebate in return for promotion of products on solar assets. Marketing fee income is measured at fair value of the consideration received or receivable, net of value added taxes.

# **NextEnergy Solar Holdings III Limited**

## **ACCOUNTING POLICIES (CONTINUED)**

for the year ended 31 March 2020

### **Finance costs**

Finance costs are recognised using the effective interest rate method.

### **Finance income**

Interest income recognised on financial assets carried at amortised cost is recognised using the effective interest rate method.

### **Equity**

Equity comprises the following:

- "Called-up Share Capital" represents the nominal value of ordinary equity shares. Incremental costs attributable to the issue of new ordinary equity shares are shown in equity as a deduction, net of tax, from the proceeds.
- "Profit and loss account" include all current results as disclosed in the Statement of Comprehensive Income.
- "Distributable reserves" represents the amount available for a dividend to be paid.

### **Foreign currency**

The Company's functional and presentation currency is the pounds sterling ("GBP"). Foreign currency transactions are translated to GBP using the average exchange rates during the period that the income/expenditure occurs. Monetary items which are denominated in foreign currency are translated at period-end using the prevailing exchange rates at that date. Gains and losses arising as a result of translation of balances are recognised in profit and loss in the Statement of Comprehensive Income.

### **Significant accounting estimates and assumptions**

The preparation of financial statements in conformity with FRS 102 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts for assets and liabilities. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about the validation methodology and carrying values that are not readily apparent from other sources. Actual values may differ from these estimates.

The judgements, estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the that period that the revision was revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

The most critical accounting policies, judgements and estimates in determining the financial condition and results of the Company are those requiring a greater degree of subjective or complete judgement. These are discussed on the next page.

# NextEnergy Solar Holdings III Limited

## ACCOUNTING POLICIES (CONTINUED)

for the year ended 31 March 2020

### Investments held at fair value through profit or loss

The Company and its parent undertaking, NextEnergy Solar Fund Limited, under the Investment Exemption rule hold investments at fair value. The Board of Directors has appointed the Investment Manager of NESF to produce investment valuations based upon projected future cash flows.

The investments held at fair value through profit or loss, whose fair values include the use of Level 3 inputs, are valued by discounting future cash flows from investments to the Company at a discount rate when the assets are operational. The discount rate applied in the year ended 31 March 2020 valuation was 6.25% (2019: 6.50%). The discount rate is a significant Level 3 input and a change in the discount rate applied could have a material effect on the value of the investments. Other significant assumptions used to model future cash flows included power price curves, expected electricity generation of photovoltaic plants held by the assets, and assumptions around operating costs. Investments in solar PV plants that are not yet operational are held at fair value, where the cost of the investment is used as an appropriate approximation of fair value.

These valuations are reviewed and approved by the Board. The investments are held through subsidiaries. A list of subsidiaries is included in Note 8.

The table below sets out information about significant unobservable inputs used at 31 March 2020 in measuring financial instruments categorised as Level 3 in the fair value hierarchy:

Description	Fair value at 31 March 2020 (£)	Valuation technique	Unobservable input	Input value
Unlisted investments	344,546,635	Discounted cash flow	Discount rate Inflation rate (RPI)	6.25% 2.2% - 3.0%
Unlisted investments	21,087,717	Cost	-	-

### Valuation methodology

The Directors have satisfied themselves as to the methodology used, the discount rates and key assumptions applied, and the valuation. All completed investments are at fair value through profit or loss and are valued using a discounted cash flow methodology, except for those assets under construction that are valued at cost spent and committed at the reporting date.

All investments have been valued through discounted cash flows with the exception of SL Solar Services Ltd (batteries), BESS Pierces Limited (Batteries), Nextpower Lower Strensham Limited, NextZest Limited, Subsidy free projects, Llanwern Portfolio, Wentlooge Portfolio and Moss Farm Portfolio where the cost of the investment is used as an appropriate approximation of fair value.

### Deferred tax

Management judgment is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with an assessment of the net effect of future tax planning strategies.

# NextEnergy Solar Holdings III Limited

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2020

### 1. PERIOD OF FINANCIAL STATEMENTS

The financial statements are for the year from 1 April 2019 to 31 March 2020.

### 2. REVENUE

	2020	2019
	£	£
Management fees	4,857,217	3,848,087
Dividend received	245,260	186,411
Marketing fees	-	686,360
	<u>5,102,477</u>	<u>4,720,858</u>

#### **Management fees**

Management fees are charged to the Company's investments in respect of management services provided. Management fee revenue is measured at the fair value of the consideration received or receivable, refer to Note 19.

#### **Marketing fees**

An agreement with an external party for a rebate in return for promotion of products on solar assets.

#### **Dividend received**

A dividend is receivable upon the repayment of the loans due from subsidiaries.

### 3. OPERATING EXPENSES

	2020	2019
	£	£
Professional fees	595,136	824,552
Audit fees	10,555	16,699
Administration fees	15,770	7,540
Management fees charged by the Parent Company	<u>3,744,274</u>	<u>2,828,340</u>

The Company also paid audit fees on behalf of its subsidiaries for the financial year ended 31 March 2020 and 31 March 2019 which are disclosed in the respective subsidiaries' financial statements.

### 4. REMUNERATION OF THE DIRECTORS

The remuneration of the directors was £nil for the financial year (2019: £nil).

### 5. FINANCE INCOME

	2020	2019
	£	£
Interest income	<u>7,135,374</u>	<u>878,088</u>

Refer to Notes 10, 13 and 19 for more details of the loans due from subsidiaries and the interest earned on the loans.

**NextEnergy Solar Holdings III Limited**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
for the year ended 31 March 2020

**6. FINANCE COSTS**

	2020 £	2019 £
Interest on Eurobonds	<u>6,898,630</u>	<u>529,315</u>

Refer to Notes 12, 13, and 19 for more details of the Eurobonds.

**7. TAXATION**

	2020 £	2019 £
<b>(a) Analysis of charge in the year</b>		
<b>Current tax:</b>		
UK corporation tax at 19% (2019: 19%)	1,076,185	-
Adjustments in respect of previous periods	<u>1,841</u>	<u>-</u>
	<u>1,078,026</u>	<u>-</u>
<b>Deferred tax:</b>		
Origination and reversal of timing differences	<u>-</u>	<u>-</u>
	<u>-</u>	<u>-</u>
<b>Taxation on loss on ordinary activities</b>	<u><u>1,078,026</u></u>	<u><u>-</u></u>

**NextEnergy Solar Holdings III Limited**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
for the year ended 31 March 2020

**7. TAXATION (continued)**

**(b) Factors affecting tax charge for the year**

The tax assessed for the year differs (2019: differs) from the standard rate of corporation tax in the UK of 19%. The differences are explained below:

	<b>2020</b>	2019
	<b>£</b>	<b>£</b>
<b>(Loss)/profit before taxation for the year</b>	<u>(18,563,012)</u>	<u>15,192,863</u>
Tax on profit on ordinary activities at standard corporation tax rate of 19% (2019: 19%)	(3,526,972)	2,886,644
<b>Effects of:</b>		
Expenses not deductible for tax purposes	4,544,722	200,600
Income not taxable for tax purposes	-	(2,743,294)
Adjustments to tax charge in respect of previous periods	1,841	-
Adjust opening deferred tax to average rate of 19% (2019: 19%)	-	(12,187)
Group income	(46,599)	(35,418)
Group relief claimed	105,034	(192,753)
Brought forward unabsorbed losses utilised in current year	-	(103,592)
	<u><u>1,078,026</u></u>	<u><u>-</u></u>

**(c) Factors affecting current and future tax charge**

The tax rate was due to reduce from 19% to 17% from 1 April 2020 following changes substantively enacted on 6 September 2016. In the March 2019 Budget, it was announced that the corporation tax rate would remain at 19% from 1 April 2020. This was substantively enacted on 17 March 2020.

The deferred tax at 31 March 2020 has been calculated based on the rate of 19% substantively enacted at the balance sheet date.

**NextEnergy Solar Holdings III Limited**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
for the year ended 31 March 2020

**8. INVESTMENTS**

	2020	2019
	£	£
Cost brought forward	289,440,162	199,391,238
Acquisitions	8,724,934	185,841,000
Net loan advancements and repayments	78,532,139	(115,082,974)
Movement in unrealised gain on valuation of investment sale	-	19,290,897
<b>Cost carried forward</b>	<b>376,697,235</b>	<b>289,440,162</b>
Unrealised gains brought forward	6,483,277	11,335,785
Movement in unrealised losses/gains	(17,463,314)	(4,852,508)
<b>Unrealised losses/gains carried forward</b>	<b>(10,980,037)</b>	<b>6,483,277</b>
<b>Investment portfolio at fair value through profit and loss</b>	<b>365,717,198</b>	<b>295,923,439</b>
Net changes in fair value of financial assets at fair value through profit and loss	<b>(17,463,314)</b>	<b>14,438,389</b>

The investment portfolio is financed by capital contributed by the parent company, NextEnergy Solar Fund Limited as disclosed in Note 17, and Eurobonds.

The investments represent amounts advanced to subsidiaries to fund investment and working capital.

In the prior reporting period, the Company's investment structure was rationalised. Five subsidiaries transferred all assets and liabilities at fair value to NESH 3 Portfolio A Limited, a direct wholly owned subsidiary of the Company. The balance receivable after settlement of the loans advanced to the five subsidiaries was recognised as an unrealised investment valuation gain of £19,290,897.

The Company owns the investment portfolio in its capacity as a holding company for its parent undertaking, NextEnergy Solar Fund Limited.



**NextEnergy Solar Holdings III Limited**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
for the year ended 31 March 2020

**8. INVESTMENTS (continued)**

Below are the legal names and fair value of the investments owned by the Company at 31 March 2020:

Name	Country	Cost (£)	Fair Value (£)	2020 Ownership	2019 Ownership
Balhearty Solar Limited*	UK	2,626,914	1,961,400	100%	100%
Ballygarvey Solar Limited*	UK	8,724,934	7,945,326	100%	0%
BESS Pierces Limited*	UK	128,090	58,113	100%	100%
Birch Solar Farm CIC *	UK	1,490,647	1,695,441	100%	100%
Brafield Solar Limited*	UK	4,801,485	4,906,029	100%	100%
Empyreal Energy Limited *	UK	4,337,878	5,547,074	100%	100%
Fiskerton Limited*	UK	1	-	100%	100%
Helios Solar 1 Limited*	UK	1,198,562	1,422,151	100%	100%
Helios Solar 2 Limited*	UK	1,632,109	2,401,931	100%	100%
Lark Energy Bilsthorpe Limited *	UK	4,654,359	5,035,235	100%	100%
LE Solar 51 Limited *	UK	4,825,475	4,952,057	100%	100%
Little Irchester Solar Limited*	UK	4,823,092	4,567,831	100%	100%
Little Staughton Airfield Solar Limited **	UK	26,509,063	20,240,904	100%	100%
Llawern Portfolio****	UK	8,123,622	8,115,003	100%	100%
Micro Renewables Limited*	UK	3,116,270	3,449,730	100%	100%
Micro Renewables Domestic Limited*	UK	547,619	791,419	100%	100%
Moss Lane Portfolio***	UK	226,376	127,916	100%	100%
NESH 3 Portfolio A Limited*	UK	35,489,751	37,549,362	100%	100%
NextEnergy Solar Holdings VI Limited *	UK	74,810,341	86,776,521	100%	100%
Nextpower Bosworth Limited**	UK	2,753,996	2,084,672	100%	100%
Nextpower Lower Strensham Limited**	UK	3,416,693	2,982,109	100%	100%
NextZest Limited*	UK	1,040,000	982,612	100%	100%
PF Solar Limited*	UK	1,802,912	1,601,783	100%	100%
RRAM Energy Limited*	UK	94,731,024	83,307,489	100%	100%
SL Solar Services Limited*	UK	6,530,742	5,127,472	100%	100%
Subsidy free projects**	UK	8,462,921	8,462,921	100%	100%
Sywell Solar Limited*	UK	5,171,630	4,752,460	100%	100%
Tau Solar Limited*	UK	5,006,922	4,941,094	100%	100%
Temple Normanton Solar Limited*	UK	4,992,238	4,684,040	100%	100%
Thornborough Solar Limited*	UK	5,293,155	5,154,844	100%	100%
Thurlestone-Leicester Solar Limited *	UK	1,549,273	2,188,200	100%	100%
UK Solar (Fiskerton) LLP*	UK	20,328,770	13,703,961	100%	100%
Wentlooge Portfolio**	UK	500,000	500,000	100%	100%
Wheb European Solar (UK) 2 Limited *	UK	8,229,031	8,166,797	100%	100%
Wheb European Solar (UK) 3 Limited *	UK	13,872,985	14,458,383	100%	100%
Wickfield Solar Limited *	UK	4,948,352	5,074,916	100%	100%
		<b>376,697,232</b>	<b>365,717,196</b>		

\* The nature of business for all entities, with the exception of NextEnergy Solar Holdings VI Limited, PF Solar Limited, Llawern Portfolio (Greenfields (F) Limited) and RRAM Energy Limited is the development of solar photovoltaic ("Solar PV") projects and the generation and supply of electricity from a solar photovoltaic site and/or battery storage. Battery storage projects include SL Solar Services Limited and BESS Pierces Limited.

## **NextEnergy Solar Holdings III Limited**

### **NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

for the year ended 31 March 2020

#### **8. INVESTMENTS (continued)**

NextEnergy Solar Holdings VI Limited acts as a holding company of investments for its parent, the Company. Bowden Lane Solar Park Limited, Fenland Renewables Limited, Green End Renewables Limited and Tower Hill Farm Renewables Limited are wholly owned subsidiaries of NextEnergy Solar Holdings VI Limited.

PF Solar Limited acts as a holding company of an investment for its parent, the Company. Pierces Solar Limited is a wholly owned subsidiary of PF Solar Limited.

Greenfields (F) Limited included under the Llanwern portfolio acts as a holding company of an investment for its parent, the Company. Greenfields (T) Limited is a wholly owned subsidiary of Greenfields (F) Limited.

RRAM Energy Limited acts as a holding company of investments for its parent, the Company. RRAM (Portfolio 1) Limited and Renewable Energy Holdco Limited are wholly owned subsidiaries of RRAM Energy Limited. RRAM (Portfolio 1) Limited and Renewable Energy Holdco Limited act as a holding company of investments for its parent, RRAM Energy Limited. Chilton Cantello Solar Park Limited, Crossways Solar Park Limited and Wyld Meadow Farm Solar are wholly owned subsidiaries of Renewable Energy Holdco Limited. Knockworthy Solar Park Limited and RRAM (Portfolio 2) Limited are wholly owned subsidiaries of RRAM (Portfolio 1) Limited. RRAM (Portfolio 2) Limited acts as a holding company of investments for its parent, RRAM (Portfolio 1) Limited. Burcroft Solar Parks Limited, Raglington Farm Solar Park Limited, Whitley Solar Park Limited, Hook Valley Solar Park Limited and Blenches Mill Farm Solar Park Limited are wholly owned subsidiaries of RRAM (Portfolio 2) Limited. Burcroft Solar Parks Limited acts as a holding company of investments for its parent, RRAM (Portfolio 2) Limited. Saundercroft Farm Solar Park Limited and Burrowton Farm Solar Park Ltd are wholly owned subsidiaries of Burcroft Solar Parks Limited.

Fiskerton Limited is a designed member for the Company investment, UK Solar (Fiskerton) LLP.

As at the date of signing these financial statements, each of the above listed entities share the same registered address of the Company, as disclosed on page 11.

\*\* These investments have been made with the intention of developing a Solar PV project and will operate without any government subsidies.

\*\*\* The TGC portfolio includes Francis Lane Solar Limited, Gourton Hall Solar Limited, Moss Farm Solar Limited, Moss Lane Farm Solar Limited, NextPower Lower Strensham Limited, Warmingham Solar Limited and TGC Solar Radbrook Limited.

Francis Lane Solar Limited, Gourton Hall Solar Limited and TGC Solar Radbrook Limited investments have been reclassified under Subsidy Free Projects.

Subsequent to year end NextPower Lower Strensham Limited investment was sold and thus has been disclosed as a standalone investment, refer to Note 21 for details.

Moss Lane Portfolio includes Moss Farm Solar Limited, Moss Lane Farm Solar Limited and Warmingham Solar Limited for which the development of these projects has progressed further than the rest of the projects listed above under the TGC portfolio and thus has been disclosed as a standalone investment. These investments have been made with the intention of developing Solar PV projects at the respective sites and will operate without any government subsidies.

\*\*\*\* The Llanwern portfolio includes Gwent Farmers' Community Solar Partnership Limited, Greenfields (F) Limited and Greenfields (T) Limited. These investments have been made with the intention of developing Solar PV projects at the respective sites and will operate without any government subsidies. Subsequent to year end Gwent Farmers' Community Solar Partnership Limited and Greenfields (F) Limited were sold, refer to Note 21 for details.

Subsequent to the year-end, the Company signed a number of Developmental Rights to further subsidy-free Solar PV projects. Refer to Note 21 for further details.

**NextEnergy Solar Holdings III Limited**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
for the year ended 31 March 2020

**9. OTHER DEBTORS**

	2020	2019
	£	£
Prepayments and accrued income	994,644	583,606
Other debtors	38,988	18,583
VAT	362,711	49,415
	<u><b>1,396,343</b></u>	<u><b>651,604</b></u>

**10. DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR**

	2020	2019
	£	£
Loans from parent	142,341,322	124,206,035
Amounts owed from subsidiaries	18,820,500	19,087,126
Amounts owed from NextEnergy Solar Holdings Limited	-	10,649,207
Amounts owed from NextEnergy Solar Holdings V Limited	1,200	-
	<u><b>161,163,022</b></u>	<u><b>153,942,368</b></u>

Amounts owed from subsidiaries (excluding subsidiary Birch Solar Farm CIC) are unsecured, bear interest at a rate of 4.25% per annum and repayable on demand. The interest rate was effective 14 February 2019, pursuant to agreements with the respective subsidiaries. Amounts owed from the subsidiary Birch Solar Farm CIC bears interest at 6% per annum with fixed terms of repayment.

Loans due from parent, amounts owed from NextEnergy Solar Holdings Limited and NextEnergy Solar Holdings V Limited are interest free and repayable on demand.

Refer to Note 19 for more detail on amounts owed from related parties.

**11. CASH AND CASH EQUIVALENTS**

	2020	2019
	£	£
Cash at bank	<u><b>13,923,394</b></u>	<u><b>3,255,582</b></u>

The Company has a pay limit facility for bankers automated clearing services payments of £120,000 with Lloyds Bank which expires on 28 February 2021.

**NextEnergy Solar Holdings III Limited**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
for the year ended 31 March 2020

**12. CREDITORS**

	<b>2020</b>	2019
<b>Amounts falling due within one year</b>	<b>£</b>	<b>£</b>
Trade Creditors	321,104	315,599
Corporation tax	1,078,026	-
Amounts due to subsidiaries	10,488,661	7,025,834
Amounts due to NextEnergy Solar Holdings Limited	4,232	-
Accrued interest and capitalised costs on Eurobonds	620,755	529,315
Accrued expenses	9,118,142	2,134,529
	<b>21,630,920</b>	<b>10,005,277</b>
<b>Amounts falling due after more than one year</b>	<b>£</b>	<b>£</b>
Eurobonds	<b>230,000,000</b>	<b>105,000,000</b>

The accrued expenses and amounts due to subsidiaries mainly relate to acquisition liabilities in relation to the acquisition of the investments.

Amounts due to subsidiaries, are unsecured, interest free and repayable upon demand.

On 16 September 2019, the Company issued Eurobond instruments ("Eurobonds") listed on The International Stock Exchange totalling £125m, which were purchased by the shareholder, NESF, as a non-cash transaction. Coupon interest is charged on the Eurobonds at a rate of 4.0% per annum, payable quarterly. The Eurobonds are unsecured and are repayable in full on 31 March 2036.

**13. FINANCIAL INSTRUMENTS**

	<b>2020</b>	2019
<b>Financial assets measured at amortised cost</b>	<b>£</b>	<b>£</b>
Cash at bank	13,923,394	3,255,582
Other debtors	38,988	18,583
Loans from parent	142,341,322	124,206,035
Amounts owed from subsidiaries	18,820,500	19,087,126
Amounts owed from NextEnergy Solar Holdings Limited	-	10,649,207
Amounts owed from NextEnergy Solar Holdings V Limited	1,200	-
	<b>175,125,404</b>	<b>157,216,533</b>

**NextEnergy Solar Holdings III Limited**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
for the year ended 31 March 2020

**13. FINANCIAL INSTRUMENTS (continued)**

	<b>2020</b>	2019
	<b>£</b>	<b>£</b>
<b>Financial assets at fair value through profit or loss</b>		
Investments	<u><b>365,717,198</b></u>	<u>295,923,439</u>

	<b>2020</b>	2019
	<b>£</b>	<b>£</b>
<b>Financial liabilities measured at amortised cost</b>		
Trade Creditors	321,104	315,599
Corporation tax	1,078,026	-
Amounts due to subsidiaries	10,488,661	7,025,834
Amounts owed from NextEnergy Solar Holdings Limited	4,232	-
Accrued interest and capitalised costs on Eurobonds	620,755	529,315
Accrued expenses	9,118,142	2,134,529
Eurobonds	<u>230,000,000</u>	<u>105,000,000</u>
	<u><b>251,630,920</b></u>	<u>115,005,277</u>

**Analysis of the maturity of financial liabilities is given below:**

	<b>2020</b>	2019
	<b>£</b>	<b>£</b>
<b>Amounts falling due within one year</b>		
Trade Creditors	321,104	315,599
Corporation tax	1,078,026	-
Amounts due to subsidiaries	10,488,661	7,025,834
Amounts due to NextEnergy Solar Holdings Limited	4,232	-
Accrued interest and capitalised costs on Eurobonds	620,755	529,315
Accrued expenses	<u>9,118,142</u>	<u>2,134,529</u>
	<u><b>21,630,920</b></u>	<u>10,005,277</u>
<b>Amounts falling due after more than one year</b>		
	<b>2,020</b>	2,019
	<b>£</b>	<b>£</b>
Eurobonds	<u><b>230,000,000</b></u>	<u>105,000,000</u>

Refer to Note 19 for more detail on loans due to parent and amounts owed to related parties.

# NextEnergy Solar Holdings III Limited

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 March 2020

### 14. PROVISIONS FOR LIABILITIES AND CHARGES

	2020	2019
	£	£
Thornborough Solar Limited	367,164	367,164
Helios Solar 1 Limited	232,737	232,737
NESH 3 Portfolio A Limited	-	187,592
NextPower Lower Strensham Limited	466,638	-
Temple Normanton Solar Limited	340,503	-
Helios Solar 2 Limited	63,782	-
Lumicity 1 Limited	-	1,086,525
	<b>1,470,824</b>	<b>1,874,018</b>

Based on the contractual structure it is probable that bonus payments in relation to the Share Purchase Agreements ("SPA") will be made to the vendor of the above entities, and to the developers of Nextpower Lower Strensham Limited under the Development Services Agreement ("DSA").

The deferred consideration to be paid for Thornborough Solar Limited, Helios Solar 1 Limited, Helios Solar 2 Limited and Temple Normanton Limited is a fixed amount as defined in the SPA.

The bonus to be paid for Nextpower Lower Strensham Limited is made up of three amounts which are calculated using a fixed amount per MWp installed at site and are payable at completion of the development site.

### 15. CONTINGENT LIABILITIES

Based on the contractual structure there is a possibility that a Power Curve Uplift payment in relation to the SPA will be made to the vendors of the subsidiary, RRAM Energy Limited on 6 July 2020. The power curve pricing has not improved better than forecast as stipulated in the SPA, so no provision was recognised.

Based on the contractual structure there is a possibility that a Bonus Consideration payment in relation to the SPA will be made to the vendors of the subsidiary, Llanwern Portfolio. The amount payable is £40,000 per MWp built, plus a 30% incremental value uplift when the project IRR exceeds 9.25% but is lower than 10%, plus a 70% incremental value uplift when the project IRR exceeds 10%. At reporting date no projects were completed under the portfolio, so no provision was recognised.

Based on the contractual structure there is a possibility that a Bonus Consideration payment in relation to the SPA and DSA will be made to the vendors and developers of the subsidiary, Moss Lane Portfolio upon the completion of the construction of the Solar PV. The amount payable under the SPA is £10,000 for each MWp in excess of 10MWp installed at the site and the amount payable under the DSA is £10,000 for each MWp installed at the site. At reporting date the projects were still in early stage development, so no provision was recognised.

### 16. FINANCIAL COMMITMENTS

#### *Investment Commitments*

The Company does not have any commitments to its investments as at 31 March 2020 (2019: none) other than deferred acquisition costs to be paid in the future as accrued in the financial statements and disclosed in Note 12, and forward funded facilities of up to £3,000,000 and £1,400,000 with development partners to invest in the Llanwern and Wentlooge portfolio development projects.

**NextEnergy Solar Holdings III Limited**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
for the year ended 31 March 2020

**17. CALLED UP SHARE CAPITAL**

		2020	2019
Shares classified as equity		£	£
<b>Allotted, called up and fully paid</b>			
3 (2019: 3) Ordinary share of £1 each		<u>3</u>	<u>3</u>
<b>Name</b>	<b>Class of share</b>	<b>Number Held At 31-Mar-20</b>	<b>Number Held At 31-Mar-19</b>
NextEnergy Solar Fund Limited	Ordinary shares	<u>3</u>	<u>3</u>

There is a single class of ordinary shares. There are no restrictions on the distribution of dividends and the repayment of capital. There were no changes in shareholdings between 31 March 2020 and the date of signing the financial statements. All share capital was fully paid at 31 March 2020.

# **NextEnergy Solar Holdings III Limited**

## **NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

for the year ended 31 March 2020

### **18. FINANCIAL RISK MANAGEMENT**

The Company's principal financial assets and liabilities comprise debtors, cash at bank and creditors. The Company has exposure to the following risks from its use of financial instruments:

- Market risk, including interest rate and inflation rate risks
- Credit risk
- Liquidity risk

This note presents information about the Company's exposure to each of the above risks and the Company's objectives, policies and processes for assessing and managing risk. The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework.

#### **Market risk**

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

The Company borrows from its bankers using either overdrafts or term loans whose tenure depends on the nature of the asset and management's view of the future direction of interest rate. The Company receives funding from the parent company from time to time.

#### **Credit risk**

The Company's policies are aimed at minimising losses as a result of a counterparty's failure to honour its obligations. Exposure to credit risk arises as a result of the transactions with counterparties. The counterparties used by the Company are considered by management to be of appropriate credit rating. At the statement of financial position date, the Company's financial assets were neither impaired nor past due. The maximum credit exposure at reporting date is the carrying value of the credit balances, if any.

#### **Liquidity risk**

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company monitors its risk of a shortage of funds using projected cash flows and by monitoring the maturity of both its financial assets and liabilities.

#### **Capital management**

Management considers capital to consist of equity plus net debt as disclosed in the statement of financial position. The primary objective of the Company's capital management is to ensure healthy capital ratios in order to support its business and maximise shareholder value. The Company's financial instruments comprise cash and liquid resources and various items, such as debtors and creditors that arise directly from its operations. The Company's policy is to finance its operations through group borrowings. It is the Company's policy not to hold financial instruments for speculative purposes.

At 31 March 2020, the Company has amounts due to group undertakings. The fair value of creditors is approximated to be their book value. Refer to Note 12 for further detail.

Refer to Note 13 for a table summarising the maturity of the Company's financial assets. Refer to Note 13 for a table summarising the maturity of the Company's financial liabilities.



# **NextEnergy Solar Holdings III Limited**

## **NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

for the year ended 31 March 2020

### **19. RELATED PARTY TRANSACTIONS**

The Company is owned and controlled by NextEnergy Solar Fund Limited. At the reporting date the Company owed £230,620,755 (31 March 2019: £105,529,315) to NextEnergy Solar Fund Limited in respect of Eurobonds outstanding, interest accrued and capitalised costs thereon. At the reporting date the Company was owed £142,341,322 (31 March 2019: £124,206,035) by NextEnergy Solar Fund Limited, mainly in respect of amounts owing for the Eurobonds issued.

The Company was charged management fees of £3,744,274 by NextEnergy Solar Fund Limited (2019: £2,828,340).

At the reporting date the Company was owed £nil by NextEnergy Solar Holdings Limited (2019: £10,649,207), a Company under common control, in respect of amounts advanced to NextEnergy Solar Holdings Limited.

At the reporting date the Company owed £4,232 to NextEnergy Solar Holdings Limited (2019: £nil), a Company under common control, in respect of amounts recharged by NextEnergy Solar Holdings Limited.

At the reporting date the Company was owed £1,200 by NextEnergy Solar Holdings V Limited (2019: £nil), a Company under common control, in respect of amounts paid on behalf of NextEnergy Solar Holdings V Limited.

The Company settled the audit fees of £271,680 (2019: 329,300) on behalf of its investments for the financial year ended 31 March 2020 and 31 March 2019 which are disclosed in the respective subsidiaries' financial statements.

At the reporting date the Company was owed £403,313 (2019: £5,601) in respect of management fees charged to its investments. The charge for the year was £4,857,217 (2019: £3,848,087).

At the reporting date the Company was owed £1,908,331 (2019: £141,095) in respect of interest charged on the amount owing from its investments. The charge for the year was £7,135,374 (2019: £878,088).

WiseEnergy (Great Britain) Limited ("WiseEnergy") is a related party through mutual ownership by NextEnergy Solar Fund Limited. During the year, the Company paid £1,058,022 (2019: £544,181) to WiseEnergy in respect of asset management services provided. At the year end £nil (2019: £nil) was owing to WiseEnergy.

### **20. CONTROLLING INTEREST**

The ultimate controlling party was NextEnergy Solar Fund Limited, a company incorporated in Guernsey with the registered office at 1 Royal Plaza, Royal Avenue, St Peter Port, Guernsey GY1 2HL; and is listed on the London Stock Exchange.

The Ultimate and immediate parent undertaking does not consolidate these financial statements as it meets the definition of an investment entity as described by IFRS 10. Under IFRS 10, investment entities are required to hold subsidiaries at fair value through the Statement of Comprehensive Income rather than consolidate them.

Copies of NextEnergy Solar Fund Limited financial statements are publicly available and can be obtained from the company's website.

### **21. SUBSEQUENT EVENTS**

Further funding has been advanced from the parent to invest in the development of subsidy free solar PV projects.

On the 14 May 2020, the Company sold the shares in Nextpower Lower Strensham Limited, Gwent Farmers' Community Solar Partnership Limited and Greenfields (F) Limited to Nightshade Investco Limited.

There were no other significant events after the year ended 31 March 2020.