

Appendix 4E

Annual Financial Report For the year ended 31 December 2019

Name of entity

1. New Energy Solar Limited (**Company**)
2. Walsh & Company Investments Limited as Responsible Entity for the New Energy Solar Fund (**Trust**).
The Trust and the Company together form a stapled entity referred to as '**New Energy Solar**'

ABN	Reporting Period	Previous Corresponding Period
1. Company ABN: 20 609 396 983 2. Trust ABN: 83 642 732 827	1 January 2019 to 31 December 2019	1 January 2018 to 31 December 2018

Results for announcement to the market

		31 December 2019 (\$)	31 December 2018 (\$)
Total net income - New Energy Solar ("revenue from ordinary activities")	Down by 99.6% to	\$373,899	\$85,799,115
Net operating (loss)/profit for the year - New Energy Solar ("loss)/profit from ordinary activities after tax attributable to securityholders")	Down by 105.2% to	-\$4,178,218	\$80,178,103
Total comprehensive (loss)/income - New Energy Solar ("total comprehensive (loss)/income attributable to securityholders")	Down by 105.2% to	-\$4,178,218	\$80,178,103

Commentary on results

Refer to attached Annual Report and Financial Statements including the Chairman's Letter to Securityholders and Investment Manager's Report. Additional Appendix 4E disclosure requirements can be found in the notes to these financial statements.

Distributions

	Amount per security	Franked Amount per security
Distribution for 6 months ended 30 June 2019 (paid on 15 August 2019)	3.90 cents	0 cents
Distribution for 6 months ended 31 December 2019 (paid on 14 February 2020)	4.00 cents	0 cents
Total Distributions	7.90 cents	0 cents

Distribution dates:

Record date: Tuesday, 31 December 2019
Payment date: Friday, 14 February 2020

New Energy Solar currently operates a Distribution Reinvestment Plan (**DRP**) under which securityholders may elect to have all, or part, of their distribution reinvested in new securities. To participate in the **DRP**, securityholders should elect to participate before the close of the nominated **DRP** final election date (21 January 2020 for the last distribution).

Net tangible assets per security - New Energy Solar

31/12/2019	\$1.51
31/12/2018	\$1.60

Earnings per security - New Energy Solar

	31 December 2019	31 December 2018
Basic (loss)/earnings per security	-1.2 cents	23.85 cents
Diluted (loss)/earnings per security	-1.2 cents	23.85 cents

Financial Report

This report is based on the 31 December 2019 Annual Report which has been audited by Deloitte Touche Tohmatsu.



New Energy Solar

Consisting of:

New Energy Solar Limited
ACN 609 396 983

New Energy Solar Fund
ARSN 609 154 298

ANNUAL REPORT

31 December 2019

**Renewable energy.
Sustainable investments.**

**New Energy Solar
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CHAIRMAN'S LETTER

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 Solar¹ (**NEW** or the **Business**) for the year ended 31 December 2019.

During the year to 31 December 2019 NEW's portfolio became fully operational. From the initial public offering (**IPO**) of the Business at the end of 2017, NEW now has 16 utility-scale solar plants operating in the United States and Australia (the **Portfolio**). Accordingly, NEW begins 2020 with a 772 megawatt (**MW_{DC}**) Portfolio expected to generate over 1.5 terawatt hours (**TWh**) in the next 12 months. NEW is well-positioned in the transition to renewable energy technology and supportive of increasing awareness of the impacts of climate change through its operations while delivering stable returns to investors.

Key milestones achieved by NEW during 2019 included:

- successfully completing three solar plants and increasing the Portfolio's generation capacity by 70%.
- generating over 1TWh² of renewable power, equivalent to displacing 692,000 tonnes of CO₂³.
- announcing distributions of 7.9 cents per Stapled Security for the 12-month period, representing a distribution yield of 5.8%⁴.
- growing investor distributions, distributing more than \$27.6 million to investors over the year.
- generating an 'environmental dividend' equivalent to a reduction in CO₂ emissions of 1.68 kilograms of CO₂ per Stapled Security for the year⁵.
- signing a long-term corporate power purchase agreement (**PPA**) with Kellogg's for the majority of remaining uncontracted electricity generated at the Beryl solar plant. For the year ended 31 December 2019, 99% of NEW's revenue was earned through long-term PPAs with investment grade counterparties.
- reducing NEW's Base Asset Management Fee by 7.5 basis points to recognise the economies of scale available to NEW's Investment Manager after the successful launch of US Solar Fund, a US\$200 million solar investment vehicle listed on the London Stock Exchange in April 2019.
- exploring an asset sale process to reinforce the net asset value of the Portfolio.

FULLY OPERATIONAL PORTFOLIO

NEW's operating portfolio increased to 16 plants during the year ended 31 December 2019, representing 772MW_{DC} of generation capacity. This compares to the operating portfolio at 31 December 2018, which comprised 13 plants representing 454MW_{DC} of generation capacity. During the year, the Business developed the Portfolio through:

- the commissioning of the 110.9MW_{DC} Beryl solar plant located in New South Wales (**Beryl**);
- the commissioning of the 7.5MW_{DC} Organ Church solar plant located in North Carolina (**Organ Church**);
- the commissioning of NEW's final solar plant under construction, the 199.6MW_{DC} Mount Signal 2 solar plant, located in California (**MS2**); and
- electing not to proceed with the acquisition of six remaining projects totaling 73.8MW_{DC} from Cypress Creek Renewables (**CCR**) following delays in achieving permitting for the projects.

We are delighted to have commissioned Beryl, Organ Church, and MS2 over the 12-month period. The addition of these three plants will grow and diversify NEW's revenue streams and underpin investor distributions.

Beryl commenced operations in June 2019, immediately selling a large portion of its electricity and large-scale generation certificates to the NSW Government's Sydney Metro Northwest under a long-term PPA. A month later, Beryl secured a long-term PPA with Kellogg (Aust.) Pty. Ltd for the majority of its uncontracted electricity generation. With respect to Organ Church, similar to the seven other operating projects in the Rigel Portfolio, it immediately began selling 100% of its generated electricity to a subsidiary of Duke Energy under a long-term PPA. Finally, MS2 will sell electricity into the Californian wholesale market at the prevailing spot price pending the commencement in June 2020 of its 20-year

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 Generation accounts for solar plants on a 100% ownership basis. NEW's proportionate share of generation was 874 gigawatt hours.

³ Calculated using the United States Environmental Protection Agency's "Avoided Emissions and Generation Tool", data from the Australian Department of the Environment and Energy

⁴ Based upon the closing NEW Stapled Security price of \$1.36 on 31 December 2019.

⁵ Calculated using the United States Environmental Protection Agency's "Avoided Emissions and Generation Tool", data from the Australian Department of the Environment and Energy, NEW's proportional interest in each plant, and 351,059,886 securities outstanding as at 31 December 2019.

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Chairman's Letter
For the year ended 31 December 2019**

PPA with Southern California Edison. The revenue generated from Substantial Completion until June 2020 will accrue to NEW.

During the year NEW elected not to proceed to acquire six projects from CCR. These projects were part of an agreement, dated 5 October 2017, to acquire projects subject to reaching development milestones within a specified timeframe. Since the original agreement, NEW successfully acquired four alternative projects with a combined capacity of 491.2MW_{DC}. In accordance with the contract, NEW had not committed funds to the remaining CCR projects and when they did not meet the development milestones in the timeframe specified, NEW declined to proceed.

With construction activities complete, the Business looks forward to entering 2020 with a fully operational portfolio. With the support of investors like yourself, NEW now operates a globally significant solar portfolio with a portfolio value of \$1.3 billion⁶.

ASSET SALE PROCESS

The NEW share price is currently trading at a significant discount to net tangible asset backing. This is of great concern to the Boards who are of the view that the share price does not reflect the value of the assets or the operational performance of NEW. As a first step towards demonstrating the value of the assets and closing the gap between the share price and net tangible asset valuation, NEW announced in November 2019 that it had commenced an asset sale process for interests in two of its assets. During the process on 20 January 2020, NEW announced that it had been asked by potential acquirors to consider the sale of up to a 50% interest in NEW's US and/or Australian portfolio holding companies. Expanding the process to accommodate these requests meant that any sale transaction would be unlikely to be formalised before the end of the second quarter of 2020. However, there is no guarantee that the process will result in a larger portfolio transaction, or in any transaction. Any decision to sell assets will be dependent on it continuing to be in the best interest of securityholders and there being no material change in market conditions.

ENVIRONMENTAL AND SOCIAL IMPACT

NEW is proud to contribute to better managing the world's resources for present and future generations and remains the largest listed Australian owner of solar generation. The Business' dedication to supporting sustainable practices is outlined in its second Sustainability Report published in November 2019. The report details the ways in which NEW contributes to 12 out of the 17 Sustainability Goals set by the United Nations, primarily through its SolarBuddy partnership, community engagement, industry innovation and development and investments.

During the 12-month period ended 31 December 2019, the Portfolio generated over 1TWh of electricity⁷. This production is equivalent to displacing 692,000 tonnes of CO₂⁸ emission, powering 132,000 US and Australian equivalent homes⁹, or removing 189,000 cars from the road¹⁰.

FINANCIAL RESULTS

Underlying earnings

The operating portfolio performed largely in line with the Investment Manager's expectations during the 12 months ended 31 December 2019, generating total underlying revenues of US\$54.3 million, with earnings before interest, tax, depreciation and amortisation (EBITDA) of US\$40.2 million, of which US\$29.5 million was attributable to NEW. In line with the Investment Entity accounting policy adopted by NEW, these earnings are not reflected directly in the Statutory Earnings described below. Underlying earnings are in-stead captured as part of the assessment of fair value of the solar power plants.

Statutory earnings

During the year ended 31 December 2019, the Business generated total income of \$0.4 million, while operating expenses totalled \$5.7 million, and an income tax benefit of \$1.1 million arose, resulting in a net loss after tax of \$4.2 million.

Given the large number of US dollar denominated assets, statutory earnings are also influenced by the movement in the US dollar/Australian dollar exchange rate. During the year ended 31 December 2019 the US dollar was largely unchanged against the Australian dollar resulting in a small foreign exchange gain of \$1.3m recognised in the total net income.

As at 31 December 2019, the Business had net assets of \$529.5 million (31 December 2018: \$555.7 million), representing a net asset value (NAV) of \$1.51 per stapled security (31 December 2018: \$1.60), a decrease of 9 cents per stapled security from 31 December 2018. The principle movements in the NAV reflect the payment of distributions throughout the year, and operating costs; To corroborate the Investment Manager's valuation assessment, every three

⁶ Gross asset value as at 31 December 2019 was A\$1,271.2 million.

⁷ Generation accounts for solar plants on a 100% ownership basis. NEW's proportionate share of generation was 874 gigawatt hours.

⁸ Calculated using the United States Environmental Protection Agency's "Avoided Emissions and Generation Tool", data from the Australian Department of the Environment and Energy.

⁹ Calculated using the US Energy Information Administration (principal agency of the US Federal Statistical System) and the Australian Energy Regulator.

¹⁰ Calculated using data from the US Energy Protection Agency and the Australian Bureau of Statistics.

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Chairman's Letter
For the year ended 31 December 2019**

years the Business changes the valuer appointed to undertake the six-monthly asset valuations in order to ensure the process is subject to different market views and perspectives.

The fund paid a 7.9 cent per Stapled Security distribution over this period.

GEARING

NEW targets a long-term gearing level of 50% of gross assets. As at 31 December 2019, NEW's external 'look-through' gearing¹¹ was 58.3%. With the completion of plant construction, this is expected to represent the high point of the Business' gearing. The debt is scheduled to be progressively repaid over time and the long-term average gearing is expected to stabilise toward the 50% target.

NEW's weighted average debt maturity of 8.1 years as at 31 December 2019 reflects the long-term contracted nature of the PPAs underpinning its plants and the diversified nature of its funding base.

BUSINESS OUTLOOK

The outlook for the Business remains strong with the continued price competitiveness of solar energy in our key markets, the United States of America and Australia. Sustainability was a prevalent theme across markets during 2019 and NEW is delighted to contribute to the evident shift towards clean energy generation and investment.

The Business has grown its distribution from 7.75 cents per Stapled Security to 7.90 cents per Stapled Security for the year ended 31 December 2019.

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 NEW during 2019.

Yours faithfully,



STUART NISBETT

Chairman of the Responsible Entity



JEFFREY WHALAN

Chairman of the Company

19 February 2020

¹¹ Gearing = gross debt / gross asset value

Business Highlights

KEY MILESTONES

NEW's Business Objectives

To acquire attractive large-scale solar power plants and associated assets, with contracted cash flows and creditworthy offtakers

To help investors generate financial returns and positive social impacts through these investments

New Energy Solar is an award-winning sustainable investment business focused on investing in large-scale solar power plants that generate emissions-free power. As Australia's first ASX-listed solar infrastructure business, since its establishment NEW has acquired a portfolio of 16 solar power plants, representing a portfolio value of \$1.3 billion and total capacity of 772MW_{DC}. The key events in New Energy Solar's history are set out below.

Figure 1: New Energy Solar's key milestones



BUSINESS ACHIEVEMENTS

To deliver on its objectives, and produce its key investment benefits, the Business has a well-defined investment strategy and clear criteria on which to measure success. The Business made further progress towards its objectives during 2019 and looks forward to ongoing success and growth in returns to stapled securityholders.

Table 1: New Energy Solar's business achievements to date

 <p>Global portfolio across 16 solar power plants</p>	 <p>Total portfolio capacity of over 772MW_{DC}</p>	 <p>Fully operational portfolio of 16 sites</p>
 <p>Capacity weighted average PPA term of 15.8 years</p>	 <p>Distributions totaling A\$67m to investors since IPO</p>	 <p>Generating more than 1,500,000 MWh of electricity annually¹²</p>
 <p>Displacing an estimated 1,000,000 tonnes of CO₂^{12,13}</p>	 <p>Equivalent to removing 277,000 US & Australian cars from the road^{12,14}</p>	 <p>...or powering 224,000 US and Australian homes^{12,15}</p>

¹² Estimates utilise the first year of each plant's electricity production once operational or acquired by the Investment Manager. Assumes all plants are owned by NEW on a 100% basis.

¹³ Calculated using the United States Environmental Protection Agency's "Avoided Emissions and Generation Tool", data from the Australian Department of the Environment and Energy.

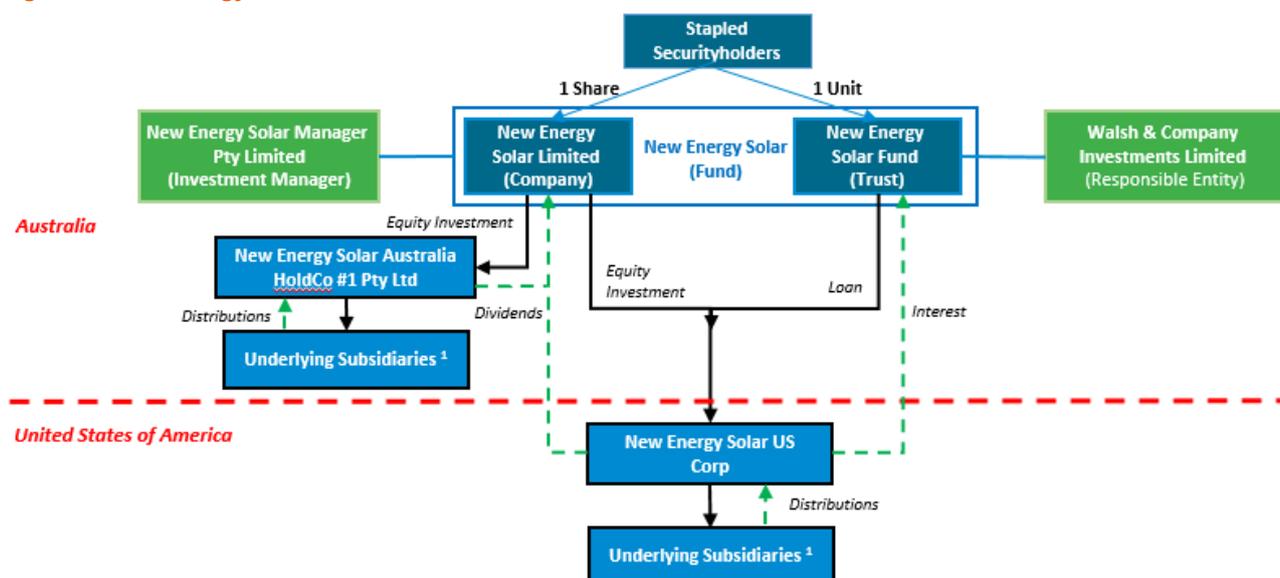
¹⁴ Calculated using the US Energy Information Administration (principal agency of the US Federal Statistical System) and the Australian Energy Regulator.

¹⁵ Calculated using data from the US Energy Protection Agency and the Australian Bureau of Statistics.

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 various structures including trusts and partnerships

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 been shown to reflect the combined financial statements of the Company and its subsidiaries and the Trust and its subsidiaries, together 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 solar plants via the Company’s wholly owned subsidiaries New Energy Solar US Corp (NES US Corp) and New Energy Solar Australia HoldCo #1 Pty Limited (NESAH1). 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. NESAH1 is funded by equity and a loan from the Company.

As the Company and the Trust are considered to meet the definition of an ‘Investment Entity’ (refer ‘Summary of significant accounting policies’ in the annual financial report), NES US Corp and NESAH1 are not consolidated and are required to be held at fair value in the Company’s financial statements. Furthermore, as the combined accounts reflect the net investment of the Company and the Trust in the underlying subsidiaries via equity investment and loans receivable, the loans receivable are also shown at fair value. The total investment (equity investment and loans receivable together) in NES US Corp and NESAH1 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 and NESAH1, fair value movements in the value of the Company’s equity holding in NES US Corp and NESAH1 and the Trust’s loan receivable to NES US Corp, and interest income on the loan from the Trust to NES US Corp. Underlying subsidiaries net operating income and other expenses are ultimately reflected through distribution income or the fair value movement of financial assets 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 NESAH1, and underpin the 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.

Additionally, as 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.

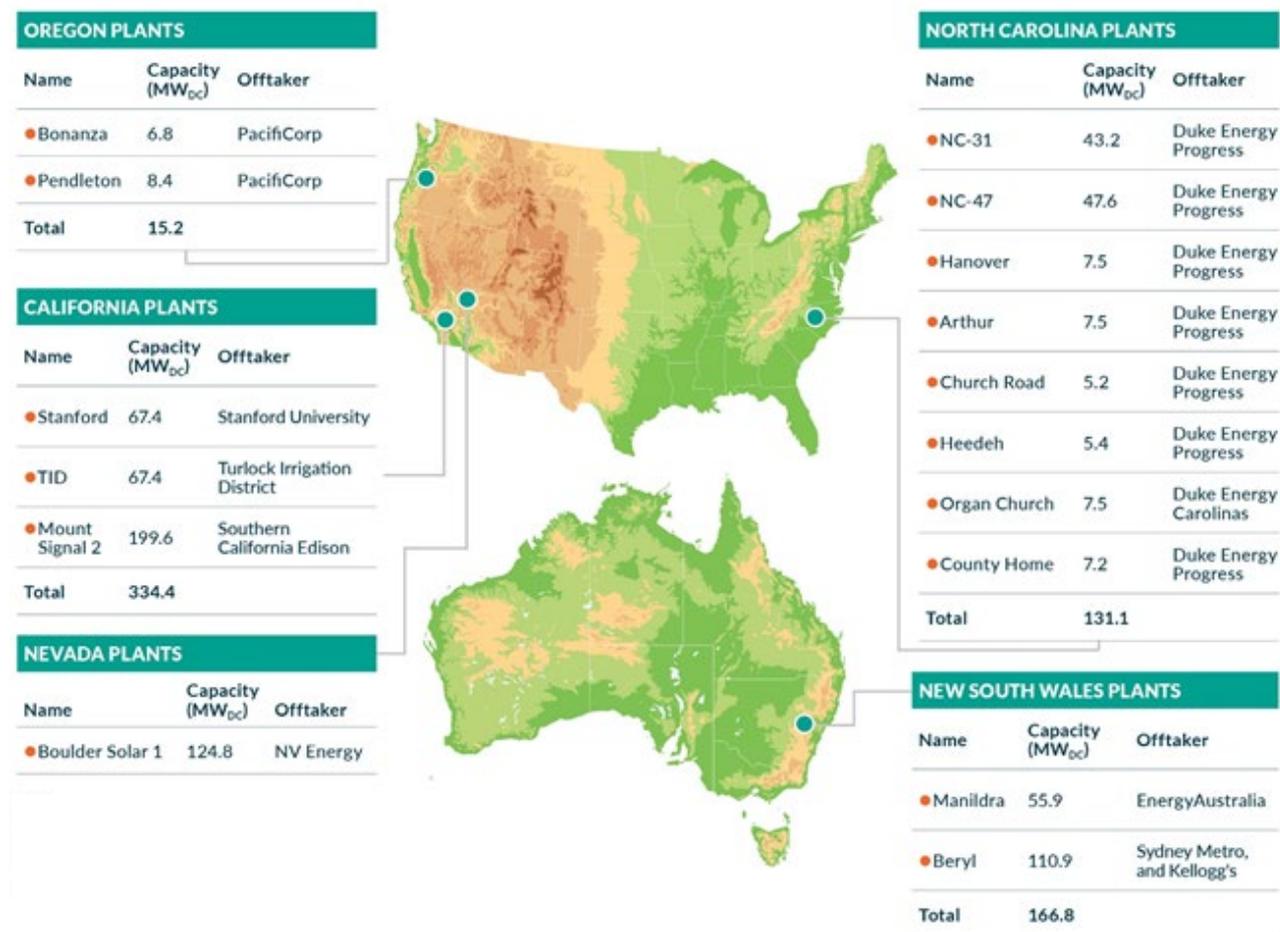
Investment Manager's Report

OVERVIEW OF THE NEW PORTFOLIO

INTERESTS IN 16 OPERATING PLANTS WITH 772MW_{DC} CAPACITY AS AT 31 DECEMBER 2019

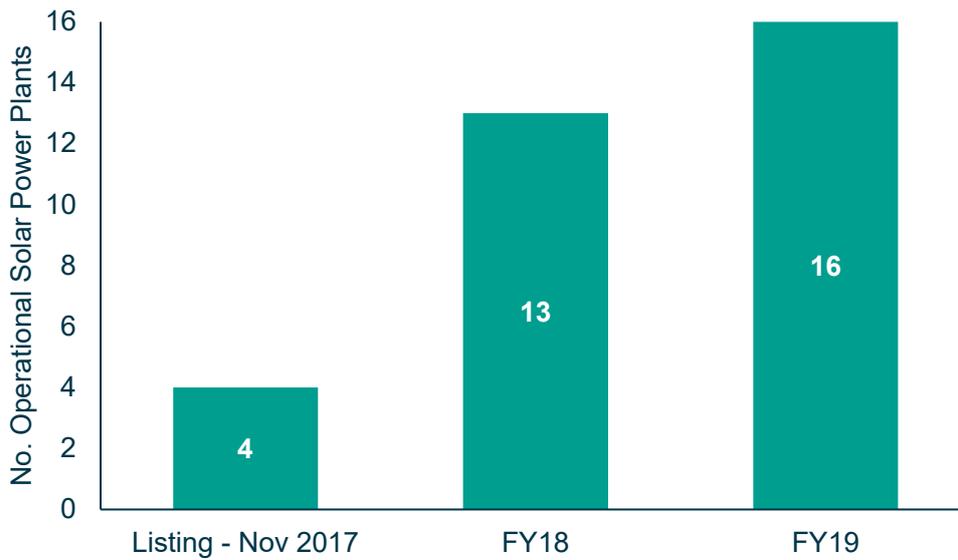
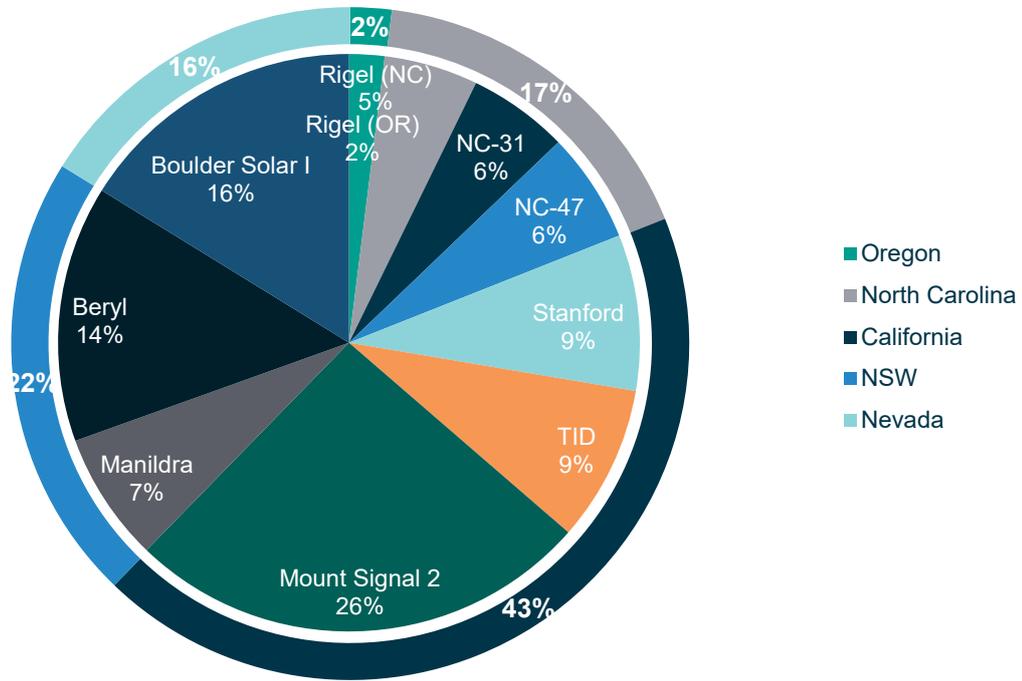
NEW's portfolio as at 31 December 2019 comprised 16 operating solar power plants in the US and Australia, which are described below.

Figure 3: NEW portfolio summary: Over 772MW_{DC} operating solar plants across two continents¹⁶



¹⁶ Includes plants that are wholly or partly owned by NEW.

Figure 4: NEW Portfolio composition (772MW_{DC}) as at 31 December 2019^{17 18}



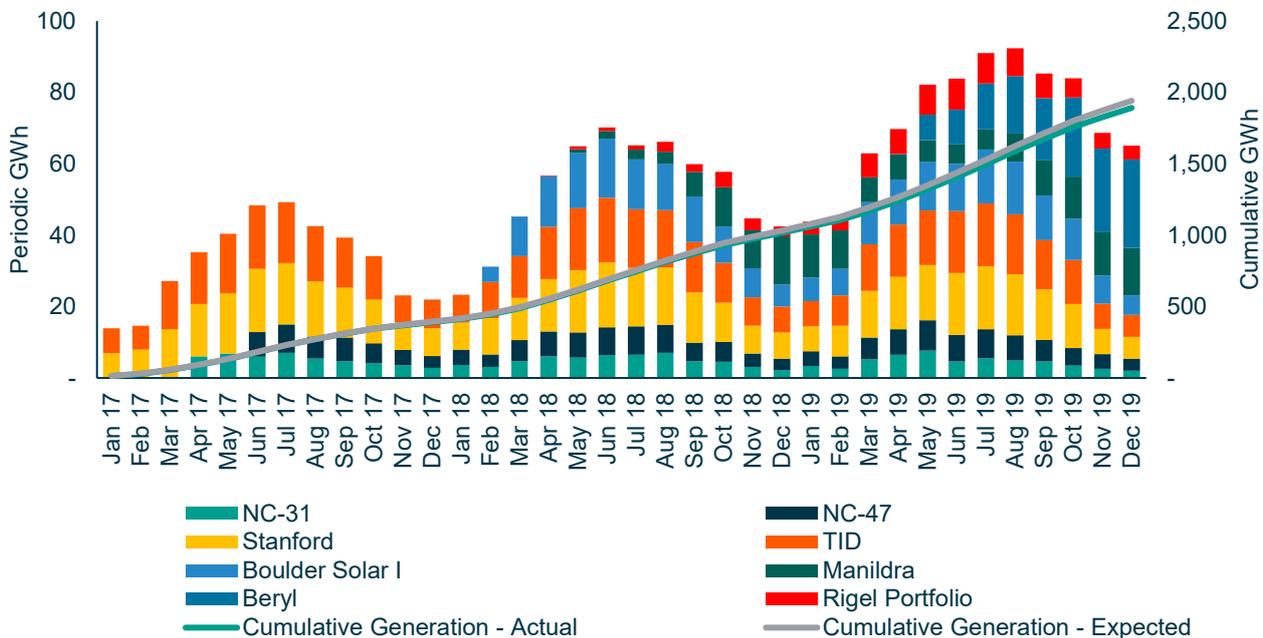
¹⁷ Includes plants that are wholly or partly owned by NEW and accounts for capacity on a 100% ownership basis.

¹⁸ Rigel portfolio refers to the eight solar plants – Arthur, Bonanza, Church Road, County Home, Hanover, Heedeh, Organ Church, and Pendleton – that NEW acquired from CCR.

NEW'S OPERATING PORTFOLIO PERFORMANCE

INTERESTS IN 16 PLANTS WITH 772MW_{DC} CAPACITY AS AT 31 DECEMBER 2019

Figure 5: Operating Portfolio monthly generation¹⁹



NEW's portfolio progressed to become fully operational as at 31 December 2019. The Mount Signal 2 solar plant was commissioned in late December and is expected to increase the Portfolio's generation to over 1.5TWh over the next 12 months.

¹⁹ Production included for all solar power plants on a NEW proportionate interest basis.

OPERATING PORTFOLIO PERFORMANCE

Table 2 shows the underlying generation and financial performance of the operating projects in NEW's Portfolio for the twelve months ended 31 December 2019, which have increased from prior periods due to the commissioning of Beryl and Organ Church. Mount Signal 2 was commissioned in late December 2019 and is expected to increase generation and profits from the next period onwards.

Table 2: NEW Portfolio

Plant	Plant Capacity (MW _{DC})	2019 Generation (GWh)		PPA term remaining (years)	PPA expiry date
		Gross ²⁰	NEW Proportionate Share ²¹		
NC-31	43.2	53.0	53.0	7.2	2027
NC-47	47.6	70.6	70.6	7.4	2027
Stanford	67.4	150.2	150.2	22.0	2041
TID	67.4	149.8	149.8	17.2	2037
Boulder Solar I	124.8	271.0	132.8	17.0	2036
Manildra	55.9	108.8	108.8	11.0 ²²	2030
Beryl	110.9	133.8	133.8	13.1 ²³	2034
Rigel Portfolio	55.6	74.7	74.7	13.2	2033
Mount Signal 2	199.6	-	-	20.0	2040
Total²⁴	772.4	1,011.9	873.7	15.8²⁵	

²⁰ Generation calculated on a 100% ownership basis.

²¹ Generation attributed to NEW's proportionate interest in each plant.

²² Assumes the option to extend the Manildra PPA is exercised.

²³ Weighted average of the PPA with Sydney Metro for 69% of Beryl's generation and the PPA with Kellogg's for 29% of Beryl's generation. Assumes that Kellogg's exercises their PPA extension option and the option expires on 31 December 2029.

²⁴ Totals may not be additive due to rounding.

²⁵ Total average PPA term remaining is the capacity weighted term.

**New Energy Solar
Investment Manager's Report
For the year ended 31 December 2019**

The attractive margins and profit generating characteristics of the Portfolio are illustrated by its underlying earnings shown in Table 3 below.

Table 3: Portfolio underlying financial performance for the year to 31 December 2019. Comparison to prior periods.²⁶

US\$m	YEAR ENDED 31 DECEMBER 2019	YEAR ENDED 31 DECEMBER 2018	YEAR ENDED 31 DECEMBER 2017
Revenue	54.3	42.0	21.7
Less: Operating expenses	(14.1)	(9.4)	(4.4)
EBITDA	40.2	32.6	17.3
Less: Distributions to Tax Equity investors and EBITDA attributable to co-investors	(10.7)	(10.3)	(5.5)
EBITDA attributable to NEW	29.5	22.3	11.9

The Business grew its underlying revenues by US\$12.3 million (29%) and EBITDA attributable to it by US\$7.2m (32%) during the year ended 31 December 2019 compared to the prior year.

While there was variability at an individual solar plant level due to major weather events and commissioning phases, generation and availability of the Portfolio as a whole was consistent with the Investment Manager's expectations during the year. Production during the period was 1,012 gigawatt hours (**GWh**), compared to 768GWh for the prior year²⁷. This result represented an increase in generation of 244GWh or 32% from the prior corresponding period, with the increase attributable to:

- a full period of operations from Manildra and the majority of the Rigel Portfolio.
- commencement of operations of Beryl and Organ Church during the period.

The additional plants have materially increased the positive environmental impact of the NEW Portfolio, with electricity generation from the Operating Portfolio during the year ended 31 December 2019:

- displacing an estimated 692,000 tonnes of carbon emissions²⁸.
- removing nearly 189,000 US and Australian equivalent cars from the road²⁹.
- powering almost 132,000 US and Australian equivalent houses³⁰.

²⁶ Underlying earnings calculated based on unaudited financial statements and management reports. Manildra and Beryl underlying earnings converted from AUD to USD at FX rate of 1AUD:0.7021USD

²⁷ Generation calculated on a 100% ownership basis.

²⁸ US CO2 emissions displacement is calculated using data from the US Environmental Protection Agency's "Avoid Emissions and generation Tool" (AVERT). Australian CO2 emissions displacement is calculated using data from the Australian Government – Department of the Environment and Energy.

²⁹ Calculated using data from the US Energy Information Administration (principal agency of the US Federal Statistical System) and the Australian Energy Regulator.

³⁰ Calculated using data from the US Environmental Protection Agency and the Australian Bureau of Statistics.

INVESTMENTS & GEARING

NET ASSET VALUE

Over the 12-month period to 31 December 2019, NEW's NAV declined A\$26.2 million, equivalent to 7 cents per stapled security. When added to the 2 cent dilutionary impact of the issuance of stapled securities through the dividend reinvestment plan, the NAV per stapled security decreased 9 cents per stapled security. The following movements, in aggregate, were the main factors contributing to the change are listed below (and summarised in Figure 6 and 7):

- A A\$0.8 million decline in the fair value of NEW's solar power plants. To corroborate the valuation assessment of the Investment Manager, the Business has a policy of changing asset valuers every three years to ensure the valuations are subject to different market views and perspectives. As at 31 December 2019, Duff and Phelps, a multinational consulting firm based in New York, performed the valuations which were subsequently adopted by the Investment Manager and, while certain elements of the methodology have changed, the overall values are broadly consistent with those reported at the end of the twelve-month period to 31 December 2018.
- As we had flagged at the June 2019 results presentation, recognising the long-term and stable returns from equity, typical of the highly contracted revenues and stable cashflows characterising infrastructure assets, could be better achieved by discounting using after tax cost of equity rather than pre-tax weighted average cost of capital (**WACC**). Duff and Phelps has endorsed this change and accordingly, the principle difference in the discounted cashflow (**DCF**) methodology applied this period is the use of the cost of equity in the place of a WACC. In addition to the change in discounting approach, a number of other changes to assumptions were adopted which are set out in Figure 7 and include:
 - The change in discounting methodology increased the fair value of solar plants by \$22.3 million;
 - The use of lower merchant power price forecasts in the United States for the periods beyond the end of each asset's power purchase agreement (**PPA**) decreased the fair value of solar plants by \$49.4 million;
 - The recognition of a lower cost of equity reflecting the continued decline in long-term bond rates and a reduction in asset specific risk resulting from the completion of construction on Beryl and on Mount Signal 2 increased the fair value of solar power plants by \$37.6 million; and
 - The fair value of solar power plants was reduced by \$17.7 million due to a change in the fair market value of debt. Now a cost of equity discounting approach has been adopted this should have less influence on fair market values going forward.
- An increase of A\$74.1 million reflecting the completion of the acquisition of the Beryl solar power plant and the US\$15m stake in US Solar Fund plc (**USF**);
- An increase of A\$1.4 million reflecting mark to market revaluation gains and foreign exchange gains attributable to the investment in USF;
- A decline of A\$19.4 million reflecting the cash distributions to investors net of distribution reinvestment;
- A decline of A\$14.6 million comprising the operating costs of the Business, including fees paid to the Investment Manager and legal and other costs;
- A decline of A\$2.2 million expended to undertake buybacks in the first half of the 2019 year; and
- A decline of A\$64.7 million in working capital movements reflecting the use of cash and financing to complete the acquisition of the Beryl solar plant and the movement of funds from the assets to the separate holding companies.

**New Energy Solar
Investment Manager's Report
For the year ended 31 December 2019**

Table 4: NEW NAV as at 31 December 2019³¹

Asset	Equity	Debt (Fair Value)	Debt (Outstanding balance)	Enterprise Value³²
US PLANTS				
Stanford	US\$73.0m	US\$66.0m	US\$62.4m	US\$139.0m
TID				
NC-31	US\$68.7m	US\$25.3m	US\$25.1m	US\$94.0m
NC-47				
Boulder Solar 1	US\$42.0m	US\$24.9m	US\$22.7m	US\$66.9m
Rigel portfolio	US\$26.0m	US\$23.8m	US\$22.3m	US\$49.8m
Mount Signal 2	US\$100.5m	US\$238.4m	US\$209.3m	US\$338.9m
Subtotal (US\$)	US\$310.2m	US\$378.4m	US\$341.8m	US\$688.6m
Subtotal (A\$ equivalent)	A\$441.8m	A\$538.9m	A\$486.8m	A\$980.8m
AUS PLANTS				
Manildra ³³	A\$67.3m	A\$77.1m	A\$70.7m	A\$144.4m
Beryl ³⁴	A\$75.2m	A\$139.6m	A\$124.6m	A\$214.8m
Subtotal	A\$142.5m	A\$216.7m	A\$195.3m	A\$359.2m
Subtotal All Plants	A\$584.4m	A\$755.6m	A\$682.1m	A\$1,340.0m
US Solar Fund stake	A\$22.4m	-	-	A\$22.4m
Corporate Debt	(A\$59.5m)	A\$59.5m	A\$59.5m	-
Working capital	(A\$17.7m)	-	-	(A\$17.7m)
Total (Net Asset Value)	A\$529.5m	A\$815.1m	A\$741.7m	A\$1,344.7m

Refer to Note 10 of the Financial statements for further information on NEW's financial assets held at fair value through profit or loss.

³¹ US\$ figures converted to A\$ at US\$:A\$ exchange rate of 0.7021 as at 31 December 2019. Figures may not add due to rounding.

³² Enterprise Value = Equity + Debt (Fair Value).

³³ Manildra equity balance includes working capital residing in project entities of A\$8.8 million.

³⁴ Beryl equity balance includes working capital residing in project entities of A\$6.1 million.

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Figure 6: Change in NAV since 31 December 2018

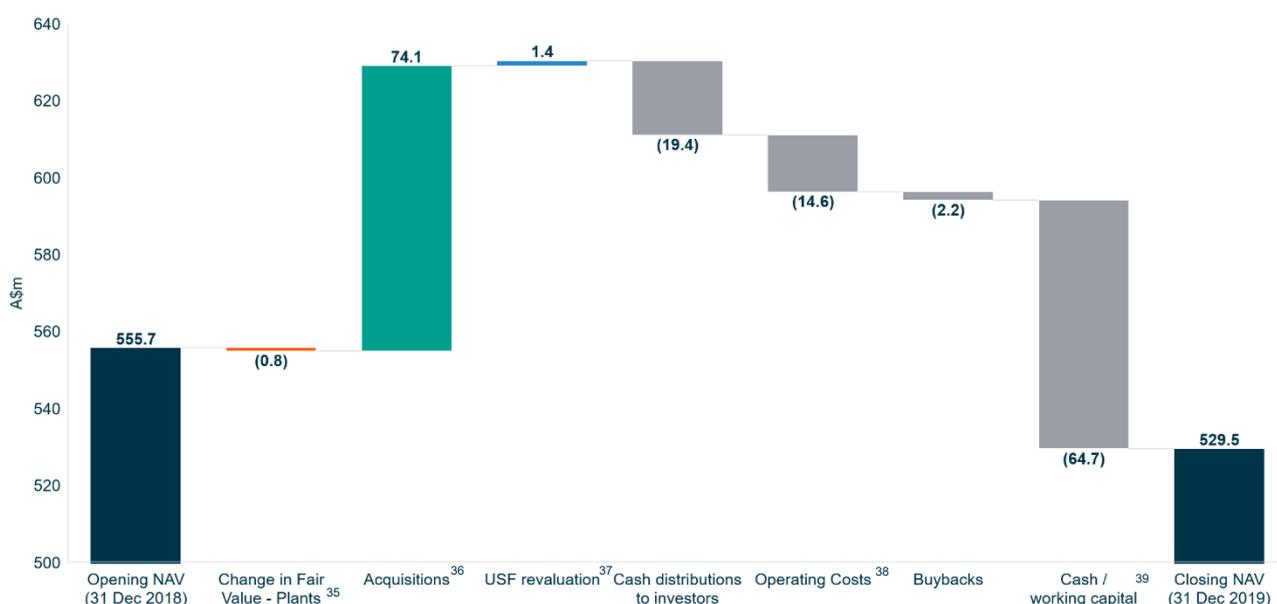
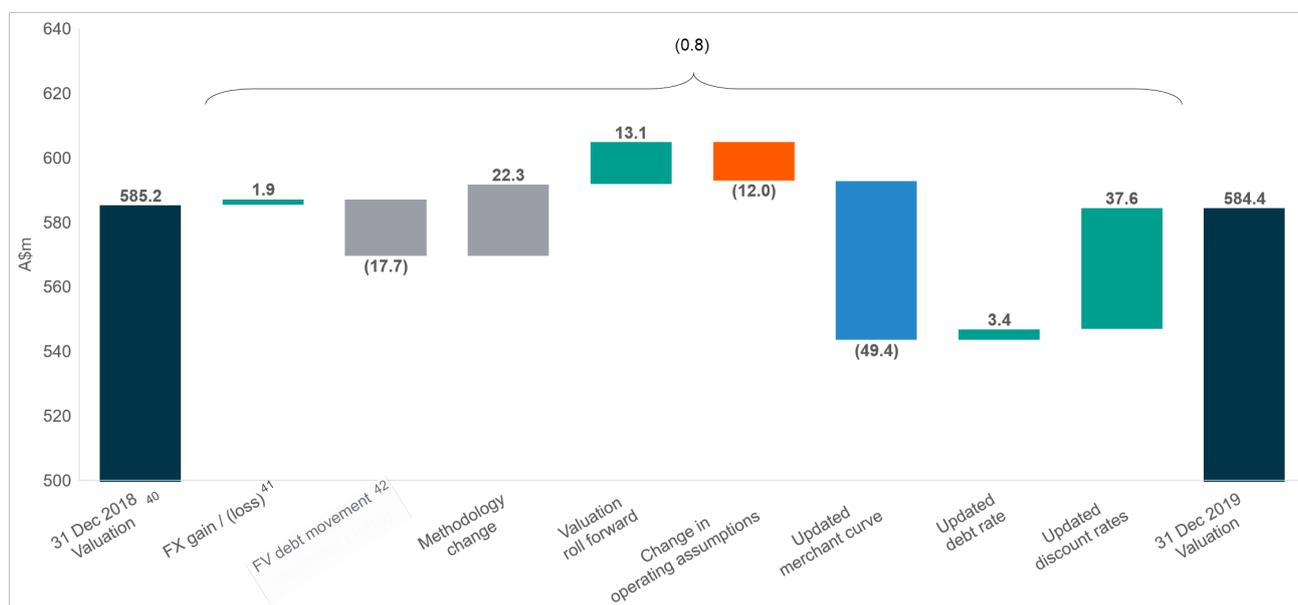


Figure 7: Change in Fair Value of Solar Plants since 31 December 2018



³⁵ Change in fair value attributable to operating solar plants over the period, including the change in fair value of debt attributable to outstanding debt facilities.

³⁶ Includes the portion of Beryl that was funded during the year ending 31 December 2019 and the US\$15 million investment into the US Solar Fund plc, also managed by the Investment Manager, in April 2019.

³⁷ Increase in the value of the US Solar Fund plc.

³⁸ Operating costs of the fund including Investment Manager fee, legal and other advisor fees. Operating costs do not include operating expenditure of the solar power plants.

³⁹ Working capital movements include receipt of distributions and excess debt financing proceeds from solar power plants and interest expense of corporate debt.

⁴⁰ Includes purchase price of Beryl A\$53.1 million.

⁴¹ Foreign exchange gains on the A\$ value of operating plants over the period, and fair value loss of forward foreign currency derivatives.

⁴² Change in fair value of debt attributable to outstanding debt facilities over the period.

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GEARING

NEW had gross external look through debt outstanding of \$741.7 million as at 31 December 2019, equivalent to a gearing ratio of 58.3%⁴³ as at 31 December 2019 (NEW has a target long-term gearing ratio of 50% of gross assets). With the completion of construction, this is expected to represent the high point of the Business' gearing. It is scheduled to be progressively repaid over time – bringing long-term average gearing below 50%.

NEW's weighted average debt maturity of 8.1 years as at 31 December 2019 reflects the long-term contracted nature of the PPA underpinning its solar power plants and the diversified sources from which it has sourced its debt funding.

NEW's group debt facilities outstanding as at 31 December 2019 are set out in Table 5 below:

Table 5: NEW debt facilities outstanding as at 31 December 2019

Facility	Type	Facility Size	Drawn	Security
North Carolina Facility	Loan	US\$27.3m	US\$25.1m	NC-31 and NC-47
US Private Placement 1	Bond	US\$62.5m	US\$62.4m	Stanford and TID
Mount Signal 2 Facility ⁴⁴	Construction loan	US\$209.3m	US\$209.3m	Mount Signal 2
US Revolving Credit Facility	Loan	US\$45.0m	US\$41.8m	Corporate
US Private Placement 2	Bond	US\$22.7m	US\$22.7m	Boulder Solar I
Rigel Facility	Loan	US\$22.6m	US\$22.3m	Rigel plants
US Facilities Subtotal		US\$389.4m	US\$383.6m	
US Facilities Subtotal (A\$ equivalent)⁴⁵		A\$554.6m	A\$546.4m	
Manildra Facility	Loan	A\$71.5m	A\$70.7m	Manildra
Beryl Facility	Loan	A\$125.4m	A\$124.6m	Beryl
CEFC Facility	Loan	A\$50.0m	-	Corporate
Australian Facilities Subtotal		A\$246.9m	A\$195.3m	
Total Debt		A\$801.5m	A\$741.7m	
Gross assets			A\$1,271.2m	
Gross Look Through Gearing (%)			58.3%	

Refer to Note 10 of the financial statements for further information on NEW's group debt facilities.

⁴³ Gearing = total debt / Gross Asset Value.

⁴⁴ Excludes US\$8.5m Mount Signal 2 revolving loan facility which was undrawn as at 31 December 2019. Facility excluded as interest payments are capitalising over the construction period.

⁴⁵ US\$ values converted to A\$ using 31 December 2019 FX rate of 1AUD:0.7021USD.

New Energy Solar's Investments

Operating Solar Power Plants – United States

Stanford Solar Power Plant (Stanford)

Location	Rosamond, Kern County, California, USA
Generating Capacity	67.4MW _{DC} / 54MW _{AC}
Commercial Operation Date (COD)	December 2016
PPA Term	25 years from COD
PPA Offtaker	Stanford University
O&M Service Provider	SunPower Corporation, Systems

Description

Stanford is located on a 242-acre leased site in Rosamond, Kern County, California, approximately 120 kilometres north of Los Angeles. Stanford is located next to the TID solar power plant and commenced operations in December 2016. NEW acquired its substantial majority interest in Stanford in December 2016.



Turlock Irrigation District Power Plant (TID)

Location	Rosamond, Kern County, California, USA
Generating Capacity	67.4MW _{DC} / 54MW _{AC}
COD	December 2016
PPA Term	20 years from COD
PPA Offtaker	Turlock Irrigation District
O&M Service Provider	SunPower Corporation, Systems

Description

TID is located on a 265-acre leased site in Rosamond, Kern County, California, approximately 120 kilometres north of Los Angeles. TID is located next to the Stanford solar power plant and commenced operations in December 2016. NEW acquired its substantial majority interest in TID in December 2016.



North Carolina 43MW_{DC} Solar Power Plant (NC-31)

Location	Bladenboro, Bladen County, North Carolina, USA
Generating Capacity	43.2MW _{DC} / 34.2MW _{AC}
COD	March 2017
PPA Term	10 years from COD
PPA Offtaker	Duke Energy Progress, Inc.
O&M Service Provider	Miller Bros. Solar LLC
Description	NC-31 is located on a 196-acre leased site in Bladenboro, Bladen County, North Carolina, approximately 232 kilometres east of Charlotte, North Carolina. The plant commenced commercial operations in March 2017. NEW committed to acquiring a majority interest in NC-31 in August 2016 and acquired its interest in the plant in March 2017. NEW acquired the minority interests in NC-31 in July 2018.



North Carolina 48MW_{DC} Solar Power Plant (NC-47)

Location	Maxton, Robeson County, North Carolina, USA
Generating Capacity	47.6MW _{DC} / 33.8MW _{AC}
COD	May 2017
PPA Term	10 years from COD
PPA Offtaker	Duke Energy Progress, Inc.
O&M Service Provider	DEPCOM Power, Inc.
Description	NC-47 is located on a 260-acre leased site in Maxton, Robeson County, North Carolina, approximately 166 kilometres east of Charlotte. NC-47 commenced commercial operations in May 2017. NEW committed to acquiring a majority interest in the plant in October 2016 and acquired its interest in May 2017. NEW acquired the minority interests in NC-47 in July 2018.



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Boulder Solar 1 Power Plant (Boulder Solar 1)

Location	Boulder City, Nevada, USA
Generating Capacity	124.8MW _{DC} / 100MW _{AC}
COD	December 2016
PPA Term	20 years from 1 January 2017
PPA Offtaker	NV Energy (owned by Berkshire Hathaway)
O&M Service Provider	SunPower Corporation, Systems



Description

Boulder Solar 1 is located on a 542-acre leased site in Boulder City, Clark County, Nevada, approximately 50 kilometres south of Las Vegas. The plant commenced commercial operations in December 2016. NEW acquired a 49% minority interest in Boulder Solar 1 in February 2018.



Arthur Solar Power Plant (Arthur)

Location	Tabor City, North Carolina, USA
Generating Capacity	7.5MW _{DC} / 5.0MW _{AC}
COD	July 2018
PPA Term	15 years from COD
PPA Offtaker	Duke Energy Progress, Inc.
O&M Service Provider	Cypress Creek Renewables O&M (CCR O&M)



Description

Arthur is located on a 35-acre leased site in Tabor City, North Carolina. The plant commenced commercial operations in July 2018.



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Bonanza Solar Power Plant (Bonanza)

Location	Bonanza, Oregon, USA
Generating Capacity	6.8MW _{DC} / 4.8 MW _{AC}
COD	December 2018
PPA Term	12.9 years from COD
PPA Offtaker	PacifiCorp
O&M Service Provider	CCR O&M

Description Bonanza is located on a 57-acre leased site 30 kilometres east of Klamath Falls, Oregon. The plant commenced commercial operations in December 2018.



Church Road Solar Power Plant (Church Road)

Location	Angier, North Carolina, USA
Generating Capacity	5.2MW _{DC} / 5.0MW _{AC}
COD	August 2018
PPA Term	15 years from COD
PPA Offtaker	Duke Energy Progress, Inc.
O&M Service Provider	CCR O&M

Description Church Road is located on a 21-acre leased site in Angier, North Carolina. The plant commenced commercial operations in August 2018.



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County Home Solar Power Plant (County Home)

Location	Rockingham, North Carolina, USA
Generating Capacity	7.5MW _{DC} / 5.0 MW _{AC}
COD	September 2018
PPA Term	15 years from COD
PPA Offtaker	Duke Energy Progress, Inc.
O&M Service Provider	CCR O&M

Description County Home is located on a 30-acre leased site 5 kilometres southeast of Rockingham, North Carolina. The plant commenced commercial operations in September 2018.



Hanover Solar Power Plant (Hanover)

Location	Maysville, North Carolina, USA
Generating Capacity	7.5MW _{DC} / 5.0MW _{AC}
COD	April 2018
PPA Term	15 years from COD
PPA Offtaker	Duke Energy Progress, Inc.
O&M Service Provider	CCR O&M

Description Hanover is located on a 45-acre leased site in Maysville, North Carolina. The plant commenced commercial operations in April 2018.



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Heedeh Solar Power Plant (Heedeh)

Location	Delco, North Carolina, USA
Generating Capacity	5.4MW _{DC} / 4.5MW _{AC}
COD	July 2018
PPA Term	15 years from COD
PPA Offtaker	Duke Energy Progress, Inc.
O&M Service Provider	CCR O&M

Heedeh is located on a 21-acre leased site in Delco, North Carolina. The plant commenced commercial operations in July 2018.

Description



Organ Church Solar Power Plant (Organ Church)

Location	Organ Church, North Carolina, USA
Generating Capacity	7.5MW _{DC} / 5.0 MW _{AC}
COD	February 2019
PPA Term	15.0 years from COD
PPA Offtaker	Duke Energy Carolinas
O&M Service Provider	CCR O&M

Organ Church is located on a 45-acre leased site 15 kilometres northwest of Kannapolis, North Carolina. The plant commenced commercial operations in February 2019.

Description



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Pendleton Solar Power Plant (Pendleton)

Location	Pendleton, Oregon, USA
Generating Capacity	8.4MW _{DC} / 6.0 MW _{AC}
COD	September 2018
PPA Term	13.2 years from COD
PPA Offtaker	PacifiCorp
O&M Service Provider	CCR O&M

Description	Pendleton is located on a 44-acre leased site 5 kilometres west of Pendleton, Oregon. The plant commenced commercial operations in September 2018.
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Mount Signal 2 Solar Power Plant (MS2)

Location	Imperial Valley, California, USA
Generating Capacity	199.6MW _{DC} / 153.5 MW _{AC}
COD	December 2019
PPA Term	20 years from June 2020
PPA Offtaker	Southern California Edison
O&M Service Provider	First Solar

Description	MS2 is located on a 1,314 acre leased site in the Imperial Valley, California. The plant commenced commercial operations in December 2019. MS2 will sell electricity to the wholesale market until the commencement of its 20-year PPA in June 2020.
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Operating Solar Power Plants – Australia

Manildra Solar Power Plant (Manildra)

Location	Manildra, New South Wales, Australia
Generating Capacity	55.9MW _{DC} / 46.7MW _{AC}
COD	December 2018
PPA Term	10 years from COD, with an option to extend to 2030
PPA Offtaker	EnergyAustralia
O&M Service Provider	First Solar

Description

Manildra is located on a 120-hectare leased site 1.5 kilometres north east of Manildra, NSW. The plant commenced commercial operations in December 2018. NEW announced its agreement to acquire Manildra in June 2018.



Beryl Solar Power Plant (Beryl)

Location	Beryl, New South Wales, Australia
Generating Capacity	110.9MW _{DC} / 87MW _{AC}
COD	June 2019
PPA Term	15 (Sydney Metro) ⁴⁶ c. 7.5 years with an option to extend to December 2029 (Kellogg's) ⁴⁷
PPA Offtaker	Sydney Metro (69% of generation) Kellogg's (29% of generation)
O&M Service Provider	First Solar Australia

Description

Beryl is located in Central West NSW, approximately five kilometres west of Gulgong. The plant commenced commercial operations in June 2019. NEW announced its agreement to acquire Beryl in June 2018.



⁴⁶ The Sydney Metro PPA represents approximately 69% of Beryl's generation during the 15-year term.

⁴⁷ The Kellogg's PPA represents approximately 29% of Beryl's generation during the ~7.5-year initial term. Kellogg's has an option to extend the term for three years until 31 December 2029.

Information on the Investment Manager

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 Evans Dixon Group and provide services for the benefit of the Business. Further information on the Investment Manager team is provided at www.newenergysolar.com.au.

Senior Management Team	
<p>John Martin CEO, New Energy Solar BEcon (USYD)</p> 	<p>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 in corporate advisory and investment banking with a focus on the infrastructure, energy and utility sectors.</p> <p>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.</p> <p>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.</p> <p>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:CD3), and is a past board member of Infrastructure Partnerships Australia.</p>
<p>Liam Thomas Chief Investment Officer BAgribus (Curtin), MSc (Curtin), MBA (MELB)</p> 	<p>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.</p> <p>Prior to joining NEW, 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.</p> <p>Liam has a Bachelor of Agribusiness and Master of Science from Curtin University, and a Master of Business Administration from the University of Melbourne.</p>

Senior Management Team (Continued)

Michael van der Vlies
Chief Financial Officer

BAcc (UTS), CA



Michael is responsible for the finance activities of the Investment Manager, including business planning, budgeting, forecasting, financial reporting, taxation, treasury, balance sheet management and risk management.

Michael has over 16 years' experience working in Finance, Infrastructure and Investment Management. Michael previously led a team responsible for the financial reporting, fund administration, regulatory and compliance reporting globally across AMP Capital's \$15bn Infrastructure Equity funds. Prior to this, Michael held various finance roles including General Manager of Finance and Group Financial Controller at BAI Communications, a Communications Infrastructure business owned by CPPIB and Senior Manager at Macquarie. While at Macquarie, Michael worked across a range of listed and unlisted infrastructure funds in sectors including airports and communications.

Michael holds a Bachelor of Accounting from the University of Technology, Sydney and is a member of the Institute of Chartered Accountants in Australia.

**New Energy Solar
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New Energy Solar Limited (the **Company**) and Walsh & Company Investments Limited, as Responsible Entity of New Energy Solar Fund (the **Trust**) (**Responsible Entity**), 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 directors of the Company and the directors of the Responsible Entity recognise the importance of good corporate governance.

The Fund's corporate governance charter (**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.

A description of the Fund's adopted practices in respect of the eight Principles and Recommendations from the Third Edition of the *ASX Corporate Governance Principles and Recommendations* (**ASX 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 (**Company Board**) and the board of the Responsible Entity (**RE Board**) (together, the **Boards**) are responsible for the overall operation, strategic direction, leadership and integrity of the Fund and in particular, are 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 2001 (Cth)* (**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 (**Board Policy**). The Board Policy is set out in section 2 of the Fund's Corporate Governance Charter. A review of the Board 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 relevant 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 Risk Appetite Statement which was approved by the Boards on 20 November 2019.

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 securityholders 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 securityholders 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

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

- advising the Company Board on governance matters;
- circulating to the Company 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 Company 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 Company 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 for FY2019, is set out below:

- At least one female director representation on the Company Board.

The outcome for the year, as reported by the Company Board, is set out below:

- As at 31 December 2019, there was one female and five male directors; and
- The Company Board was satisfied it had achieved its measurable objectives for FY2019.

2. STRUCTURE THE BOARD TO ADD VALUE

BOARD COMPOSITION

The Company and the Responsible Entity seek to maintain Boards 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 Boards 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 2019 financial year and as at the date of this report are:

Jeffrey Whalan –Independent, Non-Executive Chairperson

Maxine McKew – Independent, Non-Executive Director

James Davies – Independent, Non-Executive Director

John Holland – Independent, Non-Executive Director

Alan Dixon – Non-Independent Non-Executive Director

John Martin – Non-Independent Director

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The directors of the Responsible Entity during the 2019 financial year and as at the date of this report are:

Stuart Nisbett – Independent, Non-Executive Chairperson (appointed on 19 December 2019)
Alex MacLachlan – Non-Independent, Executive Chairperson (resigned on 19 December 2019)
Warwick Keneally – Non-Independent, Executive Director
Mike Adams – Non-Independent, Non-Executive Director
Peter Shear – Independent, Non-Executive Director (appointed on 19 December 2019)

The company secretaries of the Company and the Responsible Entity during the 2019 financial year and as at the date of this report are:

Hannah Chan
Caroline Purtell

The Company Board 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 its Board. The directors will continue to monitor the composition of the Company Board.

The RE Board comprises two independent directors, Stuart Nisbett and Peter Shear and two non-independent directors, Warwick Keneally and Mike Adams with the independent Chairperson holding the casting vote. The RE Board however has established a compliance committee (**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 reporting the findings to the RE Board, reporting to the Australian Securities & Investments Commission (**ASIC**) if the Compliance 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 RE Board about any changes that the Compliance 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 Boards.

The Boards will review their 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 them in carrying out their functions. At that time the Boards will adopt a charter for such committees in accordance with the ASX Recommendations and industry best practice.

It is the Company 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 ASX listing rules (**Listing Rules**) and the *Corporations Act*. In accordance with the Corporate Governance Charter, 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 Company Board 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 Company Board and individual directors, including the chairperson, were evaluated during the year ending 31 December 2019 in accordance with these processes.

INDUCTION AND ONGOING PROFESSIONAL DEVELOPMENT

On appointment, the directors are individually briefed by the Investment Manager. 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, 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 of Conduct**) to define basic principles of business conduct. The Code of Conduct requires officers and employees to abide by the policies of the Fund and the law. The Code of Conduct 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 is set out in section 5 of the Fund's Corporate Governance Charter.

SECURITY TRADING POLICY

The Boards have established a security trading policy (**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 Security Trading Policy imposes restrictions and notification requirements, including the imposition of blackout periods, trading windows and the need to obtain pre-trade approval.

The Security Trading Policy is set out in section 6 of the Fund's Corporate Governance Charter.

INSIDER TRADING POLICY

The Boards have established an insider trading policy (**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 and the Investment Manager. All directors, executives and employees of the Company, Responsible Entity and Investment Manager must not deal in the Fund's securities while in possession of price sensitive information. In addition, the Security Trading Policy sets out additional restrictions which apply to directors and executives of the Company, the Responsible Entity and the Investment Manager.

The Insider Trading Policy is set out in section 7 of the Fund's Corporate Governance Charter.

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 ASIC (**Compliance Plan**). The Compliance Plan is reviewed comprehensively every year to ensure that the way in which the Trust operates protects the rights and interests of securityholders 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 Compliance Committee meets and reports to the RE Board on a quarterly basis.

The Compliance 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 is one of two independent members of the Compliance Committee. He is a member of the compliance committee for the Fort Street Real Estate Capital Fund Series, the Cordish Dixon Private Equity Fund Series, the Evans & Partners Global Flagship Fund and the Evans & Partners Global Disruption Fund. Michael has over 36 years of commercial and financial services experience, initially with Boral Limited and culminating in 13 years as General Manager of the corporate businesses of The Trust Company Limited (now part of Perpetual Limited) (**The Trust Company**) where he established the company's reputation as a leader in the delivery of independent responsible

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For the year ended 31 December 2019**

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 (as recognised by ASIC), 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.

Currently Michael is an independent director on the boards of the now unlisted Westfield Corporation Limited, Westfield America Management Limited (following Unibail Rodamco absorbing the Westfield offshore Shopping Malls). He is an independent director of the unlisted Knights Capital Group Limited, a Perth-based investor and property manager. He is sole independent director of two special purpose companies involved in high profile wholesale debt capital and securitisation transactions in the aviation and motor vehicle industries and is also a panel member for the Australian Financial Complaints Authority (formerly 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 one of two independent members of the Compliance Committee. Barry is a member of the Compliance Committee for the US Masters Residential Property Fund, the Australian Governance & Ethical Index Fund, the Evans & Partners Global Disruption Fund, the Evans & Partners Australian Flagship Fund, the Evans & Partners Asia Fund, the Evans & Partners Global Flagship Fund, the Cordish Dixon Private Equity Fund Series, the Venture Capital Opportunities Fund and the Fort Street Real Estate Capital Fund Series. 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 31 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, Concentrated Leaders Fund Limited, an investment company listed on the ASX, Regeneus Limited, an ASX listed biotech company and a Director of Sherman Centre for Culture and Ideas, a charitable cultural organisation.

Mike Adams (Internal Member)

Refer to information on directors on page 37.

AUDIT & RISK COMMITTEE

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

James Davies (Independent Member) (**Chairperson**)

Barry Sechos (Independent Member)

Jeffrey Whalan (Independent Member)

John Holland (Independent Member)

Warwick Keneally (Internal Member)

The chairperson of the Audit & Risk Committee is an independent non-executive director and is not the chairperson of the Company Board or the RE Board. The Committee consists of three independent non-executive directors of the Company, one non-independent executive director of the RE Board and one independent advisor.

The primary function of the Audit & Risk Committee is to assist the Boards in discharging their 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

**New Energy Solar
Corporate Governance Statement
For the year ended 31 December 2019**

- Assess the adequacy of the Fund's process for managing risk
- 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 Boards at a minimum of two times a year.

A copy of the Audit & Risk Committee Charter is available on the Fund's website.

5. MAKING TIMELY AND BALANCED DISCLOSURE

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

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

The Continuous Disclosure Policy is set out in section 4 of the Fund's Corporate Governance Charter.

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 securityholders 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 securityholders. Each securityholder is also provided online access to Link Market Services Limited (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. Securityholders 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**.

These include:

- weekly Net Asset Value estimates;
- 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 securityholders 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. Securityholders 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 RE Board has adopted a Risk Management Framework (**RMF**). The RE Board conducts an annual review of the RMF to satisfy itself that the framework continues to be sound. The last review took place on 16 December 2019.

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 Australian accounting standards (**Accounting Standards**).

The Fund does not have a material exposure to environmental, economic and social sustainability risks. For further information, please see the 2019 Sustainability Report which is available on the Fund's website.

The Boards provide declarations required by Section 295A of the Corporations Act 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 Company 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 Listing Rules, the maximum fees payable to directors may not be increased without the prior approval from securityholders 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 \$400,000 per annum to be divided among them in such proportions as they agree. However, Alan Dixon and John Martin have agreed not to be paid any remuneration for the services they performed as directors. Total directors' fees for the year ended 31 December 2019 were \$274,000.

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.

**New Energy Solar
Directors' report
For the year ended 31 December 2019**

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 2019.

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

Maxine McKew – Non-Executive Director

James Davies – Non-Executive Director

John Holland – Non-Executive Director

Alan Dixon – Non-Executive Director

John Martin

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

Stuart Nisbett (appointed on 19 December 2019)

Warwick Keneally

Mike Adams

Peter Shear (appointed on 19 December 2019)

Alex MacLachlan (resigned on 19 December 2019)

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 Chairperson (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 entity:

- Australian Governance Masters Index Fund Limited (since 2010, delisted on 16 July 2018)

Maxine McKew MAICD

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 serves as director of the State Library of Victoria and has served on the boards of numerous not for profits, including Per Capita John Cain Foundation and Playgroup Australia.

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

**New Energy Solar
Directors' report
For the year ended 31 December 2019**

James Davies BCS (UNE), MBA (LBS)
Non-Executive Director (Company)

James has over 30 years of 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 Graduate of the Australian Institute of Company Directors.

During the past three years James has acted as a director of the following Australian listed public entity:
- Eildon Capital Limited (since 2016)

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).

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 of the following Australian listed public entity:
- Asian Masters Fund Limited (since 2010, delisted on 17 May 2018)

Alan Dixon BComm (ANU), CA
Non-Executive Director (Company)

Alan is a Non-Executive Director of New Energy Solar Limited and also a Non-Executive Director of Evans Dixon Limited.

Alan joined Dixon Advisory in January 2001 as Managing Director. He ran Dixon Advisory until its merger with Evans & Partners in early 2017. Alan was the Managing Director & CEO of Evans Dixon Limited from 2017 until June 2019.

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

Alan holds a Bachelor of Commerce majoring in Accounting and Finance from the Australian National University and is a member of the Institute of Chartered Accountants in Australia.

During the past three years Alan has acted as a non-executive director of the following Australian listed public entity:
- Evans Dixon Limited (since October 2019)

During the past three years Alan has acted as an executive director of the following Australian listed public entity:
- Evans Dixon Limited (since May 2018, became non-executive director in October 2019)

**New Energy Solar
Directors' report
For the year ended 31 December 2019**

John Martin BEcon (Hons) (USYD)
Director (Company)

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 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.

INFORMATION ON THE DIRECTORS OF WALSH & COMPANY INVESTMENTS LIMITED

Stuart Nisbett BCom, MCom (UNSW)
Chairman (Responsible Entity) (appointed on 19 December 2019)

Stuart is currently Executive Director and Principal at Archerfield Capital Partners, a boutique corporate advisory firm specialising in real estate, which he established in 2008. He has more than 30 years' experience in property development, property funds management, equity and debt raising, corporate advisory and project finance. Previously, Stuart was Executive Director, Head of Property Funds at ANZ Investment Bank. He was also the Managing Director, Head of Property Banking & Property Investment Banking at N M Rothschild & Sons (Australia) Limited. Stuart has also held senior roles at director level at Macquarie Bank Property Investment Banking Division and at Lend Lease Corporation in its development and commercial asset management divisions.

Stuart is a Chartered Accountant and holds a Bachelor of Commerce with Merit and a Masters of Commerce from the University of NSW, and in 2005 was appointed a Fellow of the Australian Property Institute.

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

- Cordish Dixon Private Equity Fund I (since 19 December 2019)
- Cordish Dixon Private Equity Fund II (since 19 December 2019)
- Cordish Dixon Private Equity Fund III (since 19 December 2019)
- Evans & Partners Asia Fund (since 19 December 2019)
- Evans & Partners Global Flagship Fund (since 19 December 2019)
- US Masters Residential Property Fund (since 19 December 2019)
- Australian Governance & Ethical Index Fund (since 19 December 2019)
- Evans & Partners Australian Flagship Fund (since 19 December 2019)
- Evans & Partners Global Disruption Fund (since 19 December 2019)

Warwick Keneally BEc, BComm (ANU), CA
Director (Responsible Entity)
Head of Finance, Evans Dixon

Warwick is currently the Head of Finance at Walsh & Company, the Funds Management division of Evans Dixon. Before joining Evans Dixon, 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 USA banks.

**New Energy Solar
Directors' report
For the year ended 31 December 2019**

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 Chartered Accountant.

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, delisted 27 November 2019)
- Australian Masters Yield Fund No 5 Limited (since 2017, delisted 27 November 2019)
- 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)
- Evans & Partners Global Flagship Fund (since 2017)
- US Masters Residential Property Fund (since 2017)
- Australian Governance & Ethical Index Fund (since 2018)
- Evans & Partners Asia Fund (since 2018)
- Evans & Partners Australian Flagship Fund (since 2018)
- Asian Masters Fund Limited (since 11 May 2018, delisted on 17 May 2018)
- Australian Governance Masters Index Fund Limited (since 6 July 2018, delisted 16 July 2018)

**Mike Adams LLB (Otago)
Director (Responsible Entity)
Legal Consultant**

Mike has extensive experience across a broad range of corporate, commercial and private client sectors. His core practice areas involve the provision of advice and transactional expertise in relation to new and existing retail financial products and the regulatory framework within which they operate, as well as debt and equity financing, intellectual property, and film and television media law among others.

Mike has previously worked in private practice, public sector and in-house roles in Australia, New Zealand and the United Kingdom, acting across multiple industries for a variety of clients, including high-networth individuals, banks and financial institutions, as well as numerous listed and unlisted corporate entities.

Mike is also a director with Barnett Law, a Sydney-based financial services law firm, and is admitted as a solicitor of the Supreme Court of NSW. He has a Bachelor of Laws from the University of Otago.

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

- Australian Governance & Ethical Index Fund (since 2018)
- Cordish Dixon Private Equity Fund I (since 2018)
- Cordish Dixon Private Equity Fund II (since 2018)
- Cordish Dixon Private Equity Fund III (since 2018)
- Evans & Partners Asia Fund (since 2018)
- Evans & Partners Australian Flagship Fund (since 2018)
- Evans & Partners Global Disruption Fund (since 2018)
- Evans & Partners Global Flagship Fund (since 2018)
- US Masters Residential Property Fund (since 2018)

**Peter Shear BBus, MBA(Exec), GAICD
Director (Responsible Entity) (appointed on 19 December 2019)**

Peter has significant expertise in funds management, financial advisory and complex lending arrangements including leveraged finance, property development and debt workout situations. Peter was most recently Co-Managing Partner of Opportunistic Lending and Special Situations at LIM Advisors. Prior to this role, Peter held the positions of Chief Risk Officer and Managing Director & Head of Corporate and Structured Finance at Lloyds Banking Group (and its predecessor HBOS plc) in Australia. Peter was also previously a Partner in Corporate Finance & Restructuring at Ernst & Young.

Peter has a Bachelor of Business from the University of Technology Sydney, an Executive MBA from AGSM, is a member of Chartered Accountants Australia and New Zealand, a Fellow of FINSIA and a Graduate Member of the Australian Institute of Company Directors.

**New Energy Solar
Directors' report
For the year ended 31 December 2019**

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

- Cordish Dixon Private Equity Fund I (since 19 December 2019)
- Cordish Dixon Private Equity Fund II (since 19 December 2019)
- Cordish Dixon Private Equity Fund III (since 19 December 2019)
- Evans & Partners Asia Fund (since 19 December 2019)
- Evans & Partners Global Flagship Fund (since 19 December 2019)
- US Masters Residential Property Fund (since 19 December 2019)
- Australian Governance & Ethical Index Fund (since 19 December 2019)
- Evans & Partners Australian Flagship Fund (since 19 December 2019)
- Evans & Partners Global Disruption Fund (since 19 December 2019)

Alex MacLachlan BA (Cornell), MBA (Wharton)
Chairman (Responsible Entity) (resigned on 19 December 2019)
CEO, Walsh & Company

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, delisted on 17 May 2018)
- Australian Governance Masters Index Fund Limited (since 6 July 2018, delisted 16 July 2018)
- 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, delisted 13 April 2018)
- Australian Masters Yield Fund No 4 Limited (since 2011, delisted 27 November 2019)
- Australian Masters Yield Fund No 5 Limited (since 2012, delisted 27 November 2019)
- US Masters Residential Property Fund (since 2011)
- Evans & Partners Global Flagship 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)
- Australian Governance & Ethical Index Fund (since 2018)
- Evans & Partners Asia Fund (since 2018)
- Evans & Partners Australian Flagship Fund (since 2018)

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 joint Company Secretary of Walsh & Company Investments Limited. Hannah is a director of Australian Fund Accounting Services Pty Limited.

Hannah was appointed as Company Secretary on 19 November 2015.

Caroline Purtell BA, LLB, LLM

**New Energy Solar
Directors' report
For the year ended 31 December 2019**

Caroline provides corporate governance and corporate secretariat services to the management, boards of directors and committees for a portfolio of entities within the Walsh & Company group. Prior to joining Walsh & Company, Caroline has worked in top tier legal firms including King & Wood Mallesons, Sydney and Clifford Chance, London specialising in banking, finance and corporate law.

Caroline has a Bachelor of Arts, Bachelor of Laws and Master of Laws (Honours) all from Sydney University. She is also qualified to practice as a solicitor in both NSW and England. Caroline is a Fellow of the Governance Institute of Australia.

Caroline is also the joint Company Secretary of Walsh & Company Investments Limited.

Caroline was appointed as Company Secretary on 20 November 2018.

DIRECTORS' MEETINGS

The number of Directors' meetings of the Company held during the year ended 31 December 2019, 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	10	10
John Holland	10	10
Maxine McKew	10	10
James Davies	10	10
Alan Dixon	10	10
John Martin	9	10

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

AUDIT AND RISK COMMITTEE MEETINGS

The number of joint Audit and Risk Committee meetings of the Company and the Trust held during the year ended 31 December 2019, and the number of meetings attended by each member were:

	Joint Audit and Risk Committee	
	No. of meetings attended	No. of meetings eligible
James Davies	4	4
Jeff Whalan	4	4
John Holland	4	4
Barry Sechos	4	4
Warwick Keneally	4	4

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

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 and John Martin have agreed not to be paid any remuneration for the services they performed as directors. John Martin who acts as CEO of the Fund is remunerated by the Investment Manager (or related entities of the Investment Manager). Investment Management fees are set out in note 20 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.

**New Energy Solar
Directors' report
For the year ended 31 December 2019**

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.

In addition to the above, as members of the Audit and Risk Committee, John Holland and Jeff Whalan each are entitled to receive \$10,000 per annum, and as chairperson, James Davies is entitled to receive \$15,000 per annum.

(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.

2019	Salary, fees and commission \$	Superannuation contributions \$	Cash bonus \$	Audit and risk committee (i) \$	Other (i) \$	Total \$
<i>Directors</i>						
Jeffrey Whalan	68,493	6,507	-	10,000	-	85,000
John Holland	50,000	-	-	10,000	-	60,000
Maxine McKew	45,662	4,338	-	-	-	50,000
James Davies	45,662	4,338	-	15,000	14,000	79,000
Alan Dixon	-	-	-	-	-	-
John Martin	-	-	-	-	-	-
	<u>209,817</u>	<u>15,183</u>	<u>-</u>	<u>35,000</u>	<u>14,000</u>	<u>274,000</u>

2018	Salary, fees and commission \$	Superannuation contributions \$	Cash bonus \$	Audit and risk committee (i) (ii) \$	Other \$	Total \$
<i>Directors</i>						
Jeffrey Whalan	68,493	6,507	-	5,000	-	80,000
John Holland	50,000	-	-	5,000	-	55,000
Maxine McKew	45,662	4,338	-	-	-	50,000
James Davies	45,662	4,338	-	7,500	-	57,500
Alan Dixon	-	-	-	-	-	-
John Martin	-	-	-	-	-	-
	<u>209,817</u>	<u>15,183</u>	<u>-</u>	<u>17,500</u>	<u>-</u>	<u>242,500</u>

(i) Audit and risk committee fees and other service fees are subject to GST. For the portion that was paid by the Trust, 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.

(ii) Audit and risk committee fees represents the period since appointment on 5 July 2018.

(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 7 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'

**New Energy Solar
Directors' report
For the year ended 31 December 2019**

policy of insurance for the period that he or she is a director and for a period of 7 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:

Director of the Company	No. of securities
Jeffrey Whalan	541,552
John Holland	241,418
James Davies	40,445
Maxine McKew	66,666
Alan Dixon	7,394,935
John Martin	618,493
Director of the Responsible Entity of the Trust	
Warwick Keneally	42,366
Mike Adams	-
Stuart Nisbett (appointed 19 December 2019)	-
Peter Shear (appointed 19 December 2019)	-

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:

- 3.90 cents per stapled security for the six months ended 30 June 2019 paid on 15 August 2019 amounting to \$13,596,522.
- 4.00 cents per stapled security for the six months ended 31 December 2019 announced on 18 December 2019, paid on 14 February 2020 amounting to \$14,042,395.

REVIEW AND RESULTS OF OPERATIONS

Please refer to the Investment Manager's Report for details relating to the operations during the financial year.

For the year ended 31 December 2019, on a combined basis, the Fund's loss was \$4.2 million (31 December 2018: \$80.2 million profit). The Company reported a loss of \$31.5 million (31 December 2018: \$45.7 million profit) and the Trust reported a profit of \$27.3 million (31 December 2018: \$34.5 million profit).

The 2019 loss, on a combined basis, is driven by the fair value loss of financial assets at fair value of \$11.3 million and operating expenses of the fund of \$5.7 million partially offset by finance income of \$10.2 million received by NESF in the form of interest payments on NESF's loan to New US Corp. The Company's loss of \$31.5 million is largely due to the 'movement in fair value' decrement amount of \$28.8 million which is comprised of a \$51.9 million decrease in New Energy Solar US Corp net asset value, offset by an unrealised foreign exchange translation gain of \$1.1 million, and a \$22.0 million increase in New Energy Solar HoldCo #1 net asset value. The Trust's profit of \$27.3 million is largely due to the \$17.5 million loan fair value increase based on a revaluation at balance date with reference to prevailing referable market interest rates for comparable external debt as a proxy for market pricing of the loan receivables, \$1.1 million increase in investment in US Solar Fund plc, and \$0.3 million of foreign exchange gains during the period in relation to the US dollar denominated loan provided by the Trust to New Energy Solar US Corp and the investment in US Solar Fund plc.

At 31 December 2019, on a combined basis, the Fund's net assets are \$529.5 million (31 December 2018: \$555.7 million), representing a net asset value per stapled security of \$1.51 (31 December 2018: \$1.6). The Company's net assets are \$356.7 million (31 December 2018: \$301.1 million), representing a net asset value per stapled security of \$1.02 (31 December 2018: \$0.87) and the Trust's net assets are \$172.8 million (31 December 2018: \$254.6 million), representing a net asset value per stapled security of \$0.49 (31 December 2018: \$0.73).

On 26 June 2019, the Fund reallocated capital from the Trust to the Company. This was achieved by a capital return by the Trust of \$0.2398 per issued unit in the Trust, which was compulsorily applied as a capital contribution for existing

**New Energy Solar
Directors' report
For the year ended 31 December 2019**

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 mechanism has been previously approved by Securityholders at the Annual General Meeting held on 3 May 2017.

EVENTS SUBSEQUENT TO THE REPORTING PERIOD

A distribution of 4.0 cents per stapled security totaling \$14,042,395 which was declared on 18 December 2019 and paid to securityholders on 14 February 2020. 2,282,068 stapled securities were issued under the Fund's Distribution Reinvestment Plan.

Post balance date additional working capital was put in place to provide additional liquidity in case of delays in reaching substantial completion and conversion of debt facilities to term funding on the Mount Signal 2 project. As part of this the Keybank corporate facility limit was increased by US\$10m for six months and a short-term facility of US\$15m was put in place with Kendrick Cerry Inc. The loan has a term of 150 days from the date of initial draw down and carries an interest rate of three percent. Substantial completion on the Mount Signal 2 project was achieved on 17 January 2020.

Other than the matters discussed above, no matter or circumstance has arisen since 31 December 2019 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

Subsidiaries of the Company are subject to a range of environmental laws and regulations as well as project and site-specific environmental permits and approvals issued at both the Federal and State Government levels. The Company is not aware of any breaches of these laws and regulations.

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 20 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 21 to the financial statements.

**New Energy Solar
Directors' report
For the year ended 31 December 2019**

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 21 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



STUART NISBETT

Chairman of the Responsible Entity



JEFFREY WHALAN

Chairman of the Company

19 February 2020

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

19 February 2020

Dear Board Members

**Auditor's Independence Declaration to
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 report of New Energy Solar Limited and New Energy Solar Fund for the year ended 31 December 2019, 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

DELOITTE TOUCHE TOHMATSU



Michael Kaplan
Partner
Chartered Accountants

New Energy Solar
Statement of profit or loss and other comprehensive income
For the year ended 31 December 2019

		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-19	31-Dec-18	31-Dec-19	31-Dec-18	31-Dec-19	31-Dec-18
		\$	\$	\$	\$	\$	\$
Net income							
Fair value gain of assets classified as held for sale	9	-	-	1,377,116	-	1,377,116	-
Fair value (loss)/gain of financial assets at fair value through profit or loss	10	(28,772,101)	47,237,536	17,454,008	23,096,495	(11,318,093)	70,334,031
Foreign exchange gain/(loss)		2	6,068	(17,859)	352,114	(17,857)	358,182
Finance income	3	23,718	108,775	10,221,421	14,998,127	10,245,139	15,106,902
Dividend income		-	-	87,594	-	87,594	-
Total net income		(28,748,381)	47,352,379	29,122,280	38,446,736	373,899	85,799,115
Fair value loss of forward foreign currency derivatives		-	-	-	(1,559,881)	-	(1,559,881)
Finance expenses		(956,002)	(497,745)	(763)	(749)	(956,765)	(498,494)
Responsible entity fees	20	-	-	(180,899)	(225,770)	(180,899)	(225,770)
Investment management fees	20	(1,456,872)	(1,153,544)	(800,621)	(1,189,938)	(2,257,493)	(2,343,482)
Accounting and audit fees		(269,332)	(190,130)	(154,917)	(193,372)	(424,249)	(383,502)
Legal and advisory expenses		(473,723)	(314,504)	(225,260)	(226,733)	(698,983)	(541,237)
Director fees		(254,190)	(234,371)	(20,779)	(8,768)	(274,969)	(243,139)
Marketing expenses		(118,291)	(170,899)	(170,967)	(247,021)	(289,258)	(417,920)
Listing and registry expenses		(113,502)	(127,464)	(111,324)	(121,945)	(224,826)	(249,409)
Other operating expenses		(213,188)	(132,901)	(180,901)	(198,292)	(394,089)	(331,193)
Total expenses		(3,855,100)	(2,821,558)	(1,846,431)	(3,972,469)	(5,701,531)	(6,794,027)
(Loss)/profit before tax		(32,603,481)	44,530,821	27,275,849	34,474,267	(5,327,632)	79,005,088
Income tax benefit	4	1,149,414	1,173,015	-	-	1,149,414	1,173,015
(Loss)/profit after tax for the year		(31,454,067)	45,703,836	27,275,849	34,474,267	(4,178,218)	80,178,103
Other comprehensive income, net of income tax		-	-	-	-	-	-
Total comprehensive (loss)/income for the year		(31,454,067)	45,703,836	27,275,849	34,474,267	(4,178,218)	80,178,103
Earnings per security							
Basic and diluted (loss)/earnings (cents per security)	5	(9.00)	13.60	7.80	10.25	(1.20)	23.85

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

New Energy Solar
Statement of financial position
As at 31 December 2019

		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-19	31-Dec-18	31-Dec-19	31-Dec-18	31-Dec-19	31-Dec-18
		\$	\$	\$	\$	\$	\$
ASSETS							
Current assets							
Cash and cash equivalents	7	4,542	6,475,915	1,610,618	16,554,264	1,615,160	23,030,179
Trade and other receivables	8	516,262	69,290	5,008,594	1,160,421	5,047,334	983,241
Assets classified as held for sale	9	-	-	22,432,702	-	22,432,702	-
Total current assets		520,804	6,545,205	29,051,914	17,714,685	29,095,196	24,013,420
Non-current assets							
Financial assets held at fair value through profit or loss	10	353,178,601	292,263,917	158,514,967	252,846,452	511,693,568	545,110,369
Deferred tax assets		2,934,918	1,774,728	-	-	2,934,918	1,774,728
Other assets - deferred borrowing costs		1,067,649	1,398,177	-	-	1,067,649	1,398,177
Total non-current assets		357,181,168	295,436,822	158,514,967	252,846,452	515,696,135	548,283,274
Total assets		357,701,972	301,982,027	187,566,881	270,561,137	544,791,331	572,296,694
LIABILITIES							
Current liabilities							
Trade and other payables	11	910,690	812,766	755,883	571,027	1,189,051	1,137,323
Current tax payable		54,713	59,379	-	-	54,713	59,379
Derivative financial liabilities	12	-	-	-	1,559,881	-	1,559,881
Distribution payable	14	-	-	14,042,395	13,863,888	14,042,395	13,863,888
Total current liabilities		965,403	872,145	14,798,278	15,994,796	15,286,159	16,620,471
Total liabilities		965,403	872,145	14,798,278	15,994,796	15,286,159	16,620,471
Net assets		356,736,569	301,109,882	172,768,603	254,566,341	529,505,172	555,676,223
EQUITY							
Issued capital	6	339,372,774	252,292,020	134,313,666	233,667,317	473,686,440	485,959,337
Retained earnings		17,363,795	48,817,862	38,454,937	20,899,024	55,818,732	69,716,886
Total equity		356,736,569	301,109,882	172,768,603	254,566,341	529,505,172	555,676,223

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

New Energy Solar
Statement of changes in equity
For the year ended 31 December 2019

New Energy Solar Limited (Company)			
Notes	Issued capital	Retained earnings	Total
	\$	\$	\$
Balance at 1 January 2018	207,418,305	3,114,026	210,532,331
Profit after tax for the year	-	45,703,836	45,703,836
Other comprehensive income, net of income tax	-	-	-
Total comprehensive income for the year	-	45,703,836	45,703,836
Issue of securities	15,647,874	-	15,647,874
Capitalised issue costs, net of income tax	(26,305)	-	(26,305)
Deferred tax asset recognised in current year in connection with prior year issue costs	595,919	-	595,919
Share buybacks	(1,497,814)	-	(1,497,814)
Buyback costs, net of income tax	(2,687)	-	(2,687)
Capital reallocation	30,156,728	-	30,156,728
Balance at 31 December 2018	252,292,020	48,817,862	301,109,882

New Energy Solar Limited (Company)			
	Issued capital	Retained earnings	Total
	\$	\$	\$
Balance at 1 January 2019	252,292,020	48,817,862	301,109,882
Loss after tax for the year	-	(31,454,067)	(31,454,067)
Other comprehensive income, net of income tax	-	-	-
Total comprehensive loss for the year	-	(31,454,067)	(31,454,067)
Issue of securities	4,734,209	-	4,734,209
Capitalised issue costs, net of income tax	(55,928)	-	(55,928)
Share buybacks	(1,179,359)	-	(1,179,359)
Buyback costs, net of income tax	(2,115)	-	(2,115)
Capital reallocation	83,583,947	-	83,583,947
Balance at 31 December 2019	339,372,774	17,363,795	356,736,569

New Energy Solar Fund (Trust)			
	Issued capital	Retained earnings	Total
	\$	\$	\$
Balance at 1 January 2018	264,999,858	(3,192,049)	261,807,809
Profit after tax for the year	-	34,474,267	34,474,267
Other comprehensive income, net of income tax	-	-	-
Total comprehensive income for the year	-	34,474,267	34,474,267
Issue of securities	16,163,972	-	16,163,972
Capitalised issue costs, net of income tax	(30,153)	-	(30,153)
Unit buybacks	(1,454,914)	-	(1,454,914)
Buyback costs, net of income tax	(3,728)	-	(3,728)
Capital reallocation	(30,156,728)	-	(30,156,728)
Distributions	(15,850,990)	(10,383,194)	(26,234,184)
Balance at 31 December 2018	233,667,317	20,899,024	254,566,341

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

New Energy Solar
Statement of changes in equity
For the year ended 31 December 2019

New Energy Solar Fund (Trust)			
Notes	Issued capital	Retained earnings	Total
	\$	\$	\$
Balance at 1 January 2019	233,667,317	20,899,024	254,566,341
Profit after tax for the year	-	27,275,849	27,275,849
Other comprehensive income, net of income tax	-	-	-
Total comprehensive income for the year	-	27,275,849	27,275,849
Issue of securities	3,299,947	-	3,299,947
Capitalised issue costs	(59,241)	-	(59,241)
Unit buybacks	(1,088,639)	-	(1,088,639)
Buyback costs	(2,790)	-	(2,790)
Capital reallocation	(83,583,947)	-	(83,583,947)
Distributions	14 (17,918,981)	(9,719,936)	(27,638,917)
Balance at 31 December 2019	6 134,313,666	38,454,937	172,768,603
Fund (combined Company and Trust)			
	Issued capital	Retained earnings	Total
	\$	\$	\$
Balance at 1 January 2018	472,418,163	(78,023)	472,340,140
Profit after tax for the year	-	80,178,103	80,178,103
Other comprehensive income, net of income tax	-	-	-
Total comprehensive income for the year	-	80,178,103	80,178,103
Issue of securities	31,811,846	-	31,811,846
Capitalised issue costs, net of income tax	(56,458)	-	(56,458)
Deferred tax asset recognised in current year in connection with prior year issue costs	595,919	-	595,919
Securities buybacks	(2,952,728)	-	(2,952,728)
Buyback costs, net of income tax	(6,415)	-	(6,415)
Distributions	14 (15,850,990)	(10,383,194)	(26,234,184)
Balance at 31 December 2018	6 485,959,337	69,716,886	555,676,223
Fund (combined Company and Trust)			
	Issued capital	Retained earnings	Total
	\$	\$	\$
Balance at 1 January 2019	485,959,337	69,716,886	555,676,223
Loss after tax for the year	-	(4,178,218)	(4,178,218)
Other comprehensive income, net of income tax	-	-	-
Total comprehensive loss for the year	-	(4,178,218)	(4,178,218)
Issue of securities	8,034,156	-	8,034,156
Capitalised issue costs, net of income tax	(115,169)	-	(115,169)
Securities buybacks	(2,267,998)	-	(2,267,998)
Buyback costs, net of income tax	(4,905)	-	(4,905)
Distributions	14 (17,918,981)	(9,719,936)	(27,638,917)
Balance at 31 December 2019	6 473,686,440	55,818,732	529,505,172

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

New Energy Solar
Statement of cash flows
For the year ended 31 December 2019

	Notes	New Energy Solar Limited (Company) 31-Dec-19 \$	New Energy Solar Limited (Company) 31-Dec-18 \$	New Energy Solar Fund (Trust) 31-Dec-19 \$	New Energy Solar Fund (Trust) 31-Dec-18 \$	Fund (combined Company and Trust) 31-Dec-19 \$	Fund (combined Company and Trust) 31-Dec-18 \$
Cash flows from operating activities							
Interest income received		23,718	108,775	10,743,000	15,253,634	10,766,718	15,362,409
Other income		-	492,680	-	-	-	492,680
Payments to suppliers		(2,946,461)	(2,000,273)	(2,115,627)	(1,711,508)	(5,062,088)	(3,711,781)
Income tax paid		(4,666)	(26,264)	-	-	(4,666)	(26,264)
Net cash flow from operating activities	7	(2,927,409)	(1,425,082)	8,627,373	13,542,126	5,699,964	12,117,044
Cash flows from investing activities							
Payments for investments	10	(100,217,060)	(32,621,447)	(21,055,586)	-	(121,272,646)	(32,621,447)
Repayments from/(loans to) related parties	10	10,952,108	(10,530,274)	107,654,217	10,163,873	118,606,325	(366,401)
Net cash flow from investing activities		(89,264,952)	(43,151,721)	86,598,631	10,163,873	(2,666,321)	(32,987,848)
Cash flows from financing activities							
Proceeds from issue of securities	6	4,734,209	15,647,874	3,299,948	16,163,972	8,034,157	31,811,846
Payments for securities buybacks		(1,179,359)	(1,497,814)	(1,088,639)	(1,454,914)	(2,267,998)	(2,952,728)
Payment of issue and buyback costs		(68,819)	(34,786)	(62,031)	(33,881)	(130,850)	(68,667)
Proceeds from/(payment of) capital reallocation		83,583,947	30,156,728	(83,583,947)	(30,156,728)	-	-
Payments of transaction costs relating to loans		(625,000)	(1,570,232)	-	-	(625,000)	(1,570,232)
Payment of forward foreign currency derivatives		-	-	(2,000,327)	-	(2,000,327)	-
Proceeds/(repayment) of loans from New Energy Solar Fund to New Energy Solar Limited		(723,992)	246,470	723,992	(246,470)	-	-
Distributions paid		-	-	(27,460,411)	(25,422,203)	(27,460,411)	(25,422,203)
Net cash flow from financing activities		85,720,986	42,948,240	(110,171,415)	(41,150,224)	(24,450,429)	1,798,016
Net (decrease) in cash and cash equivalents		(6,471,375)	(1,628,563)	(14,945,411)	(17,444,225)	(21,416,786)	(19,072,788)
Cash at the beginning of the year		6,475,915	8,105,112	16,554,264	34,021,450	23,030,179	42,126,562
Effect of exchange rate changes		2	(634)	1,765	(22,961)	1,767	(23,595)
Cash and cash equivalents at the end of the year		4,542	6,475,915	1,610,618	16,554,264	1,615,160	23,030,179

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

New Energy Solar
Notes to the financial statements
For the year ended 31 December 2019

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 (through provision of equity and debt to underlying investment entities) in large-scale solar plants that generate emissions-free power.

REVENUE AND EXPENSES

New Energy Solar is indirectly investing in utility scale solar power plants that generate emissions free power via the Company's wholly owned Australian subsidiary, New Energy Solar Australia HoldCo #1 Pty Limited, and its wholly owned US subsidiary, New Energy Solar US Corp.

New Energy Solar Australia HoldCo #1 Pty Limited is funded by equity and/or debt from the Company. New Energy Solar 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 both considered to meet the definition of an 'investment entity' for accounting purposes (see below), New Energy Solar Australia HoldCo #1 Pty Limited and New Energy Solar US Corp are not consolidated in the Company's financial statements, rather they are required to be held at fair value in the financial statements.

The impact of this on the financial statements is that the main operating revenues of the Fund consist of dividends from New Energy Solar Australia HoldCo #1 Pty Limited and New Energy Solar US Corp, fair value movements in the value of the Company's investment in New Energy Solar Australia HoldCo #1 Pty Limited and New Energy Solar US Corp, and interest on the loan from the Trust to New Energy Solar US Corp. Net operating income from underlying solar assets held in Australia and the US and all underlying subsidiary expenses are reflected through the movement in the fair value of investments in the profit or loss statement.

The underlying cash flows of solar power plants, being revenues from the sale of electricity and renewable energy certificates less expenses, are distributed on a periodic basis from underlying projects through to New Energy Solar Australia HoldCo #1 Pty Limited and New Energy Solar US Corp, and underpin the ability to pay interest on the loan to the Trust and dividends to the Company as noted above.

Additionally, as both the Company's equity investment in New Energy Solar US Corp and the Trust's loan to New Energy Solar US Corp are denominated in US dollars, and the Company and the Responsible Entity do not currently intend to hedge its exposure to foreign currencies, the Fund is also exposed to valuation movements associated with changes in the US dollar/Australian dollar exchange rate.

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 19 February 2020. For the purposes of preparing the financial statements, the Company and the Trust are for-profit entities.

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Notes to the financial statements
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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.

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 2019.

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 16 Leases
- AASB 2017-6 'Amendments to Australian Accounting Standards –Prepayment Features with Negative Compensation'
- AASB 2017-7 'Amendments to Australian Accounting Standards – Long-term Interests in Associates and Joint Ventures'
- AASB 2018-1 Amendments to Australian Accounting Standards – Annual Improvement 2015-2017 Cycle
- Interpretation 23 'Uncertainty over Income Tax Treatments'

Their adoption has not had any material impact on the disclosures or on the amounts reported in these financial statements

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 2020 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 2021 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 2014-10 'Amendments to Australian Accounting Standards – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture' [AASB 10 & AASB 128], 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 applied from 1 January 2018)	31 December 2022
AASB 2018-6 'Amendments to Australian Accounting Standards - Definition of a Business'	1 January 2020	31 December 2020
AASB 2018-7 'Amendments to Australian Accounting Standards – Definition of Material'	1 January 2020	31 December 2020
AASB 2019-1 'Amendments to Australian Accounting Standards – References to the Conceptual Framework'	1 January 2020	31 December 2020

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AASB 2019-3 'Amendments to Australian Accounting Standards – Interest Rate Benchmark Reform'	1 January 2020	31 December 2020
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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.

Standard/Interpretation	Effective for annual reporting periods beginning on or after	Expected to be initially applied in the financial year ending
AASB 2019-5 'Amendments to Australian Accounting Standards – Disclosure of the Effect of New IFRS Standards Not Yet Issued in Australia	1 January 2020	31 December 2020

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 financial assets, including loan receivables and its investment in direct and indirect subsidiaries, at fair value. The Trust had no subsidiaries as at the reporting date.

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.

The Company, Trust and Fund financial information disclosures in the format presented in the financial statements is in accordance with an ASIC Order 17-1127 issued on 14 December 2017.

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.

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Notes to the financial statements
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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 and the Trust meet the typical characteristics of an Investment Entity described in AASB 10 in that:

- They are separate legal entities;
- Ownership interests in the entities are held by a wide pool of investors who are not related parties; and
- Directly or through their subsidiaries, they hold a portfolio of investments.

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.

i. Financial assets

Being "Investment Entities", the financial assets of both the Company and the Trust are measured initially and (except for trade receivables and other short term financial assets) on an ongoing basis at fair value through profit or loss. Financial assets of the Company and the Trust measured at fair value includes investments in subsidiaries, loan receivables and investments in listed equity instruments.

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. Derivative financial instruments

Derivative financial instruments may be utilised to manage exposure to foreign exchange rate risks (foreign currency forward contracts) and interest rate risks (interest rate swap contracts).

Derivatives are recognised initially at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at each reporting date. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

A derivative with a positive fair value is recognised as a financial asset whereas a derivative with a negative fair value is recognised as a financial liability. Derivatives are not offset in the financial statements unless the Company and/or the Trust have both legal right and intention to offset. A derivative is presented as a non-current asset or a non-current liability if the remaining maturity of the instrument is more than 12 months and it is not expected to be realised or settled within 12 months. Other derivatives are presented as current assets or current liabilities.

iv. 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.

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v. 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 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, or to corroborate the results of its own valuations.

vi. Non-current assets held for sale

Non-current financial assets classified as held for sale are measured in accordance with the measurement requirements of AASB 9 at fair value through profit or loss. Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset is available for immediate sale in its present condition. Management must be committed to the sale which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

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.

Debt instruments carried at amortised cost (principally trade receivable balances) are assessed on a forward-looking basis for any lifetime expected credit losses. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables and interest receivable, the Company applies the simplified approach permitted by AASB 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

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

E) WORKING CAPITAL DEFICIENCY

The statement of financial position of the Company reflects working capital deficit position at 31 December 2019 of \$0.5 million. After excluding current classified available for sale assets totaling \$22.4 million, the statement of financial position of the Trust reflects a working capital deficit position of 8.2 million.

The directors have considered in respect of the Fund's overall working capital position the following:

- Cash balances on a look-through basis within the overall Fund structure totaling \$9 million at 31 December 2019;
- Reserved funds at 31 December 2019 at the Australian operating level which were distributed post year end totaling \$8.5 million;
- Available but undrawn amounts under a facility residing in a subsidiary of the Company totaling US\$1.6 million at 31 December 2019;
- Expected future distribution income flowing up from subsidiaries of the Company from their solar operations; and
- Holdings of US Solar Fund plc securities available for sale of A\$22.4 million.

Based on the above, the directors are satisfied that the Company and the Trust will be able to meet their working capital requirements and other obligations for a period of at least 12 months from the date of the financial statements.

F) 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.

G) TRADE RECEIVABLES AND OTHER SHORT TERM FINANCIAL ASSETS

Short term trade receivables and other financial assets are recorded at amortised cost if the following conditions are met, otherwise they are measured at fair value:

- where the financial asset is held within a business model with the objective to collect contractual cash flows; and
- contractual terms of the financial asset give rise on specific dates to cashflows that are solely repayment of principal and interest on the principal amount outstanding.

H) 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.

Pursuant to "AASB 128 Investments in Associates and Joint Ventures", the Company and the Trust, as Investment Entities, have elected to measure investments in associates and joint ventures at fair value through profit or loss.

I) 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.

J) 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.

K) 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.

L) 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.

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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.

M) REVENUE RECOGNITION

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.

N) 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.

O) 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 and Australia.

P) COMPARATIVES

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

Q) 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.

R) 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

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equity interests are therefore measured at fair value for financial reporting purposes. Once an underlying operating solar 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 formal investment valuations on an appropriate basis. Such valuations will be performed at least annually thereafter. The valuations of the solar asset equity interests are based on discounted post tax equity cash flow models which are subject to key estimates and assumptions relating to cost of equity, electricity prices, electricity production, operating expenses, gearing levels and taxation. 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, note 10 and note 17 for further information relating to fair value assessments.

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Notes to the financial statements
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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-19	31-Dec-18	31-Dec-19	31-Dec-18	31-Dec-19	31-Dec-18
	\$	\$	\$	\$	\$	\$
Interest income on cash at bank	23,718	108,775	118,459	219,030	142,177	327,805
Interest income on loan to New Energy Solar US Corp (subsidiary of the Company)	-	-	10,102,962	14,779,097	10,102,962	14,779,097
	<u>23,718</u>	<u>108,775</u>	<u>10,221,421</u>	<u>14,998,127</u>	<u>10,245,139</u>	<u>15,106,902</u>

4. INCOME TAX

	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-19	31-Dec-18	31-Dec-19	31-Dec-18	31-Dec-19	31-Dec-18
	\$	\$	\$	\$	\$	\$
<i>Income tax benefit</i>						
Current tax	-	-	-	-	-	-
Deferred tax - in respect of current year	(1,149,414)	(789,989)	-	-	(1,149,414)	(789,989)
Deferred tax - in respect of prior years	-	(383,026)	-	-	-	(383,026)
Aggregate income tax benefit	(1,149,414)	(1,173,015)	-	-	(1,149,414)	(1,173,015)
<i>Numerical reconciliation of income tax expense and tax at the statutory rate</i>						
(Loss)/profit before tax	(32,603,481)	44,530,821	27,275,849	34,474,267	(5,327,632)	79,005,088
Tax at the statutory Australian tax rate of 30%	(9,781,044)	13,359,246	-	-	(9,781,044)	13,359,246
Tax effect amounts which are not deductible/(taxable) in calculating taxable income:						
Fair value losses/(gains) not assessable	8,631,630	(14,171,261)	-	-	8,631,630	(14,171,261)
Non-deductible expenses	-	22,026	-	-	-	22,026
Deferred tax asset on loss not recognised	-	-	-	-	-	-
Deferred tax asset from prior year recognised in current year	-	(383,026)	-	-	-	(383,026)
Income tax benefit	(1,149,414)	(1,173,015)	-	-	(1,149,414)	(1,173,015)
<i>Income tax recognised directly in equity</i>						
Current tax - share buy-back costs	(907)	(1,152)	-	-	(907)	(1,152)
Deferred tax - equity issue costs in respect of current year	(9,870)	(4,642)	-	-	(9,870)	(4,642)
Deferred tax - equity issue costs in respect of prior years	-	(595,919)	-	-	-	(595,919)
Total income tax recognised directly in equity	(10,777)	(601,713)	-	-	(10,777)	(601,713)

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Deferred tax assets recognised at balance date comprises:

	31-Dec-19	31-Dec-18	31-Dec-19	31-Dec-18	31-Dec-19	31-Dec-18
	\$	\$	\$	\$	\$	\$
Tax losses (revenue)	2,526,173	1,234,447	-	-	2,526,173	1,234,447
Deductible temporary differences	408,745	540,281	-	-	408,745	540,281
Total	2,934,918	1,774,728	-	-	2,934,918	1,774,728

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)
	31-Dec-19	31-Dec-18	31-Dec-19	31-Dec-18	31-Dec-19	31-Dec-18
	cents	cents	cents	cents	cents	cents
Basic and diluted (loss)/earnings per security	(9.00)	13.60	7.80	10.25	(1.20)	23.85

(ii) Earnings used to calculate basic and diluted earnings per security

	\$	\$	\$	\$	\$	\$
(Loss)/profit from continued operations used to calculate basic and diluted (loss)/earnings per security	(31,454,067)	45,703,836	27,275,849	34,474,267	(4,178,218)	80,178,103

(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	349,457,518	336,171,810	349,457,518	336,171,810	349,457,518	336,171,810
Weighted average number of securities outstanding used to calculate diluted earnings per security	349,457,518	336,171,810	349,457,518	336,171,810	349,457,518	336,171,810

There are no transactions that would significantly change the number of securities at the end of the reporting period.

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)
	31-Dec-19	31-Dec-18	31-Dec-19	31-Dec-18	31-Dec-19	31-Dec-18
	\$	\$	\$	\$	\$	\$
Balance at beginning of year	252,292,020	207,418,305	233,667,317	264,999,858	485,959,337	472,418,163
Issue of securities - February 2018	-	2,364,708	-	2,973,234	-	5,337,942
Capital reallocation - June 2018	-	30,156,728	-	(30,156,728)	-	-
Issue of securities - August 2018	-	13,283,166	-	13,190,738	-	26,473,904
Issue of securities - February 2019	2,695,085	-	2,295,674	-	4,990,759	-
Capital reallocation - June 2019	83,583,947	-	(83,583,947)	-	-	-
Issue of securities - August 2019	2,039,124	-	1,004,273	-	3,043,397	-
Issue costs	(55,928)	(26,305)	(59,241)	(30,154)	(115,169)	(56,459)
Deferred tax asset recognised in current year in connection with prior year issue costs	-	595,919	-	-	-	595,919
Buybacks	(1,179,359)	(1,497,814)	(1,088,639)	(1,454,914)	(2,267,998)	(2,952,728)
Buyback costs	(2,115)	(2,687)	(2,790)	(3,728)	(4,905)	(6,415)
Distributions - June 2018	-	-	-	(7,317,082)	-	(7,317,082)
Distributions - December 2018	-	-	-	(8,533,907)	-	(8,533,907)
Distributions - June 2019	-	-	(7,194,846)	-	(7,194,846)	-
Distributions - December 2019	-	-	(10,724,135)	-	(10,724,135)	-
Balance at the end of year	339,372,774	252,292,020	134,313,666	233,667,317	473,686,440	485,959,337

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(ii) Movements in stapled securities

	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-19	31-Dec-18	31-Dec-19	31-Dec-18	31-Dec-19	31-Dec-18
	No.	No.	No.	No.	No.	No.
Balance at beginning of year	346,597,195	326,297,684	346,597,195	326,297,684	346,597,195	326,297,684
Issue of securities - February 2018	-	3,657,035	-	3,657,035	-	3,657,035
Issue of securities - August 2018	-	18,710,596	-	18,710,596	-	18,710,596
Issue of securities - February 2019	3,693,961	-	3,693,961	-	3,693,961	-
Issue of securities - August 2019	2,431,124	-	2,431,124	-	2,431,124	-
Buybacks	(1,662,394)	(2,068,120)	(1,662,394)	(2,068,120)	(1,662,394)	(2,068,120)
Balance at the end of year	351,059,886	346,597,195	351,059,886	346,597,195	351,059,886	346,597,195

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.

25,497 Class A Options were exercised at \$1.55 per security on 8 February 2019, and the balance of 67,319,235 were cancelled on expiry. 14,998 Class B Options were exercised at \$1.60 per security on 8 August 2019, and the balance of 67,329,734 were cancelled on expiry.

Security buyback

The Company and the Trust announced an on-market security buyback program on 3 May 2019 of up to 10 million securities over a 12-month period commencing 17 May 2019 and expiring 16 May 2020. The buybacks are being undertaken as an active capital management tool to provide liquidity to existing securityholders should they seek to exit their investment at a discount to net asset value.

During the year ended 31 December 2019, the Company and the Trust acquired stapled securities from securityholders for a total consideration of \$2,267,998 as part of the buyback program announced on 2 May 2018 and 3 May 2019. 1,662,394 securities acquired under the program have been cancelled resulting in a reduction of fully paid ordinary stapled securities on issue.

The Company and the Trust remain committed to active capital management to provide liquidity for investors as well as enhancing shareholder returns.

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-19	31-Dec-18	31-Dec-19	31-Dec-18	31-Dec-19	31-Dec-18
	\$	\$	\$	\$	\$	\$
Cash and bank balances	4,542	6,475,915	1,610,618	16,554,264	1,615,160	23,030,179

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Reconciliation of (loss)/profit 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)
	31-Dec-19	31-Dec-18	31-Dec-19	31-Dec-18	31-Dec-19	31-Dec-18
	\$	\$	\$	\$	\$	\$
(Loss)/profit after income tax expense for the year	(31,454,067)	45,703,836	27,275,849	34,474,267	(4,178,218)	80,178,103
Adjustments for:						
Fair value movement of assets classified as held for sale	-	-	(1,377,116)	-	(1,377,116)	-
Fair value movement of financial assets at fair value through profit or loss	28,772,101	(47,237,536)	(17,454,008)	(23,096,495)	11,318,093	(70,334,031)
Net foreign exchange (gains)/losses	(2)	634	115,981	(59,184)	115,979	(58,550)
Fair value movement of forward foreign currency derivatives	-	-	-	1,559,881	-	1,559,881
Amortisation of deferred borrowing costs	330,528	172,055	-	-	330,528	172,055
Payments of transaction costs relating to loans and borrowings	625,000	-	-	-	625,000	-
Change in operating assets and liabilities:						
Decrease in receivables	30,550	730,788	359,333	316,964	389,883	1,047,752
Increase in deferred tax assets	(1,149,413)	(1,173,015)	-	-	(1,149,413)	(1,173,015)
Increase/(decrease) in payables	(77,440)	404,420	(292,666)	346,693	(370,106)	751,113
Decrease in provision for income tax	(4,666)	(26,264)	-	-	(4,666)	(26,264)
Net cash flow from operating activities	(2,927,409)	(1,425,082)	8,627,373	13,542,126	5,699,964	12,117,044

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Reconciliation of liabilities arising from financing activities:

Company	1-Jan-19	Non-cash transactions	Financing cash movements	31-Dec-19
	\$	\$	\$	\$
Other liabilities - New Energy Solar Fund	246,470	477,522	(723,992)	-
	246,470	477,522	(723,992)	-

Company	1-Jan-18	Non-cash transactions	Financing cash movements	31-Dec-18
	\$	\$	\$	\$
Other liabilities - New Energy Solar Fund	-	-	246,470	246,470
	-	-	246,470	246,470

Trust	1-Jan-19	Non-cash transactions	Financing cash movements	31-Dec-19
	\$	\$	\$	\$
Other liabilities - New Energy Solar Limited	(246,470)	-	723,992	477,522
	(246,470)	-	723,992	477,522

Trust	1-Jan-18	Non-cash transactions	Financing cash movements	31-Dec-18
	\$	\$	\$	\$
Other liabilities - New Energy Solar Limited	-	-	-	-
	-	-	-	-

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-19	31-Dec-18	31-Dec-19	31-Dec-18	31-Dec-19	31-Dec-18
	\$	\$	\$	\$	\$	\$
Interest receivable - New Energy Solar US Corp	-	-	447,718	871,175	447,718	871,175
GST receivable	26,490	29,538	19,306	42,776	45,796	72,314
Other receivables - subsidiary entity, New Energy Solar US Corp	12,250	12,250	-	-	12,250	12,250
Other receivables - subsidiary entity, New Energy Solar Australia HoldCo #1 Pty Limited	-	-	4,453,976	-	4,453,976	-
Other receivables - New Energy Solar Limited	-	-	-	246,470	-	-
Other receivables - New Energy Solar Fund	477,522	-	-	-	-	-
Other receivables	-	27,502	-	-	-	27,502
Dividend receivables	-	-	87,594	-	87,594	-
	516,262	69,290	5,008,594	1,160,421	5,047,334	983,241

There are no receivables in respect of which a credit loss provision is considered to be required at 31 December 2019. The receivables are recorded at carrying amounts that are considered to represent reasonable approximations of fair value.

9. CURRENT ASSETS – ASSETS CLASSIFIED AS HELD FOR SALE

	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-19	31-Dec-18	31-Dec-19	31-Dec-18	31-Dec-19	31-Dec-18
	\$	\$	\$	\$	\$	\$
Investment in US Solar Fund plc (LSE: USF) - Equity	-	-	22,432,702	-	22,432,702	-
	-	-	22,432,702	-	22,432,702	-

At balance date, New Energy Solar Fund (**Trust**) has recorded its investment in US Solar Fund Plc at fair value (as required under AASB 9) and classified the investment as an asset classified as held for sale. The asset was considered by the Board of Directors to be immediately available for sale and its disposal was assessed as being highly probable to occur within 12 months from balance date.

	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-19	31-Dec-18	31-Dec-19	31-Dec-18	31-Dec-19	31-Dec-18
Assets classified as held for sale opening balance	-	-	-	-	-	-
Total funds invested during the year in US Solar Fund	-	-	21,055,586	-	21,055,586	-
Unrealised movement in fair value through profit or loss (ii)	-	-	1,377,116	-	1,377,116	-
Assets classified as held for sale closing balance	-	-	22,432,702	-	22,432,702	-

10. 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 companies. The Fund's investment in its immediate subsidiaries consists of a combination of equity and debt provided by the Company and debt provided by the Trust. As an 'investment entity' the Company records its equity investment at fair value, which comprises the assessed fair value of the underlying solar asset portfolio and associated debt 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 balance date, the fair value of the Company and Trust's combined total investment in immediate subsidiaries 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-19	31-Dec-18	31-Dec-19	31-Dec-18	31-Dec-19	31-Dec-18
	\$	\$	\$	\$	\$	\$
Investment in New Energy - Equity	122,203,744	10	-	-	122,203,744	10
Solar Australia HoldCo #1 - Loans	-	10,530,274	-	-	-	10,530,274
Pty Limited						
Investment in New Energy - Equity	230,974,857	281,733,633	-	-	230,974,857	281,733,633
Solar US Corp						
- Loans	-	-	158,514,967	252,846,452	158,514,967	252,846,452
	353,178,601	292,263,917	158,514,967	252,846,452	511,693,568	545,110,369

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The investment in subsidiaries 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-19	31-Dec-18	31-Dec-19	31-Dec-18	31-Dec-19	31-Dec-18
	\$	\$	\$	\$	\$	\$
Fair value of underlying solar asset interests held (i)	1,325,115,050	1,063,338,929	-	-	1,325,115,050	1,063,338,929
Cash or cash equivalents	9,049,323	31,040,663	-	-	9,049,323	31,040,663
Construction loans to underlying solar project entities (ii)	-	25,248,529	-	-	-	25,248,529
Funds on deposit as security for guarantees (iii)	-	9,221,280	-	-	-	9,221,280
Loan funding provided by New Energy Solar Fund to New Energy Solar US Corp (iv)	(158,514,967)	(252,846,452)	158,514,967	252,846,452	-	-
3rd party loan funding provided (v)	(1,034,124,352)	(608,902,780)	-	-	(1,034,124,352)	(608,902,780)
Converting 3rd party funding to tax equity interest (ITC Bridge Loan) (v)*	284,295,616	88,740,256	-	-	284,295,616	88,740,256
Fair value of Interest rate swaps on 3rd party loan funding provided (v)	(65,322,318)	(16,003,700)	-	-	(65,322,318)	(16,003,700)
Asset acquisition liabilities	-	(54,965,536)	-	-	-	(54,965,536)
Deferred tax liabilities	(7,134,834)	(8,583,605)	-	-	(7,134,834)	(8,583,605)
Other net assets/(liabilities)**	(184,917)	15,976,333	-	-	(184,917)	15,976,333
	353,178,601	292,263,917	158,514,967	252,846,452	511,693,568	545,110,369

*A bridging loan amount of A\$284.3 million (US\$199.6 million) will be substantially satisfied by a minority interest contribution in February 2020 shortly after the substantial completion of Mt Signal 2. The fair value of the Mt Signal 2 asset interest has been calculated based on post minority interest cashflows.

** Includes A\$8.8million of cash retained in the Manildra solar plants and a A\$6.1million cash retained in the Beryl solar plants at 31 December 2019 which was distributed to New Energy Solar Australia Holdco #1 Pty Limited in February 2020.

(i) The balance recorded at 31 December 2019 relates to the company's interest in the NC-31, NC-47, Stanford, TID, Boulder, Rigel, Mount Signal 2, Cypress Creek portfolio, Manildra and Beryl solar asset plants. The fair value of these assets totaling \$1,325.1 million is based on a discounted cash flow valuation as further described in note 17.

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(ii) This 2018 balance represents loans provided in connection with the solar asset plants acquired from Cypress Creek which were under construction. The loans were 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) This 2018 balance represents short-term term deposits held by the Company's wholly owned subsidiary, New Energy Solar Australia HoldCo #1 Pty Limited, as a cash-backed guarantee relating to completion of its acquisition of the Manildra and Beryl solar farms located in New South Wales.

(iv) As at 31 December 2019, the fair value of Note Purchase Agreements with New Energy Solar US Corp that New Energy Solar Fund invested into in the amount of US\$47,035,530 (face value US\$42,699,678, effective 9 December 2016) and US\$64,257,828 (face value US\$57,803,480, effective 15 December 2017) has been converted to Australian dollars at the prevailing A\$:US\$ spot rate of 0.7021 (31 December 2018 spot rate 0.7049). The loans to New Energy Solar US Corp have a 7 year loan term from inception and a fixed interest rate of 6%. These loans are unsecured. The fair value of these loan receivables is based on a revaluation at balance date with reference to prevailing referable market interest rates for comparable external debt as a proxy for market pricing of these loan receivables.

(v) 3rd party loan funding is comprised of the following:

Held by:	Facility size (base currency \$m)	Drawn face value 31 December 2019 (base currency \$m)	31 December 2019 FX rate:	Drawn face value (A\$m)	Drawn fair value 31 December (base currency \$m)	31 December 2019 FX rate:	Drawn fair value (A\$m)
NES US Funding 1 LLC (a)	USD 27.3	USD 25.1	0.7021	35.7	USD 25.1	0.7021	35.7
NES Antares HoldCo LLC (b)	USD 62.5	USD 62.4	0.7021	88.9	USD 66.0	0.7021	94.0
NES Perseus HoldCo LLC (c)	USD 22.7	USD 22.7	0.7021	32.4	USD 24.9	0.7021	35.4
NES Hercules Class B Member LLC & NES Hercules Project Holdings LLC (d)	USD 209.3	USD 209.3	0.7021	298.1	USD 209.3	0.7021	298.1
NES Hercules Class B Member LLC & NES Hercules Project Holdings LLC (d)	USD 248.5	USD 199.6	0.7021	284.3	USD 199.6	0.7021	284.3
NES Hercules Class B Member LLC & NES Hercules Project Holdings LLC (d)	USD 8.5	USD 0.0	0.7021	-	-	0.7021	-
NES Galaxy LLC (e)	USD 45.0	USD 41.8	0.7021	59.5	USD 41.8	0.7021	59.5
NES Orion HoldCo, LLC (f)	USD 22.6	USD 22.3	0.7021	31.7	USD 22.3	0.7021	31.7
Manildra Finco Pty Limited (g)	AUD 71.5	AUD 70.7	n/a	70.7	AUD 70.7	n/a	70.7
FS NSW Project No 1 Finco Pty Limited (h)	AUD 125.4	AUD 124.6	n/a	124.6	AUD 124.6	n/a	124.6
				<u>1,025.9</u>			<u>1,034.1</u>

a. In June 2019, New Energy Solar refinanced the existing term credit facility held by NES US Funding 1 LLC, a wholly owned indirect subsidiary of the Company, with KeyBank National Association to increase the term facility to US\$27.3 million. The refinanced term facility is fully amortising and matures in March 2027. The facility with an underlying LIBOR rate is hedged with a fixed interest rate swap for the full duration of the Loan. As part of the refinancing agreement, KeyBank National Association hold a charge over the NC-31 and NC-47 solar plant assets.

b. US\$62.5 million senior secured fixed rate notes issued in October 2017 by NES Antares HoldCo LLC, a wholly owned indirect subsidiary of the Company, 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 asset interests held.

c. US\$22.7 million senior secured fixed rate notes issued in July 2018 by NES Perseus HoldCo LLC, a wholly owned indirect subsidiary of the Company, to notes purchasers via the United States private placement market. The notes are amortising over 18.5 years maturing 28 February 2037. As part of the note purchase agreements, the noteholders hold a charge over NES Perseus HoldCo LLC, the entity which owns the underlying membership interest in the Boulder solar asset.

d. Mount Signal 2 has two non-recourse construction financing facilities, comprising a Construction Loan facility and a ITC Bridge Loan facility totaling US\$457.8 million established on 19 March 2018 held by NES Hercules Class B Member LLC and NES Hercules Project Holdings LLC, both currently wholly-owned indirect subsidiaries of the Company. These facilities are provided by HSBC Bank USA N.A., Santander Bank N.A., Cobank ACB, CIT Bank N.A., Société Générale, Canadian Imperial Bank of Commerce – New York Branch and KeyBank National Association.

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The Construction Loan is a US\$209.3 million facility, most of which will convert to a Term Loan at the Term Loan Conversion Date, expected to be February 2020. The loan matures on the 8th anniversary of the Term Loan Conversion Date. As at 31 December 2019, the construction loan was fully drawn.

The ITC Bridge Loan is a US\$248.5 million facility sized to provide a bridge to the equity investment of the tax equity investor, which occurs in two stages based on construction progress. The ITC Bridge Loan is repaid at construction completion largely with the proceeds of the tax equity investors initial and final equity capital contributions. As at 31 December 2019, the ITC Bridge Loan was drawn to US\$199.6 million.

Mount Signal 2 also has a US\$8.5m revolving loan facility which will become available at the Term Loan Conversion Date. The purpose of this facility is to provide short-term liquidity for the payment of Debt Service and O&M Expense as required by the project.

The Construction Loan, ITC Bridge Loan and Revolving Loan are secured by the assets of the borrowers NES Hercules Class B Member LLC and NES Hercules Project Holdings LLC with collateral pledges relating to the tax equity investor's future equity capital contributions, as well as various collateral pledges of material project documents. Once the tax equity investor has made their initial investment, the security pool will include the assets of the tax equity partnership owned by NES Hercules Class B Member LLC and the tax equity investor.

Post balance date additional working capital was put in place to provide additional liquidity in case of delays in reaching substantial completion and conversion of debt facilities to term funding on the Mount Signal 2 project. As part of this the Keybank corporate facility limit was increased by US\$10m for six months and a short-term facility of US\$15m was put in place with Kendrick Cerry Inc. The loan has a term of 150 days from the date of initial draw down and carries an interest rate of three percent.

e. US\$45.0 million revolving loan and letter of credit facility established in June 2018 held by NES Galaxy LLC, a subsidiary of the Company, with KeyBank National Association (**Keybank**), repayable no later than 5 June 2021. As at 31 December 2019, the revolving loan was drawn down to US\$41.8 million and a letter of credit was issued for the value of A\$2.3 million to the Commonwealth Bank of Australia (**CBA**). CBA has in turn provided a Letter of Credit to Manildra Prop Pty Ltd to the value of A\$2.3 million expiring on 28 November 2020. The Keybank letter of credit reduced the revolving loan facility limit by the same value of A\$2.3 million. This loan is secured by a first lien on cash flows from underlying subsidiaries of NES Galaxy LLC.

f. In February 2019, NES Orion HoldCo LLC, a wholly owned subsidiary of the Company, entered into a US\$22.6 million Corporate Revolving Credit Facility with KeyBank National Association. The amortising loan is repayable no later than February 2026. As at 31 December 2019, the loan was drawdown to US\$22.3 million. As part of the financing agreement, KeyBank National Association hold a charge over the Cypress Creek solar plant assets.

g. \$71.5 million term loan facility held by Manildra Finco Pty Ltd, a wholly owned indirect subsidiary of the Company, with Société Générale and MUFG Bank, Ltd as lenders. As at 31 December 2019, \$70.7 million has been drawn down. The loan amortises over the term with a final payment of A\$62.1 million due when the facility expires March 2022. It is secured by a charge over the assets and equity interest in the Manildra solar plant. In May 2019, all subsisting default events were cured and the construction facility was converted to a term facility, which also resulted in the cancellation of the GST facility.

h. \$125.4 million term facility held by FS NSW Project No1 Finco Pty Ltd, a wholly owned indirect subsidiary of the Company, with MUFG Bank, Ltd, Bank of the Philippines, Société Générale and Mizuho Bank, Ltd. As at 31 December 2019, \$124.6 million has been drawn down. The loan amortises over the term with a final payment of A\$106.5 million due when the facility expires in May 2023. It is secured by a charge over the assets and equity interest in the Beryl solar plant. In November 2019 the GST facility was voluntarily cancelled.

First Solar FE Holdings Pte. Ltd. (**First solar**) has security over the shares and units that NES Australia HoldCo #1 holds in the Manildra and Beryl entities, the security is expected to be released later in February 2020 following the completion of all payments to First Solar on 13 February 2020.

In addition to the above, the following Letters of Credit have been issued:

- KeyBank National Association has provided Letter of Credit to both NES US Funding 1 LLC and NES Antares HoldCo LLC to the value of US\$7.4 million and US\$19.7 million respectively, expiring on 5 June 2027.

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- HSBC Bank USA N.A. has provided a Letter of Credit to NES Hercules Class B Member LLC and NES Hercules Project Holdings LLC to the value of US\$17.1 million expiring in December 2027.
- KeyBank National Association has provided a Letter of Credit to NES Perseus HoldCo LLC to the value of US\$8.3 million expiring on 25 July 2028.
- KeyBank National Association has provided a Letter of Credit to NES Orion HoldCo LLC to the value of US\$1.7 million expiring on 14 February 2020.
- MUFG Bank, Ltd has provided a Letter of Credit to FS NSW Project No1 Finco Pty Ltd to the value of A\$3.875 million expiring in on 30 May 2020.

Movement in the equity and debt investments associated with the Company and the Trust's investment in immediate subsidiaries 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-19	31-Dec-18	31-Dec-19	31-Dec-18	31-Dec-19	31-Dec-18
Investment in assets financial assets held at fair value through profit or loss opening balance	292,263,917	201,874,660	252,846,452	239,831,684	545,110,369	441,706,344
Total funds invested during the year in New Energy Solar Australia HoldCo #1 Pty Limited	89,686,785	10,530,284	-	-	89,686,785	10,530,284
Total funds (repaid)/invested during the year in New Energy Solar US Corp	-	32,621,437	(111,785,493)	(10,081,727)	(111,785,493)	22,539,710
Unrealised movement in fair value through profit or loss (i)	(28,772,101)	47,237,536	17,454,008	23,096,495	(11,318,093)	70,334,031
Investment in financial assets held at fair value through profit or loss closing balance	353,178,601	292,263,917	158,514,967	252,846,452	511,693,568	545,110,369

(i) The Company's 'movement in fair value' decrement amount of \$28.8 million is comprised of a \$51.9 million decrease in the value of its investment in its immediate subsidiary New Energy Solar US Corp (**NES US**), offset by an unrealised foreign exchange translation gain of \$1.1 million, and a \$22.0 million increase in the value of its investment in its immediate subsidiary New Energy Solar HoldCo #1 (**NESAH#1**). As at 31 December 2019, the fair value of the Company's US dollar investment in NES US has been converted to Australian dollars at the prevailing A\$:US\$ spot rate of 0.7021 (31 December 2018 spot rate 0.7049) resulting in the unrealised foreign exchange gain noted of \$1.1 million.

The \$51.9 million decrease in the value of its investment in NES US includes a fair value loss impact relating to NES US's investment in entities holding its underlying solar assets, loss impacts relating to interest bearing loans from the Trust, including a \$17.6 million loan fair value adjustment (offsetting an equivalent gain recognised by the Trust) and interest expense on the loan totalling \$10.2 million (offsetting equivalent interest income earned by the Trust), and net of distribution income earned, other expenses incurred and associated tax benefits.

The \$22.0 million increase in the value of its investment in NESAH#1 is mainly attributable to an increase in the fair value of NESAH#1's investment in entities holding its underlying Australian solar assets.

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(ii) The Trust's 'movement in fair value' amount of \$18.8 million is comprised of \$17.6 million fair value gain in respect of its US denominated loan to NES US, valued with reference to prevailing referable market interest rates for comparable external debt as a proxy for market pricing of the loan receivables and \$0.1 million of foreign exchange losses. The increase is further attributable to the \$1.1 million increase in the fair value of its investment in US Solar Fund plc, and \$0.3 foreign exchange gain during the year in relation to this investment.

11. 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-19	31-Dec-18	31-Dec-19	31-Dec-18	31-Dec-19	31-Dec-18
	\$	\$	\$	\$	\$	\$
Trade payables	6,600	102,756	-	57,859	6,600	160,615
Accrued liabilities	470,100	451,384	273,900	508,703	744,000	960,087
Other liabilities	12,156	12,156	4,461	4,465	16,617	16,621
Other liabilities - New Energy Solar Fund	-	246,470	-	-	-	-
Other liabilities - New Energy Solar Limited	-	-	477,522	-	-	-
Other liabilities - New Energy Solar Australia HoldCo #1 Pty Limited	421,834	-	-	-	421,834	-
	910,690	812,766	755,883	571,027	1,189,051	1,137,323

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.

12. CURRENT LIABILITIES – DERIVATIVE FINANCIAL LIABILITIES

	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-19	31-Dec-18	31-Dec-19	31-Dec-18	31-Dec-19	31-Dec-18
	\$	\$	\$	\$	\$	\$
Foreign exchange forward contracts	-	-	-	1,559,881	-	1,559,881

Foreign exchange forward contracts are used to mitigate exchange rate exposure arising from US dollar cash flows. No forward contracts are outstanding at balance date (31 December 2018: \$57.0 million). These contracts were entered into to hedge anticipated US dollar cash receipts expected over the same time period.

US-dollar forward contracts have not been designated as hedging instruments in cash flow hedges. The fair values at the reporting date are set out above.

13. BORROWINGS

The Company has a loan facility with Clean Energy Finance Corporation (**CEFC**) to provide bridge funding for the acquisition of solar assets. The total available amount under the facility is \$50.0 million. As at 31 December 2019, no amount has been drawn down under this facility (31 December 2018: nil).

The CEFC facility is not able to be drawn until the payments to First Solar as per Note 10(v)(g) are fully made. The facility termination date is the fifth anniversary of the agreement. Drawn amounts are repayable 12 months after the date of drawing or earlier if a capital raising is undertaken during that equivalent period. The loan is a fixed rate, Australian-dollar denominated loan. Interest is payable at the end of each calendar quarter, or where repayment is due, on the repayment due date.

The loan is secured by the Company's assets, including shares in its immediate subsidiaries, subject to other security and subordination arrangements for existing project and corporate debt facilities.

All other borrowings have been undertaken by subsidiaries of the Company and are shown in note 10.

14. DISTRIBUTIONS

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

- 3.90 cents per stapled security for the six months ended 30 June 2019 paid on 15 August 2019 amounting to \$13,596,522 (30 June 2018: \$12,370,286).
- 4.00 cents per stapled security for the six months ended 31 December 2019 announced on 18 December 2019, paid on 14 February 2020 amounting to \$14,042,395 (31 December 2018: \$13,863,888).

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15. OPERATING SEGMENTS

The Company and the Trust currently operate solely in a single segment being investing in solar assets. Solar assets are in Australia and 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 Condensed Statement of Profit & Loss and Other Comprehensive Income, Condensed Statement of Financial Position, Condensed Statement of Changes in Equity and Condensed 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.

Geographical information

The Fund operates in two principal geographic areas – Australia (country of domicile) and the United States of America.

The Fund's revenue and information about its segment assets (non-current assets excluding financial instruments, deferred tax assets and other financial assets) by geographical location are detailed below:

Revenue

	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-19	31-Dec-18	31-Dec-19	31-Dec-18	31-Dec-19	31-Dec-18
	\$	\$	\$	\$	\$	\$
Australia	22,010,393	108,775	118,459	219,030	22,128,852	327,805
United States of America	(50,758,774)	47,243,604	29,003,821	38,227,706	(21,754,953)	85,471,310
	(28,748,381)	47,352,379	29,122,280	38,446,736	373,899	85,799,115

Non-current assets

	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-19	31-Dec-18	31-Dec-19	31-Dec-18	31-Dec-19	31-Dec-18
	\$	\$	\$	\$	\$	\$
Australia	123,271,393	11,928,461	-	-	123,271,393	11,928,461
United States of America	230,974,857	281,733,633	158,514,967	252,846,452	389,489,824	534,580,085
	354,246,250	293,662,094	158,514,967	252,846,452	512,761,217	546,508,546

16. 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
- 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 17 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 0.7021 (31 December 2018 rate 0.7049).

31 December 2019

	New Energy Solar Limited (Company)	New Energy Solar Fund (Trust)	Fund (combined Company and Trust)
	31-Dec-19	31-Dec-19	31-Dec-19
	\$	\$	\$
Cash and cash equivalents	485	18,665	19,150
Dividend receivables	-	87,594	87,594
Financial assets (equity investments)	230,974,857	-	230,974,857
Assets held for sale (equity investments)	-	22,432,702	22,432,702
Financial assets (loan receivables)	-	158,514,967	158,514,967
Financial assets (other receivables)	-	447,718	447,718
	230,975,342	181,501,646	412,476,988

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31 December 2018

	New Energy Solar Limited (Company)	New Energy Solar Fund (Trust)	Fund (combined Company and Trust)
	31-Dec-18	31-Dec-18	31-Dec-18
	\$	\$	\$
Cash and cash equivalents	472	566	1,038
Financial assets (equity investments)	281,733,633	-	281,733,633
Financial assets (loan receivables)	-	252,846,452	252,846,452
Financial assets (other receivables)	-	871,175	871,175
	281,734,105	253,718,193	535,452,298

Sensitivity Analysis

The effect of the foreign exchange risk relating to equity investments (investment in New Energy Solar US Corp and investment in US Solar Fund plc) is recorded in profit or loss as part of the overall fair value movement in the assets classified as held for sale and financial assets (refer to notes 9 and 10). 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 2019 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 2019

	New Energy Solar Limited (Company)	New Energy Solar Fund (Trust)	Fund (combined Company and Trust)
AUD strengthened +5%	Effect on profit before tax	Effect on profit before tax	Effect on profit before tax
	\$	\$	\$
Cash and cash equivalents	(23)	(889)	(912)
Dividend receivables	-	(4,171)	(4,171)
Financial assets (equity investments)	(10,998,803)	-	(10,998,803)
Assets held for sale (equity investments)	-	(1,068,224)	(1,068,224)
Financial assets (loan receivables)	-	(7,548,332)	(7,548,332)
Financial assets (other receivables)	-	(21,320)	(21,320)
	(10,998,826)	(8,642,936)	(19,641,762)

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	New Energy Solar Limited (Company)	New Energy Solar Fund (Trust)	Fund (combined Company and Trust)
AUD weakened -5%	Effect on profit before tax	Effect on profit before tax	Effect on profit before tax
	\$	\$	\$
Cash and cash equivalents	26	982	1,008
Dividend receivables	-	4,610	4,610
Financial assets (equity investments)	12,156,571	-	12,156,571
Assets held for sale (equity investments)	-	1,180,669	1,180,669
Financial assets (loan receivables)	-	8,342,893	8,342,893
Financial assets (other receivables)	-	23,564	23,564
	12,156,597	9,552,718	21,709,315
31 December 2018			
	New Energy Solar Limited (Company)	New Energy Solar Fund (Trust)	Fund (combined Company and Trust)
AUD strengthened +5%	Effect on profit before tax	Effect on profit before tax	Effect on profit before tax
	\$	\$	\$
Cash and cash equivalents	(23)	(27)	(50)
Financial assets (equity investments)	(13,415,887)	-	(13,415,887)
Financial assets (loan receivables)	-	(12,040,307)	(12,040,307)
Financial assets (other receivables)	-	(41,485)	(41,485)
	(13,415,910)	(12,081,819)	(25,497,729)
AUD weakened -5%			
	Effect on profit before tax	Effect on profit before tax	Effect on profit before tax
	\$	\$	\$
Cash and cash equivalents	25	30	55
Financial assets (equity investments)	14,828,086	-	14,828,086
Financial assets (loan receivables)	-	13,307,708	13,307,708
Financial assets (other receivables)	-	45,851	45,851
	14,828,111	13,353,589	28,181,700

In management's 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.

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Forward foreign exchange contracts

The Company and the Trust may enter into forward foreign exchange contracts to manage the risk associated with foreign currency cash movements associated with its investment activities.

The following table details the foreign currency forward contracts outstanding at the end of the reporting period.

New Energy Solar Limited (Company)

No outstanding contracts

New Energy Solar Fund (Trust)

Outstanding contracts	Average exchange rate		Foreign currency		Notional value		Fair value assets/(liabilities)	
	31-Dec-19	31-Dec-18	31-Dec-19	31-Dec-18	31-Dec-19	31-Dec-18	31-Dec-19	31-Dec-18
Cash flow hedges	\$	\$	\$	\$	\$	\$	\$	\$
Sell USD								
Less than 3 months	-	0.724	-	41,278,860	-	57,000,000	-	(1,559,881)
							-	(1,559,881)

Fund (combined Company and Trust)

Outstanding contracts	Average exchange rate		Foreign currency		Notional value		Fair value assets/(liabilities)	
	31-Dec-19	31-Dec-18	31-Dec-19	31-Dec-18	31-Dec-19	31-Dec-18	31-Dec-19	31-Dec-18
Cash flow hedges	\$	\$	\$	\$	\$	\$	\$	\$
Sell USD								
Less than 3 months	-	0.724	-	41,278,860	-	57,000,000	-	(1,559,881)
							-	(1,559,881)

US-dollar forward exchange contracts have not been designated as hedging instruments in cash flow hedges.

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 2019

		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	23	8,053	8,076
Variable rate deposits	-50 basis points	(23)	(8,053)	(8,076)

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31 December 2018

		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	32,380	82,771	115,151
Variable rate deposits	-50 basis points	(32,380)	(82,771)	(115,151)

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 2019

	New Energy Solar Limited (Company)	New Energy Solar Fund (Trust)	Fund (combined Company and Trust)
	31-Dec-19	31-Dec-19	31-Dec-19
	\$	\$	\$
Summary of exposure			
Cash and cash equivalents	4,542	1,610,618	1,615,160
Loans receivable	-	158,514,967	158,514,967
Interest receivable	-	447,718	447,718
GST receivable	26,490	19,306	45,796
Dividend receivables	-	87,594	87,594
Other receivables - related party	489,772	4,453,976	4,943,748
	520,804	165,134,179	165,654,983

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31 December 2018

	New Energy Solar Limited (Company)	New Energy Solar Fund (Trust)	Fund (combined Company and Trust)
	31-Dec-18	31-Dec-18	31-Dec-18
Summary of exposure	\$	\$	\$
Cash and cash equivalents	6,475,915	16,554,264	23,030,179
Loans receivable *	10,530,274	252,846,452	263,376,726
Interest receivable	-	871,176	871,176
GST receivable	29,538	42,776	72,314
Other receivables - related party	39,752	-	39,752
	17,075,479	270,314,668	287,390,147

* Loans receivable represent loans to New Energy Solar US Corp and New Energy Solar Australia HoldCo #1 Pty Limited.

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 \$4,542 and \$1,610,618 respectively at 31 December 2019 (\$6,475,915 and \$16,554,264 respectively at 31 December 2018) 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 2019

New Energy Solar Limited (Company)	On call	Less than 12 months	Remaining contractual maturities
	\$	\$	\$
Trade and other payables	-	910,690	-
	-	910,690	-
Derivative financial liabilities			
New Energy Solar Fund (Trust)	On call	Less than 12 months	Remaining contractual maturities
	\$	\$	\$
Trade and other payables	-	755,883	-
	-	755,883	-
Fund (combined Company and Trust)	On call	Less than 12 months	Remaining contractual maturities
	\$	\$	\$
Trade and other payables	-	1,189,051	-
	-	1,189,051	-

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31 December 2018

New Energy Solar Limited (Company)	On call	Less than 12 months	Remaining contractual maturities
	\$	\$	\$
Trade and other payables	-	812,766	-
New Energy Solar Fund (Trust)	On call	Less than 12 months	Remaining contractual maturities
	\$	\$	\$
Trade and other payables	-	571,027	-
Derivative financial liabilities	-	1,559,881	-
	-	2,130,908	-
Fund (combined Company and Trust)	On call	Less than 12 months	Remaining contractual maturities
	\$	\$	\$
Trade and other payables	-	1,137,323	-
Derivative financial liabilities	-	1,559,881	-
	-	2,697,204	-

17. FAIR VALUE MEASUREMENT

The Company and Trust are exposed to market price risk based on investments in underlying solar assets and on loan receivable balances and listed equity investments 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).

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31 December 2019

New Energy Solar Limited (Company)	Level 1	Level 2	Level 3	Total
	\$	\$	\$	\$
Financial assets held at fair value through profit or loss	-	-	353,178,601	353,178,601

New Energy Solar Fund (Trust)	Level 1	Level 2	Level 3	Total
	\$	\$	\$	\$
Assets classified as held for sale	22,432,702	-	-	22,432,702
Loans receivable at fair value	-	158,514,967	-	158,514,967

Fund (combined Company and Trust)	Level 1	Level 2	Level 3	Total
	\$	\$	\$	\$
Assets classified as held for sale	22,432,702	-	-	22,432,702
Financial assets held at fair value through profit or loss	-	-	353,178,601	353,178,601
Loans receivable at fair value	-	158,514,967	-	158,514,967

31 December 2018

New Energy Solar Limited (Company)	Level 1	Level 2	Level 3	Total
	\$	\$	\$	\$
Financial assets held at fair value through profit or loss	-	-	281,733,643	281,733,643
Loans receivable at fair value	-	10,530,274	-	10,530,274

New Energy Solar Fund (Trust)	Level 1	Level 2	Level 3	Total
	\$	\$	\$	\$
Loans receivable at fair value	-	252,846,452	-	252,846,452

Fund (combined Company and Trust)	Level 1	Level 2	Level 3	Total
	\$	\$	\$	\$
Financial assets held at fair value through profit or loss	-	-	281,733,644	281,733,643
Loans receivable at fair value	-	263,376,726	-	263,376,726

Refer below for a description of the valuation basis adopted for the fair value determination of the equity interest in the entities holding the underlying solar assets and associated debt.

The fair value of loan advances to New Energy Solar US Corp was assessed at balance date with reference to prevailing referable market interest rates for comparable external debt as a proxy for market pricing of the loan receivables.

The fair value of the Trust's investment in US Solar Fund plc was assessed at balance date with reference to quoted prices in the London Stock Exchange.

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. Transfers between levels during the financial period are shown in the table below:

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Reconciliation of level 3 fair value measurements

	New Energy Solar Limited (Company)	Fund (combined Company and Trust)
	Investments held at fair value through profit or loss	Investments held at fair value through profit or loss
	\$	\$
Opening balance	281,733,643	281,733,643
Transfers into level 3 (loan capitalised)	10,530,274	10,530,274
Total gains or losses:		
- in profit or loss	(28,772,101)	(28,772,101)
Total funds invested during the year in New Energy Solar Australia HoldCo #1 Pty Limited	89,686,785	89,686,785
Closing balance	353,178,601	353,178,601

SOLAR ASSET VALUATION METHODOLOGY AND PROCESS

For investments in underlying investment entities holding solar assets which are operational at balance date (except for assets either acquired or otherwise becoming operational within 12 months of balance date), the Directors base the fair value of the investments on valuation information received from the Investment Manager. At a minimum, valuations will be performed annually and otherwise as determined by the Directors. The investment Manager engages suitably qualified independent valuation firms to assist in its assessment of fair value.

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

In a DCF analysis, the underlying investment entity valuation is derived using discounted post tax equity cash flows that are comprised of cash flows from the underlying solar assets after allowing for debt. The future cash flows incorporate a range of operating assumptions for revenues, costs and gearing, and an appropriate post tax cost of equity range. Given the long-term nature of the solar asset 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 externally sourced technical data. The Investment Manager uses technical experts such as long-term electricity price forecasters to provide reliable long-term data for use in its valuations.

In 2019, the Investment Manager has engaged an independent external valuer to assist it in determining an appropriate post tax equity discount rate for use in its valuation models.

For investments in solar plants under construction or otherwise becoming operational within 12 months of balance date, the Directors may assess, subject to consideration by the Investment Manager of relevant market and other factors between bid date and balance date, that the total construction and other costs incurred based on its acquisition bid models, materially represents the assets fair value at balance date. In this regard it is noted that the investment entities holding the operating assets during the past 12 months, including the Manildra and Beryl assets in Australia and the Rigel portfolio and Mount Signal 2 asset in USA were subject to full DCF valuations at balance date.

Over the period, NEW transitioned from a combination of pre-tax unlevered valuations for plants with back-leverage debt and pre-tax equity valuations for plants with project-level debt to post-tax equity valuations for all plants. The result of this transition is a movement to post-tax cost of equity discount rates for all assets, rather than pre-tax WACC used in previous periods. Additionally, NEW now applies different discount rates to contracted and uncontracted cashflows, reflecting their different risk profiles. The purpose of these enhancements was to more accurately value the equity interests in NEW's plants taking into account the debt instruments currently in place and the highly-contracted nature of cashflows.

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FAIR VALUE OF SOLAR ASSET INVESTMENTS

As at 31 December 2019, the fair value of underlying operating solar asset investments was assessed at \$1,325.1 million (US\$688.6 million and A\$344.3 million), comprising:

Plant	Fair Value as at 31 December 2019 (\$ million)	Fair Value as at 31 December 2018 (\$ million)
Stanford/TID	US\$139.0	US\$145.8
NC-31/ NC-47	US\$94.0	US\$105.2
Boulder Solar I	US\$66.9	US\$66.9
Rigel	US\$49.8	-
MS2	US\$338.9	-
Subtotal US plants (US\$)	US\$688.6	US\$317.9
A\$ to US\$ foreign exchange rate at balance date	0.7021	0.7049
Subtotal US plants (A\$)	A\$980.8	A\$450.9
Manildra	A\$135.6	-
Beryl	A\$208.7	-
Subtotal AUS plants (A\$)	A\$344.3	-
TOTAL (A\$)	A\$1,325.1	A\$450.9*

*This excludes the fair value of the Rigel, Mount Signal 2 and Manildra solar asset investments under construction or recently completed at 31 December 2018 balance date totaling A\$612.4 million (US\$344.2 million and A\$124.1 million)

The fair value of the Fund's renewable energy asset investments as at 31 December 2019 were derived by aggregating the debt and equity values relating to each asset. The equity values were determined as described above, using a cost of equity range of 5.00% to 8.00% for contracted cashflows, and 6.00% to 8.75% for uncontracted cashflows. The fair value of debt was determined based on generally accepted debt valuation methodologies.

For comparison purposes to 31 December 2018 valuations, the single-rate pre-tax WACC range implied by the 31 December 2019 post-tax equity discount rates is 5.75% to 7.00% (versus 5.9% to 7.4% at 31 December 2018).

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 NEW's solar 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.

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Input	Change in input	31 December 2019		31 December 2018	
		Change in fair value (A\$ million)	Change in NAV per Stapled Security (A\$ cents)	Change in fair value (A\$ million) *	Change in NAV per Stapled Security (A\$ cents) *
A\$/US\$ foreign exchange rate	+ 5.0%	(21.1)	(6.0)	(21.5)	(6.2)
	- 5.0%	23.3	6.6	23.7	6.8
Discount rate	+ 0.5%	(42.4)	(12.1)	(28.3)	(8.2)
	- 0.5%	47.3	13.5	31.3	9.0
Electricity production (change from P50)	P90	(106.3)	(30.3)	(50.6)	(14.6)
	P10	104.6	29.8	42.9	12.4
Merchant Period Electricity Prices	- 10.0%	(50.4)	(14.4)	(26.9)	(7.8)
	+ 10.0%	50.5	14.4	26.9	7.8
Operations & maintenance expenses	+ 10.0%	(36.4)	(10.4)	(16.1)	(4.7)
	10.0%	34.9	9.9	16.1	4.6

FOREIGN EXCHANGE RATE

The fair value of NEW's solar asset investments located in the United States of America 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 the assumed US\$ to A\$ exchange rate (of A\$: US\$0.7021 as at 31 December 2019) has been considered to determine the resultant impact on NEW's fair value of investments and NAV per Stapled Security.

DISCOUNT RATE

As at 31 December 2019, the fair value of the underlying solar asset investments were determined using a post-tax cost of equity approach based on the Capital Asset Pricing Model. This approach takes into account long-term assumptions regarding risk-free rates, market risk premia, gearing, counterparty quality and asset specific items. The post-tax cost of equity range used is 5.00% to 8.00% for contracted cashflows, and 6.00% to 8.75% for uncontracted cashflows.

The sensitivity demonstrates the impact of a change in the post-tax cost of equity applied to the equity interest of all of NEW's renewable energy asset investments as at 31 December 2019. A range of + / - 0.5% has been considered to determine the resultant impact on NEW's NAV per Stapled Security and the fair value of its solar asset investments.

As at 31 December 2018, the fair value of the underlying solar asset investments were determined using a pre-tax WACC approach based on the Capital Asset Pricing Model. The pre-tax WACC range used was in the range of 5.9% to 7.4%. For comparison purposes, the single-rate pre-tax WACC range implied by the 31 December 2019 post-tax equity discount rates is 5.75% to 7.00%.

The sensitivity demonstrated the impact of a change in the pre-tax WACC applied to all of NEW' renewable energy asset investments as at 31 December 2018. A range of + / - 0.5% was considered to determine the resultant impact on NEW's NAV per Stapled Security and the fair value of its solar asset investments.

ELECTRICITY PRODUCTION

NEW's solar 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 solar asset (MWh per annum) based upon a 50% probability of exceedance.

New Energy Solar
Notes to the financial statements
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The sensitivity shown looks at the impact on the fair value of solar asset investments and NAV per Stapled Security of a change of production estimates to P90 (90% likely probability of exceedance) and a P10 generation estimate (10% probability of exceedance).

As P10 generation estimates were not independently obtained for each solar 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 1-year P90 generation estimate might be 92.5% of a 1-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.

MERCHANT PERIOD ELECTRICITY PRICES

Each of the assets underlying NEW's solar 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 solar asset, the Directors use long-term electricity price forecasts that have been prepared by a market consultant in their determination of the fair value of NEW's operating solar 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 have been used in the sensitivity analysis.

OPERATING EXPENSES

The operating costs of the assets underlying NEW's solar 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 NEW'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.

		31 December 2019		31 December 2018	
Input	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\$ thousands)	Change in NAV per Stapled Security (A\$ cents)
US interest rates	+ 0.5%	(3,121)	(0.89)	(5,285)	(1.52)
	- 0.5%	3,196	0.91	5,422	1.56

18. CONTROLLED AND JOINTLY CONTROLLED ENTITIES

As 'Investment Entities' the Company and the Trust recognise all underlying investments in their direct and indirect 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 HoldCo entities at reporting date.

New Energy Solar
Notes to the financial statements
For the year ended 31 December 2019

Company

Name of entity	Place of registration and operation	Direct or Indirect Holding	Principal Activity	Economic interest 31 Dec 2019	Economic interest 31 Dec 2018
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	99.90%	99.90%
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	99.90%	99.90%
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%	100.00%
NES Antares HoldCo, LLC	United States of America	Indirect	SPV	100.00%	100.00%
NES Orion HoldCo, LLC	United States of America	Indirect	SPV	100.00%	100.00%
NES Callisto Lender, LLC	United States of America	Indirect	SPV	100.00%	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, LLC	United States of America	Indirect	SPV	100.00%	100.00%
IS-31 Holdings, LLC	United States of America	Indirect	SPV	(i)	(i)
Innovative Solar 31, LLC	United States of America	Indirect	SPV	(i)	(i)
US-NC-47 Sponsor, LLC	United States of America	Indirect	SPV	100.00%	100.00%
IS-47 Holdings, LLC	United States of America	Indirect	SPV	(i)	(i)
Innovative Solar 47, LLC	United States of America	Indirect	SPV	(i)	(i)
NES Rigel HoldCo, LLC	United States of America	Indirect	SPV	100.00%	99.00%
NES Rigel MM, LLC	United States of America	Indirect	SPV	100.00%	99.00%
NES Rigel Tenant, LLC	United States of America	Indirect	SPV	(i)	(i)
NES Rigel Lessor, LLC	United States of America	Indirect	SPV	(i)	(i)
New Energy Solar Australia HoldCo #1 Pty Limited	Australia	Direct	HoldCo	100.00%	100.00%
NES Galaxy, LLC	United States of America	Indirect	SPV	100.00%	100.00%
NES Perseus HoldCo, LLC	United States of America	Indirect	SPV	100.00%	100.00%
BSPCB Class B Member, LLC	United States of America	Indirect	SPV	100.00%	100.00%
BSP Class B Member Holdco, LLC	United States of America	Indirect	SPV	(i)	(i)
BSP Class B Member, LLC	United States of America	Indirect	SPV	(i)	(i)
BSP Holding Company, LLC	United States of America	Indirect	SPV	(i)	(i)
NES Hercules HoldCo, LLC	United States of America	Indirect	SPV	100.00%	100.00%
NES Hercules Class B Member, LLC	United States of America	Indirect	SPV	100.00%	100.00%
NES Hercules Buyer, LLC	United States of America	Indirect	SPV	100.00%	100.00%
NES Hercules TE Holdings, LLC	United States of America	Indirect	SPV	(i)	100.00%
NES Hercules Project Holdings, LLC	United States of America	Indirect	SPV	(i)	100.00%
NES Hercules ProjectCo, LLC	United States of America	Indirect	SPV	(i)	100.00%
Imperial Valley Solar 2, LLC	United States of America	Indirect	SPV	(i)	100.00%
NES IVS Holdings, LLC	United States of America	Indirect	SPV	100.00%	n/a
NES SREC Holdco, LLC	United States of America	Indirect	SPV	100.00%	n/a
VivoRex, LLC	United States of America	Indirect	SPV	100.00%	n/a
Manildra Hold Trust	Australia	Indirect	SPV	100.00%	100.00%
Manildra Prop Hold Pty Limited	Australia	Indirect	SPV	100.00%	100.00%
Manildra Asset Trust	Australia	Indirect	SPV	100.00%	100.00%
Manildra Prop Pty Limited	Australia	Indirect	SPV	100.00%	100.00%
Manildra Finco Pty Limited	Australia	Indirect	SPV	100.00%	100.00%
Manildra Solar Farm Pty Limited	Australia	Indirect	SPV	100.00%	100.00%
FS NSW Project No 1 Hold Trust	Australia	Indirect	SPV	100.00%	n/a
FS NSW Project No 1 HT Pty Limited	Australia	Indirect	SPV	100.00%	n/a
FS NSW Project No 1 Asset Trust	Australia	Indirect	SPV	100.00%	n/a
FS NSW Project No 1 AT Pty Limited	Australia	Indirect	SPV	100.00%	n/a
FS NSW Project No 1 Finco Pty Limited	Australia	Indirect	SPV	100.00%	n/a

New Energy Solar
Notes to the financial statements
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Trust

Name of entity	Place of registration and operation	Direct or Indirect Holding	Principal Activity	Economic interest 31 Dec 2019	Economic interest 31 Dec 2018
-	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.

19. KEY MANAGEMENT PERSONNEL

DIRECTORS

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

Jeffrey Whalan – Non-Executive Chairperson
James Davies – Non-Executive Director
John Holland – Non-Executive Director
Maxine McKew – Non-Executive Director
Alan Dixon – Non-Executive Director
John Martin

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

Stuart Nisbett (appointed 19 December 2019)
Peter Shear (appointed 19 December 2019)
Warwick Keneally
Mike Adams
Alex MacLachlan (resigned 19 December 2019)

John Martin and **Alex MacLachlan** 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 2019	31 Dec 2018
	\$	\$
Short-term benefits	244,817	227,317
Superannuation	15,183	15,183
Post-employment benefits	-	-
Other long-term benefits	-	-
Share-based payments	-	-
Termination benefits	-	-
Other services	14,000	-
	274,000	242,500

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
Jeffrey Whalan	541,552
John Holland	234,264
James Davies	39,246
Maxine McKew	66,666
Alan Dixon	7,371,874
John Martin	600,310

New Energy Solar
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Director of the Responsible Entity of the Trust

Warwick Keneally	42,098
Mike Adams	-
Stuart Nisbett	-
Peter Shear	-

20. RELATED PARTY DISCLOSURES

KEY MANAGEMENT PERSONNEL

Disclosures relating to key management personnel are set out in note 19 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 2019, \$172,298 (31 December 2018: \$215,207), 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 2019 is \$37,500 (31 December 2018: \$54,700).

INVESTMENT MANAGER FEE

New Energy Solar Manager Pty Limited, as Investment Manager of the Fund receives an Investment Manager Fee based on the sliding scale fee structure as set out below. Fees are calculated on the Enterprise Value of the Fund, payable quarterly in arrears. Fees are allocated to the Company, Trust or Controlled Entities depending on the recipient of investment manager services.

Table 1:

Management Fee Structure		Base Management Fee (% of Enterprise Value (EV))	Acquisition and Disposal Fee (% of Purchase Price or Net Sale Proceeds)
Fees (excluding GST) – up to 30 June 2018		0.70%	1.50%
Enterprise Value band			
Revised Fees for EV within each band¹ (excluding GST) – from 1 July 2018	Less than or equal to A\$1.0 billion	0.70%	1.50%
	Greater than A\$1.0 billion to A\$2.0 billion	0.55%	0.90%
	Greater than A\$2.0 billion	0.40%	0.40%

¹ These Fees are applied on a marginal basis to each EV band. For example, the revised Base Management Fee for an EV of A\$1,500 million would be A\$9.75m (excluding GST) which is the sum of (A\$1,000 million multiplied by 0.70%) plus (A\$500 million multiplied by 0.55%).

Effective 16 April 2019, the investment manager waived payment of part of the Base Management Fee that's otherwise payable by the Fund in respect of its investment in US Solar Fund plc (USF). The Enterprise Value used to calculate the Base Management Fee is reduced by the Fund's investment in USF of \$22.4 million (US\$15.75 million). In addition, a lower Base Management Fee structure was established as set out in the following table:

Table 2:

Threshold Value	Base Management Fee (% of Enterprise Value (EV))	Acquisition and Disposal Fee (% of Cumulative Purchase Price or Net Sale Proceeds)
< A\$1.0bn	0.625%	1.50%
A\$1.0bn to A\$1.5bn	0.55%	0.90%
A\$1.5bn to A\$2.0bn	0.40%	0.90%
> A\$2.0bn	0.40%	0.40%

New Energy Solar
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Threshold Value means:

Base Management Fee - Percentage of Enterprise Value: Enterprise Value is calculated as the total of the Fund's market capitalisation, external borrowing, debt or hybrid instruments issued by the Fund as defined in the Investment Management Agreement.

All fees are applied on a marginal basis to each Threshold Value band and calculated at the end of each quarter. For example, the revised Base Management Fee for a Threshold Value of A\$1,500 million would be A\$9.0 million (excluding GST) which is the sum of (A\$1,000 million multiplied by 0.625%) and (A\$500 million multiplied by 0.55%).

Acquisition and Disposal Fee - Percentage of Cumulative Purchase Price or Net Sale Proceeds: Purchase Price and Sale price as defined in the Investment Management Agreement and assessed in A\$ at the time the purchase or sale takes effect where purchases add to the cumulative total and sales reduce the cumulative total.

All fees are applied on a marginal basis to each Cumulative Purchase Price or Net Sale Proceeds band. Gross purchase price and gross sale price as they are referred to in the definitions of Purchase Price and Net Sale Proceeds respectively mean the value of the equity and debt of an Asset acquired or disposed.

For the year ended 31 December 2019, \$1,420,728 (31 December 2018: \$1,133,570), exclusive of GST, was paid or payable to the Investment Manager by the Company, \$773,166 (31 December 2018: \$1,168,529), exclusive of GST, was paid or payable by the Trust and \$5,226,565 (31 December 2018: \$4,221,864), 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 2019 is \$339,000 (31 December 2018: \$364,000) for the Company and \$160,000 (31 December 2018: \$349,000) for the Trust.

ACQUISITION 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 based on the sliding scale fee structure in Table 1 under "Investment Manager Fee" above. The fees are calculated on 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.

From 16 April 2019, the Investment Manager waived part of its fees as set out in Table 2 included under "Investment Manager Fee" above.

For the year ended 31 December 2019, Acquisition Fees of \$nil (31 December 2018: \$7,886,111), exclusive of GST, was paid or payable to the Investment Manager by New Energy Solar US Corp, a Controlled Entity of the Company, and \$2,004,196 (31 December 2018: \$1,640,466), exclusive of GST, was paid or payable to the Investment Manager by New Energy Australia HoldCo #1 Pty Limited, a Controlled Entity of the Company. For the year ended 31 December 2019, no acquisition fees (31 December 2018: nil), 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 2019 is nil (31 December 2018: nil).

BROKERAGE FEE

Dixon Advisory & Superannuation Services Limited, a related party of the Responsible Entity, was engaged as a broker by the Fund, receives brokerage of 0.25% on all transactions undertaken as part of the Fund's buy-back program.

Total brokerage fee paid or payable to the related party of the Responsible Entity for the year ended 31 December 2019 was \$5,670 (31 December 2018: \$7,382), exclusive of GST.

FUND ADMINISTRATION FEES

Australian Fund Accounting Services Pty Limited, a wholly-owned subsidiary of ED Operations Pty 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 up to an annual cap. 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 2019 were \$72,900 (31 December 2018: \$57,000), exclusive of GST, by the Company and \$47,100 (31 December 2018: \$63,000), exclusive of GST, by the Trust.

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Total fund administration fees included in trade and other payables at 31 December 2019 is nil (31 December 2018: \$15,300) for the Company and nil (31 December 2018: \$14,700) 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 ED Operations Pty 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 receives debt arranging fees ranging from 0.5%-2.0% of the face value of new third party debt and letter of credit facilities.

During the year ended 31 December 2019, Walsh & Company Corporate Advisory successfully negotiated new debt and banking facilities totaling \$71.6 million (US\$50.3 million).

For the year ended 31 December 2019, debt arranging fees of \$nil (31 December 2018: \$500,000) was paid or payable to Walsh & Company Corporate Advisory by the Company, and \$528,472 (31 December 2018: \$3,530,357) 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 2019 is nil (31 December 2018: nil).

PROJECT SERVICES AGREEMENT

New Energy Solar US Corp, a subsidiary of the Company, 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 market rates.

The primary focus of these activities is to ensure that construction service providers successfully deliver projects on time and cost. Key tasks include construction project management, regular site visits, contract supervision, identification and resolution of potential issues and construction payment approvals.

For the year ended 31 December 2019, project managers completed 15 site visits to the Mount Signal II project in California. This project incurred construction expenditures of \$195.27 million (US\$137.1 million) during the year. Project services fees of \$352,330 were paid or payable by New Energy Solar US Corp, a Controlled Entity of the Company for the year for the year ended 31 December 2019 (31 December 2018: \$1,889,508).

ASSET MANAGEMENT SERVICES AGREEMENT

New Energy Solar US Corp, a subsidiary of the Company, entered into a non-exclusive arrangement dated 17 September 2018 with NES Project Services, LLC for the provision of asset management services in relation to construction and operation of solar farms. The Services will be provided upon request by NES US Corp. at an hourly rate.

Key tasks include facility development and operations services, insurance, government approvals, reporting and inspections.

Asset management fees of \$519,316 were paid or payable by New Energy Solar US Corp, a Controlled Entity of the Company for the year for the year ended 31 December 2019 (31 December 2018: nil).

INVESTMENT IN OTHER ENTITY MANAGED BY THE INVESTMENT MANAGER

During the year, the Trust invested \$21.1 million (US\$15.0 million) in US Solar Fund plc. US Solar Fund plc is a \$US denominated investment vehicle listed on the London Stock Exchange (**LSE**). New Energy Solar Manager Pty Limited (the Investment Manager of the Company and Trust) is the Investment Manager of US Solar Fund plc. As at 31 December 2019, the fair value of the Fund's holding in USF is \$22.4 million (US\$15.8 million). The fair value of the investment is disclosed in note 9.

SIGNAGE

The Trust Company (Australia) Limited as custodian and agent for Walsh & Company Investment Services Pty Ltd (ACN 163 814 346) as trustee for APOT III No. 1 Trust, a related party of the Fund, has a contractual agreement with the Trust, to provide a non-exclusive licence for the use of the signage at the property of Level 11, 241 O'Riordan Street, Mascot New South Wales, under the terms of the signage licence agreement. Total signage licence fees paid or payable for the year ended 31 December 2019 were \$17,646 (31 December 2018: \$16,806), exclusive of GST by the Trust.

New Energy Solar
Notes to the financial statements
For the year ended 31 December 2019

21. 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) 31-Dec-19	New Energy Solar Limited (Company) 31-Dec-18	New Energy Solar Fund (Trust) 31-Dec-19	New Energy Solar Fund (Trust) 31-Dec-18
	\$	\$	\$	\$
Auditors of the Company and the Trust				
Deloitte Touche Tohmatsu				
Audit and review of the Company and the Trust financial statements	165,680	112,200	95,820	107,800
Other advisory services	28,000	-	12,000	-
Taxation services	9,000	79,465	6,850	76,349
	202,680	191,665	114,670	184,149

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

Audit of subsidiary financial statements	\$115,000
Taxation services	\$65,963

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

Taxation services	\$77,907
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22. CAPITAL COMMITMENTS

As at 31 December 2019, the Company and the Trust do not have any direct outstanding capital commitments.

23. CONTINGENT LIABILITIES

Other than as disclosed in the financial statements, the directors of the Company and Responsible Entity are not aware of any other potential liabilities or claims against the Company or the Trust as at the end of the reporting period.

24. EVENTS AFTER THE REPORTING PERIOD

A distribution of 4.0 cents per stapled security totaling \$14,042,395 was declared on 18 December 2019 and was paid to securityholders on 14 February 2020. 2,282,068 stapled securities were issued under the Fund's Distribution Reinvestment Plan.

Post balance date additional working capital was put in place to provide additional liquidity in case of delays in reaching substantial completion and conversion of debt facilities to term funding on the Mount Signal 2 project. As part of this the Keybank corporate facility limit was increased by US\$10m for six months and a short-term facility of US\$15m was put in place with Kendrick Cerry Inc. The loan has a term of 150 days from the date of initial draw down and carries an interest rate of three percent. Substantial completion on the Mount Signal 2 project was achieved on 17 January 2020.

No other matter or circumstance has arisen since 31 December 2019 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.

**New Energy Solar
Directors' declaration
For the year ended 31 December 2019**

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 2019 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



STUART NISBETT

Chairman of the Responsible Entity



JEFFREY WHALAN

Chairman of the Company

19 February 2020

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 2019, 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 2019 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.

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 2019 the Company has determined the fair value of its investment in New Energy Solar US Corp. and New Energy Solar Australia HoldCo #1 Pty Ltd (the Immediate Subsidiary Company or Companies) to be \$353.2 million.</p> <p>As disclosed in Note 10, the fair value of the investment in New Energy Solar US Corp. is \$231.0 million and the fair value of the investment in New Energy Solar Australia HoldCo #1 Pty Ltd is \$122.2 million.</p> <p>The fair value of each Immediate Subsidiary Company is determined by aggregating:</p> <ul style="list-style-type: none"> - the fair value of that subsidiary's equity interests in the entities holding the underlying solar assets and associated debt (the Equity Interest or Interests); and - the residual net assets of the subsidiary and its controlled entities. <p>As disclosed in Note 2(R), significant estimation uncertainty is involved in the determination of the fair value of the Equity Interests. The Company determines the fair value of the Equity Interests using discounted post tax equity cash-flow (DCF) models, with the key assumptions including:</p> <ul style="list-style-type: none"> - electricity production - electricity prices - operating expenses - gearing levels - taxation - the cost of equity (COE). 	<p>Our procedures included, but were not limited to:</p> <ul style="list-style-type: none"> • Agreeing, on a sample basis, cash transfers made during the financial year in respect of underlying solar asset acquisitions to relevant supporting agreements and legal documentation; • Updating our understanding of and evaluating Management's key processes and internal controls and performing walk through tests to assess the adequate design and implementation of controls in so far as they apply to fair value determination of the Immediate Subsidiary Companies and the Equity Interests; • For underlying Equity Interests which are valued using DCF models, obtaining Management's valuations and: <ul style="list-style-type: none"> • In conjunction with our valuation specialists assessing the appropriateness of the approach adopted in the valuation models and assessing the reasonableness of the key assumptions, including those underlying the COE, electricity production, electricity price forecasts, operating expenses, gearing levels and taxation; • Assessing the cash flow projections by agreeing a sample of revenue, cost and debt inputs to underlying power purchase contracts, debt facility and supplier agreements and external data sources; and; • Testing on a sample basis the mathematical accuracy of the valuation models. • Obtaining other valuation reports which have been sourced by Management to identify any material inconsistencies with Management's valuation outputs. • Assessing the appropriateness of the disclosures included in Note 2, Note 10 and Note 17 to the financial statements.

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 2019, 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.

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.

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 39 to 41 of the Directors' Report for the year ended 31 December 2019.

In our opinion, the Remuneration Report of New Energy Solar Limited, for the year ended 31 December 2019, 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 2019, 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 2019 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.

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU



Michael Kaplan
Partner
Chartered Accountants
Sydney, 19 February 2020

New Energy Solar
Stock exchange information

STATEMENT OF QUOTED SECURITIES AS AT 31 JANUARY 2020

- There are 6,096 unitholders holding a total 351,059,886 ordinary securities
- The 20 largest unitholders between them hold 9.72% of the total securities on issue

DISTRIBUTION OF QUOTED UNITS AS AT 31 JANUARY 2020

Distribution of securityholders category (size of holding)	Number of securityholders	Percentage
1-1,000	371	0.06%
1,001-5,000	500	0.39%
5,001-10,000	444	0.98%
10,001-100,000	3,899	47.78%
100,001 and over	882	50.79%
Totals	6,096	100%
Holding less than marketable parcel	127	0.01%

SUBSTANTIAL SECURITYHOLDINGS AS AT 31 JANUARY 2020

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

DIRECTORS' SECURITYHOLDINGS

As at 31 January 2020 directors of the Fund held a relevant interest in the following securities on issue by the Fund.

Director of the Company	Ordinary securities
Jeffrey Whalan	541,552
John Holland	234,264
James Davies	39,246
Maxine McKew	66,666
Alan Dixon	7,371,874
John Martin	600,310
Director of the Responsible Entity of the Trust	Ordinary securities
Warwick Keneally	42,098
Mike Adams	-
Stuart Nisbett	-
Peter Shear	-

RESTRICTED SECURITIES

There are no restricted securities on issue by the Fund.

New Energy Solar
Stock exchange information

TOP 20 HOLDERS OF ORDINARY SECURITIES AT 31 JANUARY 2020

Securityholder name	Number of Securities held	% of total
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	8,125,684	2.315%
MR ORANGE PTY LIMITED	6,616,660	1.885%
J P MORGAN NOMINEES AUSTRALIA PTY LIMITED	4,643,158	1.323%
PJA INVESTMENTS AUSTRALIA PTY LTD	2,666,666	0.760%
CITICORP NOMINEES PTY LIMITED	1,846,875	0.526%
ZONDA CAPITAL PTY LTD	1,333,334	0.380%
NETWEALTH INVESTMENTS LIMITED	1,331,229	0.379%
MR DAMIEN JOSEPH KENNEALLY & MRS CANDACE LYNN KENNEALLY	849,863	0.242%
J & V KING PTY LTD	775,878	0.221%
BNP PARIBAS NOMINEES PTY LTD HUB24 CUSTODIAL SERV LTD DRP	747,906	0.213%
NATIONAL NOMINEES LIMITED	713,934	0.203%
BNP PARIBAS NOMINEES PTY LTD	583,820	0.166%
KATDAR PTY LTD	563,198	0.160%
THEROPOD PTY LTD	539,720	0.154%
ROSENSHUL SMSF INVESTMENTS PTY LTD	507,675	0.145%
CRIMSON PERMANENT ASSURANCE COMPANY PTY LTD	459,011	0.131%
ALDACK PTY LTD	458,787	0.131%
MR DANIEL GEZA BEDO & MRS CATHERINE BEDO	458,040	0.130%
MR NEIL CLIFFORD BARRETT & MRS HEATHER MAEVE BARRETT	455,509	0.130%
MRS LORRAINE MARY HAWES & MR DAVID CHARLES HAWES	454,715	0.130%
Total held by top 20 holders of ordinary securities	34,131,662	9.722%

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.

**New Energy Solar
Directory
31 December 2019**

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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RESPONSIBLE ENTITY

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DIRECTORS – NEW ENERGY SOLAR LIMITED

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

Secretaries

Hannah Chan
Caroline Purtell

AUDITOR

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**DIRECTORS – WALSH & COMPANY
INVESTMENTS LIMITED**

Stuart Nisbett
Warwick Keneally
Mike Adams
Peter Shear

SECRETARIES

Hannah Chan
Caroline Purtell

SHARE REGISTRAR

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SYDNEY NSW 2000

