



New Energy
Solar

Consisting of:

New Energy Solar Limited
ACN 609 396 983

New Energy Solar Fund
ARSN 609 154 298

HALF-YEAR FINANCIAL REPORT

30 June 2018

**Renewable energy.
Sustainable investments.**

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FOR THE HALF-YEAR ENDED 30 JUNE 2018

We are pleased to present the half year report for New Energy Solar¹ (**NEW** or the **Business**) on behalf of New Energy Solar Limited and Walsh & Company Investments Limited (the **Responsible Entity** or **Walsh & Company**) for the six months ended 30 June 2018.

The half-year to 30 June 2018 marked another successful and exciting period of growth for NEW, as the Business delivered on its twin goals of generating financial returns for its investors and positive environmental impact.

The key milestones achieved by NEW during the half included:

- NEW paying a distribution of 3.75 cents per Stapled Security for the period to 30 June 2018. The Business' target distribution of 7.75 cents per Stapled Security for the 2018 year is unchanged, representing a distribution yield of 5.3%².
- The Business generating an 'environmental dividend' equivalent to a reduction in CO₂ emissions of 0.6 kilograms of CO₂ per Stapled Security for the half year.
- NEW continuing to diversify its portfolio, including agreeing to acquire its first investments in Australia and deploying further capital into the United States of America (**US**). As at 28 August 2018, NEW's portfolio comprised 22 plants that are operating, acquired and under construction or that NEW has committed to acquiring with a total capacity of 844MW_{DC}, making NEW a globally significant solar investor.
- NEW's net asset value (**NAV**) as at 30 June 2018 was \$1.53 per Stapled Security, an increase of 8 cents per Stapled Security from 31 December 2017.
- Maintaining the long-term contracted nature of NEW's portfolio. The Business' portfolio had a capacity weighted average power purchase agreement (**PPA**) remaining term of 16.8 years as at 30 June 2018, which will underpin long-term distributions for NEW securityholders.

INCREASED PORTFOLIO DIVERSITY AND SCALE

NEW's operating portfolio increased to seven plants during the period, representing 414MW_{DC} of capacity (the **Operating Portfolio**) as at 30 June 2018 (NEW operating portfolio capacity as 31 December 2017 was 225.6MW_{DC}). This increase principally resulted from:

- the successful acquisition of a 49% interest in the 125MW_{DC} Boulder Solar 1 power plant (**Boulder Solar 1**) in Nevada, US in February 2018.
- NEW's agreement to acquire the Manildra solar power plant (**Manildra**) in NSW, Australia in June 2018.

We are delighted to report that in June and July 2018, NEW agreed to acquire its first two investments in Australia, the 55.9MW_{DC} Manildra plant and the 108.4MW_{DC} Beryl solar power plant (**Beryl**). The revenues from both plants are underpinned by long-term PPAs with creditworthy counterparties, being EnergyAustralia and Transport for NSW. Manildra is already generating electricity and is expected to make an immediate contribution to the NEW portfolio with full commercial operations expected to be achieved during H2 2018. Construction activities at Beryl have commenced and commercial operations³ are expected to be achieved during H2 2019.

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. Based upon the closing NEW stapled security price of \$1.46 on 30 June 2018.

3. Generally, when a PPA for the sale of electricity commences; the solar power plant has achieved mechanical completion, and electrical infrastructure required to interconnect the solar power plant with the electricity grid has been completed. At this time the solar power plant has been energised, operationally tested and commissioned.

During the period, the Business:

- Acquired a 49% interest in Boulder Solar 1 in February 2018. The plant has been operating since late 2016 and has a 20-year PPA with NV Energy (a subsidiary of Berkshire Hathaway).
- Acquired a 100% interest in the 200MW_{DC} Mount Signal 2 solar power plant (**Mount Signal 2**) in Southern California. The plant will sell electricity to Southern California Edison under a 20-year PPA that includes an escalating price mechanism expected to provide a growing income stream to investors. Construction of Mount Signal 2 is expected to commence during H2 2018 and upon commissioning, which is expected by late 2019, it will be the Business' largest operational plant.
- Successfully commissioned the 7.5MW_{DC} Hanover solar power plant in North Carolina in April 2018.

Activities at NEW's plants under construction in North Carolina and Oregon are also progressing well. These plants are expected to reach commercial operations and commence generating returns for NEW investors during H2 2018.

In less than three years since its inception, the Business has grown its portfolio to comprise 22 solar plants across Australia and the US with a total capacity of 844MW_{DC} as at 28 August 2018. Ten of these plants, with a capacity of 432MW_{DC}, are operating (seven plants with a total capacity of 414MW_{DC} were operating as at 30 June 2018). With the support of its investors like yourself, NEW is now a globally significant solar investor with a portfolio value (inclusive of capital committed) of over \$1.1 billion.

ENVIRONMENTAL IMPACT

NEW is proud to be the largest listed Australian owner of solar generation. Once all of the plants in our current pipeline are operating, we will be one of the largest solar generation owners in the world.

During the six months ended 30 June 2018, the Operating Portfolio generated 288.4 gigawatt hours (GWh) of electricity, with this production displacing the equivalent of 183,238 tonnes of CO₂ emissions or removing almost 80,000 cars from the road^{4,5}.

FINANCIAL RESULTS

UNDERLYING EARNINGS

The Operating Portfolio performed in line with the Investment Manager's expectations during the six months ended 30 June 2018, generating total underlying revenues of US\$18.3 million, with earnings before interest, tax, depreciation and amortisation (EBITDA) of US\$14.0 million, of which US\$8.7 million was attributable to NEW.

STATUTORY EARNINGS

During the half-year, the Business (before currency movements) generated total net income of \$14.5 million, while operating expenses for the half-year totalled \$2.5 million, and an income tax benefit of \$0.9 million arose, resulting in earnings (before currency movements) of \$12.9 million.

As the Business is treated as an Investment Entity for accounting purposes, all revaluation gains and losses are passed through the profit and loss statement. As the US dollar appreciated 5.5% against the Australian dollar during the half-year period ended 30 June 2018 (the A\$:US\$ rate was 0.7809 as at 31 December 2017 compared with 0.7405 at 30 June 2018), the Business recorded total foreign exchange gains of \$25.9 million over the period which led to a total combined profit of \$38.8 million.

4. CO₂ emission reduction is calculated using the United States Environmental Protection Agency's "Avoided Emissions and Generation Tool", which estimates the regional displacement of fossil fuels for a new solar PV installation.

5. Based upon NEW's effective equity accounted share of generation.

As at 30 June 2018, the Business had net assets of \$504.5 million (31 December 2017: \$472.3 million), representing a net asset value (NAV) of \$1.53 per Stapled Security (31 December 2017: \$1.45), an increase of \$0.08 per Stapled Security from 31 December 2017. This increase was principally the result of the appreciation of the US dollar highlighted above and gains on underlying solar asset investment fair values, offset by distributions to investors for the period.

GEARING

NEW utilises a prudent level of gearing and its' external 'look-through' gearing⁶ as at 30 June 2018 was 45.3%. This gearing level compares to NEW's targeted gearing ratio of 50% of gross assets.

NEW's weighted average debt maturity of 11.4 years as at 30 June 2018 reflects the long-term contracted nature of the PPA's underpinning its plants and the diversified nature of its funding base. The Business' debt facilities include shorter-term corporate facilities that mature between 2019 and 2023 and longer-term facilities that mature between 2027 and 2041 and are secured against the Business' interests in its US plants.

BUSINESS OUTLOOK

The outlook for the Business remains robust with the continued price competitiveness of solar energy relative to other power sources in our key markets, the US and Australia.

The Business' target distribution of 7.75 cents per Stapled Security in 2018 is expected to be supported by the continued performance of the Operating Portfolio, and the commissioning of plants in North Carolina and Oregon.

NEW's contribution to producing emissions-free electricity is expected to grow, with the total portfolio expected to generate more than 1,700 GWh of electricity annually⁷. This is the equivalent of displacing about 1,174,000 tonnes of CO₂ emissions, powering about 233,000 US and Australian equivalent homes, or removing nearly 304,000 US and Australian equivalent cars from the road, every year.

On behalf of the Boards, we thank you for your ongoing support of the Business, and look forward to NEW's continued success. We also thank the Investment Management team for its significant contribution to the success of the Business.

Yours faithfully,



ALEX MACLACHLAN

Chairman of the Responsible Entity

28 August 2018



JEFFREY WHALAN

Chairman of the Company

6. Gearing = gross debt / gross asset value.

7. Generation is illustrative of the total production of each solar power plant based on P50 forecasts and all plants commissioned as expected. NEW's effective equity accounted share of generation is expected to be approximately 1,580 GWh.



Stanford - September 2017

Business Highlights



NC-31 - October 2017

Business Highlights

FOR THE HALF-YEAR ENDED 30 JUNE 2018

KEY MILESTONES

Business Objectives:

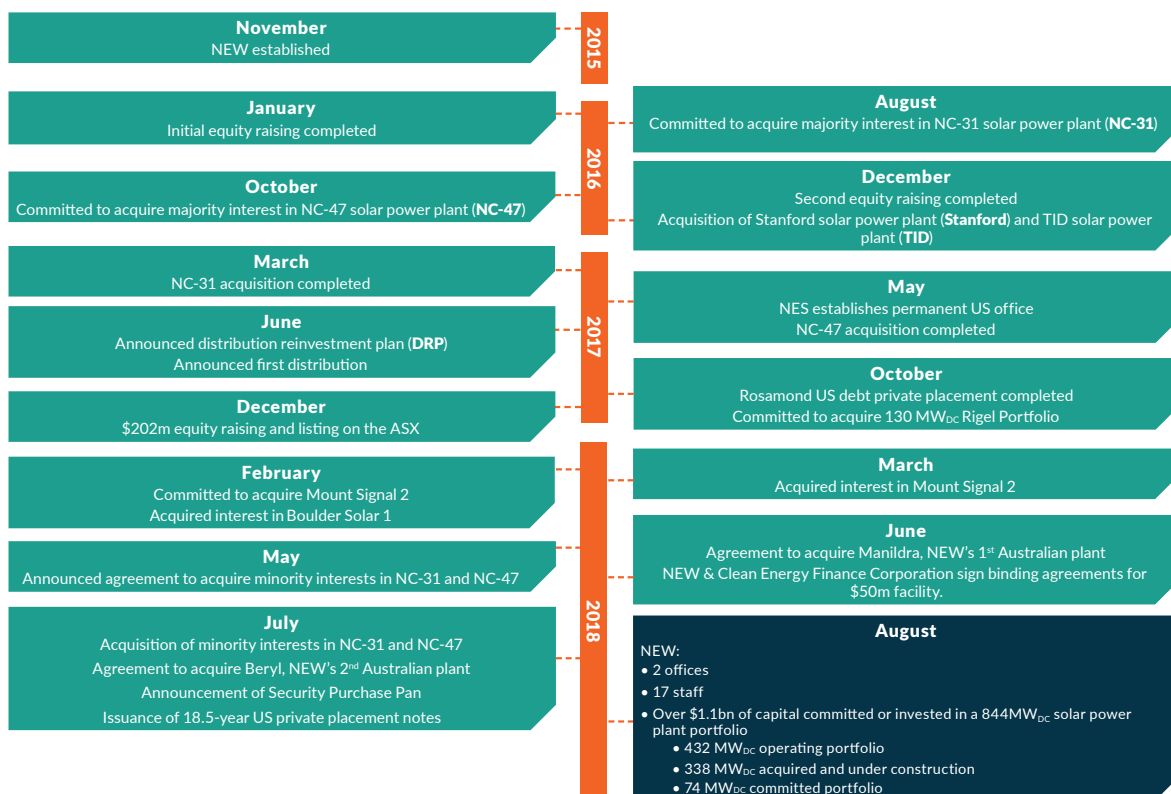
- To acquire attractive large-scale solar power plants and associated assets, with contracted cash flows from creditworthy offtakers.
- To help investors generate positive social impacts and financial returns through these investments.

New Energy Solar 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:

- Invested or committed to invest more than \$1.1 billion in solar power plants in the US and Australia.
- Acquired or committed to acquire a portfolio of 22 solar asset power plants, representing total capacity of 844MW_{DC}.

The key events in New Energy Solar's history are set out below.


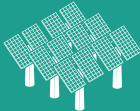







Figure 1: New Energy Solar's key milestones



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 2018 to date and believes continued execution of its strategy will result in ongoing success and growth in returns to securityholders.

Table 1: New Energy Solar business achievements to date

 <p>Reaching global scale – now a leading global renewable investor in solar PV power</p>	 <p>More than two million solar panels generating emissions free electricity⁹</p>	 <p>22 plants across two continents</p>
 <p>Total portfolio capacity of 844 MW_{DC}⁸</p>	 <p>Displacing an estimated 1,174,000* tonnes¹⁰ of CO₂⁸</p>	 <p>Powering 233,000 US and Australian equivalent homes^{8,11}</p>
 <p>Removing 304,000 US and Australian equivalent cars from the road^{8,12}</p>	 <p>Target 2018 distribution of 7.75 cents per stapled security (5.3% yield)¹³</p>	 <p>Capacity weighted average PPA term of 16.8 years¹⁴</p>

8. Estimates assume all construction and committed solar power plants are operational and all plants are owned on a 100% basis. Refer to the Environmental Impact Calculator on the NEW website (www.newenergysolar.com.au/investor-centre/environmental-impact-calculator) to determine the impact of your NEW Stapled Security holding.

9. Figure excludes Rigel Portfolio. Rigel Portfolio refers to the portfolio of solar power plants NEW has committed to acquire from Cypress Creek Renewables if certain conditions are met.

10. 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.

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

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

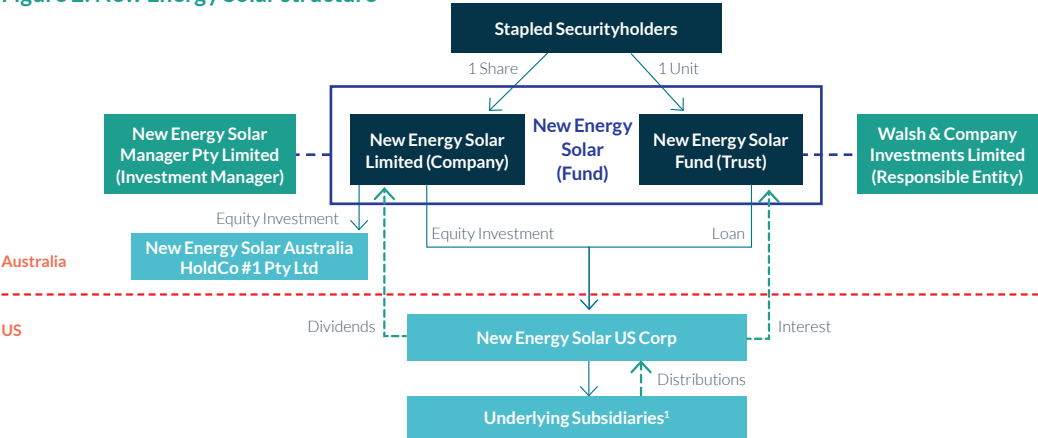
13. Based upon NEW Stapled Security price of \$1.46 as at 30 June 2018.

14. As at 28 August 2018, including all plants in the NEW portfolio and assumes the option to extend the Manildra PPA is exercised.

NEW ENERGY SOLAR STRUCTURE

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

Figure 2: New Energy Solar structure



1. Underlying plants are held by subsidiaries via partnership structures

The financial statements of both entities in the stapled structure are shown alongside one another as permitted by ASIC Corporations (Stapled Group Reports) Instrument 2015/838. The column headed “Fund” has 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.

As at the half-year reporting date, the Company and the Trust had invested in US solar plants via the Company’s wholly owned US subsidiary New Energy Solar US Corp (**NES US Corp**). NES US Corp is funded by a combination of equity from the Company and a loan from the Trust, both of which are denominated in US dollars.

As the Company and the Trust are considered to meet the definition of an ‘Investment Entity’ (refer ‘Summary of significant accounting policies’ in the annual financial report), NES US Corp is not consolidated and is 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 the investment and the loan receivable, the loan receivable is also shown at fair value. The total investment in NES US Corp is presented in the statement of financial position as “financial assets held at fair value through profit or loss”.

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

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

These funds ultimately underpin the Fund’s distributions/dividends to securityholders.

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



Manildra - July 2018

Investment Manager's Report



Stanford - September 2017

Investment Manager's Report

FOR THE HALF-YEAR ENDED 30 JUNE 2018

OVERVIEW OF THE NEW PORTFOLIO

21 PLANTS WITH 735MW_{DC} CAPACITY¹⁵ AS AT 30 JUNE 2018

22 PLANTS WITH 844MW_{DC} CAPACITY¹⁵ AS AT 28 AUGUST 2018

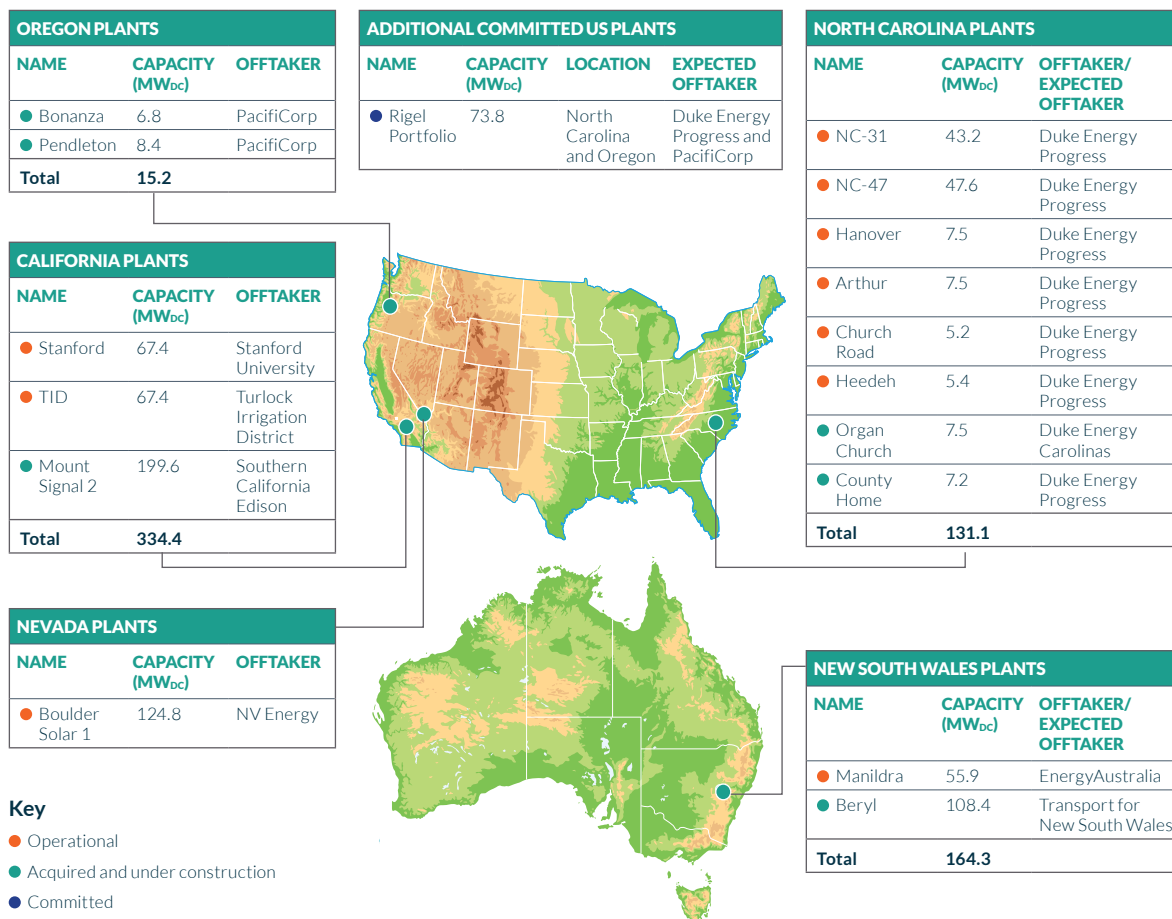
NEW's portfolio as at 28 August 2018 comprised 22 solar power plants in the US and Australia that are operational, acquired and under construction, or NEW has committed to acquiring.

Since its initial public offering (**IPO**) in December 2017, NEW has acquired or agreed to acquire solar power plants located in New South Wales (Australia), California and Nevada (US), and has increased the size of its portfolio by nearly 500MW_{DC}, making NEW a leading global renewable investor in solar photovoltaic (**PV**) power.

The highlights of NEW's acquisition activity since its IPO have included:

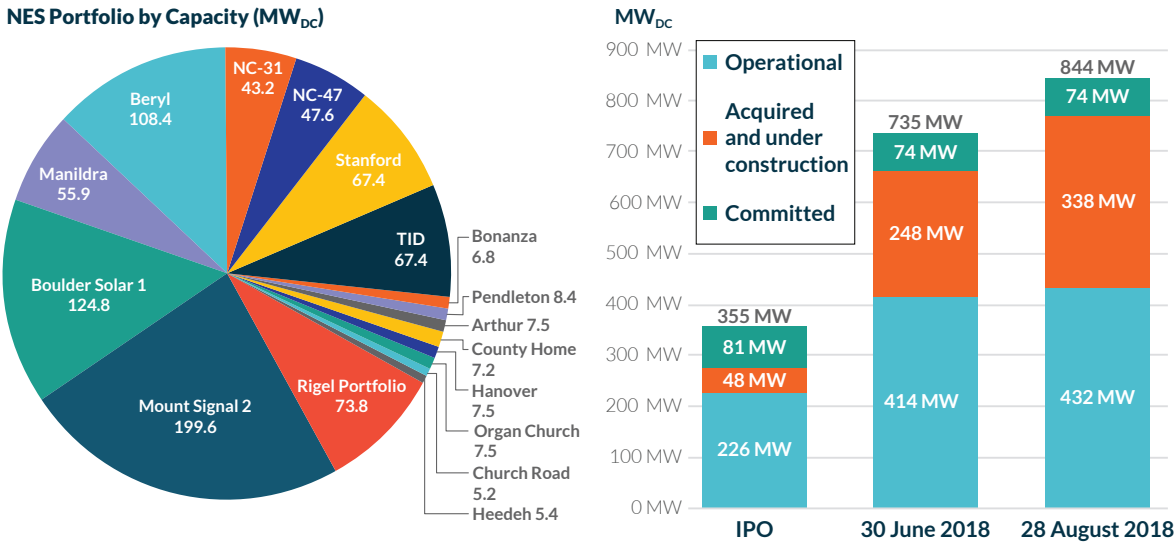
- Entering the Australian solar power market, with NEW agreeing to acquire its first two Australian plants, Manildra and Beryl, in June and July 2018.
- Acquiring 49% of Boulder Solar 1 in Nevada in February 2018.
- Acquiring Mount Signal 2 in Southern California in March 2018.
- Consolidating its ownership interest in NC-31 and NC-47 through the acquisition of the minority interests in NC-31 and NC-47 in July 2018.

¹⁵. Plants shown on a 100% basis.

Figure 3: NEW portfolio summary: Over 840MW_{DC} across two continents¹⁶

16. Includes plants that are wholly or partially owned by NEW. Total portfolio of 844MW_{DC} includes plants that are operational, acquired and under construction or committed.

Figure 4: NEW portfolio composition (844MW_{DC}) as at 28 August 2018¹⁶



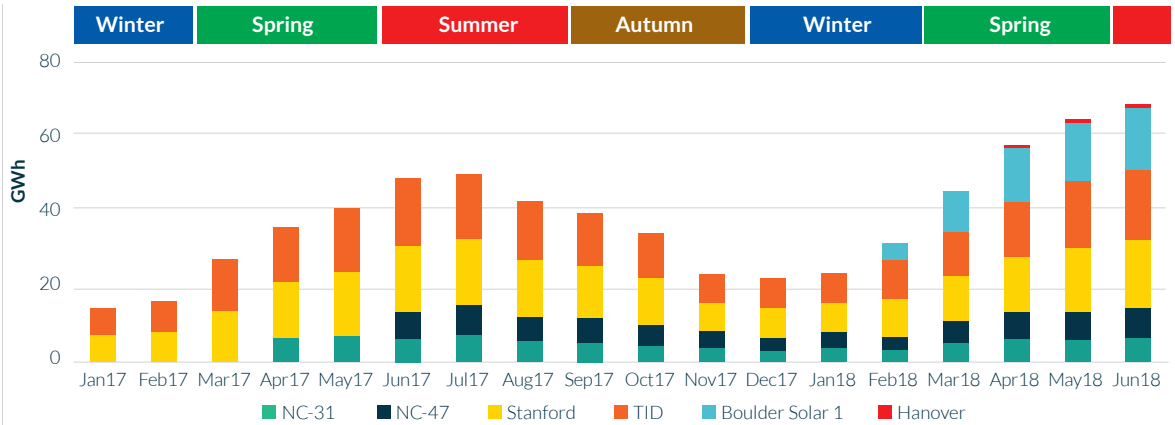
Once all of NEW’s solar power plants are commissioned and operating, the total NEW portfolio is expected to generate enough electricity annually to power about 233,000 US and Australian equivalent homes and displace in excess of 1.17 million tonnes of CO₂ emissions, or removing about 304,000 US and Australian equivalent cars from the road, every year.

NEW’S OPERATING PORTFOLIO PERFORMANCE

INTERESTS IN 7 PLANTS WITH 414MW_{DC} CAPACITY AS AT 30 JUNE 2018

INTERESTS IN 10 PLANTS WITH 432MW_{DC} CAPACITY AS AT 28 AUGUST 2018

Figure 5: Operating Portfolio monthly generation^{17,18}



17. Production included for all solar power plants on a NEW equity interest basis.

18. Electricity production from Manildra has not been included in the chart as NEW agreed to acquire it on 25 June 2018.

OPERATING PORTFOLIO PERFORMANCE DURING THE SIX MONTHS ENDED 30 JUNE 2018

Table 2 shows the underlying generation and financial performance of NEW's Operating Portfolio for the six months ended 30 June 2018, which have increased from prior periods principally due to the addition of NEW's interest in Boulder Solar 1. Generation and profits are expected to increase in future periods as NEW's solar power plants under construction are commissioned and NEW completes the acquisition of its Australian solar power plants.

Table 2: NEW portfolio

	PLANT	PLANT CAPACITY (MW _{dc})	NEW EQUITY SHARE OF GENERATION FOR THE 6 MONTHS ENDED 30 JUNE 2018 (GWH)	PPA TERM REMAINING (YEARS)	PPA EXPIRY DATE
Operating	NC-31	43.2	29.7	8.6	January 2027
	NC-47	47.6	35.5	8.8	April 2027
	Stanford	67.4	79.8	23.5	December 2041
	TID	67.4	79.8	18.7	February 2037
	Boulder Solar 1	124.8	61.6 ²¹	18.5	January 2037
	Hanover	7.5	2.0 ²²	14.8	April 2033
	Manildra	55.9	NA ²³	12.5 ²⁴	December 2030
	Operating Portfolio	413.8	288.4	16.3²⁵	
Acquired and Under Construction	Arthur ¹⁹	7.5	NA	15.0	July 2033
	Heedeh ¹⁹	5.4	NA	15.0	July 2033
	Church Road ¹⁹	5.2	NA	15.0	August 2033
	Mount Signal 2	199.6	NA	20.0	–
	Beryl	108.4	NA	15.0 ²⁶	–
	Pendleton	8.4	NA	13.3	–
	Organ Church	7.5	NA	15.0	–
	County Home	7.2	NA	15.0	–
	Bonanza	6.8	NA	13.3	–
	Acquired and Under Construction	356.0	NA	Various	–
Committed	Rigel Portfolio ²⁰	73.8	NA	Various	–
	Total	843.6	288.4	16.8²⁵	

19. Has reached commercial operations since 30 June 2018.

20. Refer to page xvi for additional information on the Rigel Portfolio plants that NEW has committed to acquiring.

21. Generation results have been included for Boulder Solar 1 from 15 February 2018.

22. Generation results have been included for Hanover from 25 April 2018.

23. Generation data for Manildra has not been included in the table above as NEW agreed to acquire the plant on 25 June 2018.

24. Assumes the option to extend the Manildra PPA is exercised. Manildra is currently operating and delivering electricity into the National Electricity Market. The plant is expected to achieve full commercial operations (when its PPA will commence) during H2 2018.

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

26. Beryl's 15-year PPA with Transport for NSW PPA.

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

Table 3: Operating Portfolio underlying financial performance for the six months to 30 June 2018. Comparison to prior periods²⁷

(US\$)	SIX MONTHS ENDED 30 JUNE 2017	SIX MONTHS ENDED 31 DECEMBER 2017	SIX MONTHS ENDED 30 JUNE 2018
Revenue	US\$9.4m	US\$12.3m	US\$18.3m
Less: Operating expenses	(US\$1.9m)	(US\$2.5m)	(US\$4.3m)
EBITDA	US\$7.5m	US\$9.8m	US\$14.0m
Less: Distributions to Tax Equity investors and EBITDA attributable to co-investors	(US\$2.5m)	(US\$3.0m)	(US\$5.2m)
EBITDA attributable to NEW	US\$5.1m	US\$6.8m	US\$8.7m

The Business grew its underlying revenues by US\$8.9m (94%) and EBITDA attributable to it by US\$3.66m (72%) during the six months ended 30 June 2018 compared to the six months ended 30 June 2017. While there was variability at an individual solar power plant level in the six months to 30 June 2018, generation and availability of the solar power plants in the Operating Portfolio as a whole were in line with the Investment Manager's expectations during the period.

Production during the period was about 288.4GWh (189.1GWh for the six months ended 30 June 2017)²⁸. This result represented an increase of generation of over 99GWh or 53% from the prior corresponding period, with the increase being attributable to:

- NEW's acquisition of a 49% cash equity interest in Boulder Solar 1 plant in February 2018.
- A full period of operations from NC-31 and NC-47.

The addition of Boulder Solar 1 has materially increased the positive environmental impact of the NEW Operating Portfolio, with electricity generation from the Operating Portfolio during the six-month period ended 30 June 2018:



²⁷. The impact of Manildra and Hanover have been excluded from Table 3. Hanover reached commercial operations COD in late April 2018 and NEW entered into an agreement to acquire Manildra on 25 June 2018.

²⁸. Based upon NEW's effective equity accounted share of generation.

EVENTS SUBSEQUENT TO 30 JUNE 2018

At the date of this report (28 August 2018), NEW had ten operating plants across the US and Australia, comprising 432MW_{DC} of capacity, including:

- The seven solar power plants included in Table 2, namely NC-31, NC-47, Stanford, TID, Boulder Solar 1, Hanover and Manildra; and
- Arthur, Heedeh and Church Road in North Carolina following the successful completion of construction and commissioning activities.

Each of these solar power plants currently sell electricity to creditworthy counterparties under the terms of their PPAs.

Additional NEW solar power plants are expected to commence commercial operations during H2 2018, as construction and commissioning activities are completed at a number of sites in North Carolina and Oregon (refer to page xvi of this report for further information).

GEARING

NEW had gross external look through debt outstanding of \$414.3 million as at 30 June 2018. This reflects a gearing ratio of 45.3%²⁹ as at 30 June 2018 (NEW has a target gearing ratio of 50% of gross assets).

NEW's weighted average debt maturity of 11.4 years as at 30 June 2018 reflects the long-term contracted nature of the PPA's 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 30 June 2018 are set out in Table 4 below:

Table 4: NEW debt facilities outstanding as at 30 June 2018

FACILITY	SECURITY	FACILITY SIZE	DRAWN AT 30 JUNE 2018	MATURITY DATE
Solar Power Plant Based Financings				
North Carolina Debt Facility ³⁰	NEW interests in NC31 & NC47	US\$20.0m	US\$20.0m	August 2018
Rosamond US Private Placement	NEW interests in Stanford & TID	US\$62.5m	US\$62.5m	30 September 2041
Mount Signal Debt Facility (construction/term loan)	NEW interest in Mount Signal 2	US\$209.3m	US\$209.3m	31 December 2027
US Revolving Credit Facility	Corporate	US\$30.0m	US\$15.0m	30 June 2021
CEFC Facility	Corporate	A\$50.0m	A\$0.0m	30 June 2023
Total Debt (A\$m)³¹		\$484.6m³¹	A\$414.3m³¹	
Gross Assets			A\$914.8m	
Gross Look Through Gearing (%)			45.3%	

²⁹. Gearing = gross debt / gross asset value.

³⁰. Facility was refinanced and extended on 3 July 2018. Refinanced facility is US\$26.2m with a maturity date of 30 June 2019. Refer to note 15 for further information.

³¹. US\$ facilities converted to A\$ at US\$:A\$ exchange rate of 0.7405 as at 30 June 2018.

PLANTS ACQUIRED AND UNDER CONSTRUCTION

INTERESTS IN 8 PLANTS WITH 248MW_{DC} CAPACITY AS AT 30 JUNE 2018

INTERESTS IN 6 PLANTS WITH 338MW_{DC} CAPACITY AS AT 28 AUGUST 2018

NEW has made considerable progress during 2018 with the construction and commissioning of solar power plants located in North Carolina and Oregon. Each of Hanover, Arthur, Heedeh and Church Road have reached commercial operations during 2018.

Construction and commissioning activities are also well progressed at the following NEW solar power plants, with each expected to be commissioned during H2 2018:

- County Home in North Carolina, US.
- Pendleton, Organ Church and Bonanza in Oregon, US.

In March 2018, NEW acquired 100% of the cash equity interests in its largest solar power plant, the 200MW_{DC} Mount Signal 2 in Southern California. Construction of the plant is expected to commence during H2 2018, after a full notice to proceed was delivered to the construction contractor during July 2018. Mount Signal 2 is expected to reach commercial operations during the second half of 2019

Further information on NEW solar power plants currently under construction are included on page xxi of this report.

COMMITTED PLANTS

6 PLANTS WITH 74MW_{DC} CAPACITY AS AT 30 JUNE 2018

6 PLANTS WITH 74MW_{DC} CAPACITY AS AT 28 AUGUST 2018

NEW has committed to acquire six plants (four in North Carolina and two in Oregon), subject to meeting conditions precedent, as part of the Rigel Portfolio acquisition announced in October 2017. The construction of these plants are expected to be delayed until 2019 due to design and project development issues.

NEW is continuing to work with the plants' developer on these plants in addition to new plant opportunities.

NEW ENERGY SOLAR'S INVESTMENTS

OPERATING SOLAR POWER PLANTS AS AT 28 AUGUST 2018

North Carolina 43 MW Solar Power Plant (NC-31)



Location	Bladenboro, Bladen County, North Carolina, US
Generating Capacity	43.2 MW _{DC} / 34.2 MW _{AC}
Commercial Operations Date (COD)	March 2017
PPA Term	10 years from COD
PPA Offtaker	Duke Energy Progress, Inc.
O&M Service Provider	Miller Bros. Solar LLC
Asset Description	NC-31 is located on a 196-acre leased site in Bladenboro, Bladen County, North Carolina, which is approximately 232 kilometres east of Charlotte, North Carolina. The plant commenced commercial operations in March 2017. 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 48 MW Solar Power Plant (NC-47)



Location	Maxton, Robeson County, North Carolina, US
Generating Capacity	47.6 MW _{DC} / 33.8 MW _{AC}
COD	May 2017
PPA Term	10 years from COD
PPA Offtaker	Duke Energy Progress, Inc.
O&M Service Provider	DEPCOM Power, Inc.
Asset Description	NC-47 is located on a 260-acre leased site in Maxton, Robeson County, North Carolina, which is 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.

Stanford Solar Power Plant (Stanford)



Location	Rosamond, Kern County, California, US
Generating Capacity	67.4 MW _{DC} /54 MW _{AC}
COD	December 2016
PPA Term	25 years from COD
PPA Offtaker	Stanford University
O&M Service Provider	SunPower Corporation, Systems
Asset Description	Stanford is located on a 242-acre leased site in Rosamond, Kern County, California, which is 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 Solar Power Plant (TID)



Location	Rosamond, Kern County, California, US
Generating Capacity	67.4 MW _{DC} /54 MW _{AC}
COD	December 2016
PPA Term	20 years from COD
PPA Offtaker	Turlock Irrigation District
O&M Service Provider	SunPower Corporation, Systems
Asset 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 Stanford and commenced operations in December 2016. NEW acquired its substantial majority interest in TID in December 2016.

Boulder Solar 1 Power Plant (Boulder Solar 1)



Location	Boulder City, Clark County, Nevada, US
Generating Capacity	124.8 MW _{DC} /100 MW _{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
Asset 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.

Manildra Solar Power Plant (Manildra)



Location	Manildra, New South Wales, Australia
Generating Capacity	55.9 MW _{DC} /46.7 MW _{AC}
COD	H2 2018
PPA Term	10 years from COD, with an option to extend to 2030
PPA Offtaker	EnergyAustralia
O&M Service Provider	First Solar
Asset Description	Manildra is located on a 120-hectare leased site 1.5 kilometres north east of the Manildra town centre. Manildra is currently operating and delivering electricity into the National Electricity Market. The plant is expected to achieve full commercial operations in the second half of 2018. NEW announced its agreement to acquire Manildra in June 2018.

Hanover Solar Power Plant (Hanover)



Location	Maysville, North Carolina, US
Generating Capacity	7.5 MW _{DC} /5.0 MW _{AC}
COD	April 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)
Asset Description	Hanover is located on a 45-acre leased site in Maysville, North Carolina. The plant commenced commercial operations in April 2018.

Church Road Solar Power Plant (Church Road)



Location	Angier, North Carolina, US
Generating Capacity	5.2 MW _{DC} /5.0 MW _{AC}
COD	August 2018
PPA Term	15 years from COD
PPA Offtaker	Duke Energy Progress, Inc.
O&M Service Provider	CCRO&M
Asset Description	County Home is located on a 21-acre leased site in Angier, North Carolina. The plant commenced commercial operations in August 2018.

	Heedeh Solar Power Plant (Heedeh)	Arthur Solar Power Plant (Arthur)
Location	Delco, North Carolina, US	Tabor City, North Carolina, US
Generating Capacity	5.4 MW _{DC} /4.5 MW _{AC}	7.5 MW _{DC} /5.0 MW _{AC}
COD	July 2018	July 2018
PPA Term	15 years from COD	15 years from COD
PPA Offtaker	Duke Energy Progress, Inc.	Duke Energy Progress, Inc.
O&M Service Provider	CCRO&M	CCRO&M
Asset Description	Heedeh is located on a 21-acre leased site in Delco, North Carolina. The plant commenced commercial operations in July 2018.	Arthur is located on a 35-acre leased site in Tabor City, North Carolina. The plant commenced commercial operations in July 2018.

PLANTS ACQUIRED AND UNDER CONSTRUCTION

AS AT 28 AUGUST 2018

Plant	Mount Signal 2	Beryl	Pendleton	Organ Church	County Home	Bonanza
Location	Imperial Valley, California, US	Beryl, New South Wales, Australia	Pendleton, Oregon, US	Rockwell, North Carolina, US	Rockingham, North Carolina, US	Bonanza, Oregon, US
Generating Capacity	199.6 MW _{DC}	108.4 MW _{DC}	8.4 MW _{DC}	7.5 MW _{DC}	7.2 MW _{DC}	6.8 MW _{DC}
Estimated COD	H2 2019	Mid 2019	H2 2018	H2 2018	H2 2018	H2 2018
PPA Term	20 years from COD	15 years from COD	13.3 years from COD	15 years from COD	15 years from COD	13.3 years from COD
PPA Offtaker	Southern California Edison	Transport for NSW	PacifiCorp	Duke Energy Carolinas	Duke Energy Progress	PacifiCorp
O&M Service Provider	First Solar	First Solar	CCRO&M	CCRO&M	CCRO&M	CCRO&M

INFORMATION ON THE INVESTMENT MANAGER

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

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

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

SENIOR MANAGEMENT TEAM

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

Each of the members of the senior management team are employed by a member of the 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



JOHN MARTIN BEcon (Hons) (USYD)

CEO, NEW ENERGY SOLAR

John was appointed as New Energy Solar's Managing Director and CEO in May 2017. John brings a wealth of experience and capability to the role after more than two decades 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:CD3) and is a past board member of Infrastructure Partnerships Australia.



TOM KLINE BComm, LLB (Hons) (ANU)

EXECUTIVE DIRECTOR – NORTH AMERICA

Tom was the inaugural CEO of New Energy Solar after the launch of the business in December 2015. Tom relocated to the US in April 2017 to oversee NEW's assets there and he also guides the Business' continued investment in North American projects.

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

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



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

HEAD OF INVESTMENTS

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

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

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

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Beryl - Artist's impression

Directors' Report



NC-31 - March 2017

Directors' Report

FOR THE HALF-YEAR ENDED 30 JUNE 2018

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 half-year financial report for New Energy Solar Limited and the entities it controlled and New Energy Solar Fund and the entities it controlled, (collectively referred to as the **Fund**), for the half-year ended 30 June 2018.

DIRECTORS

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

Jeffrey Whalan – Non-Executive Chairperson

Maxine McKew – Non-Executive Director

James Davies – Non-Executive Director

John Holland – Non-Executive Director

John Martin

Alan Dixon

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

Alex MacLachlan

Tristan O'Connell (resigned 9 July 2018)

Warwick Keneally

Mike Adams (appointed 9 July 2018)

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

PRINCIPAL ACTIVITIES AND SIGNIFICANT CHANGES IN NATURE OF ACTIVITIES

The principal activities of the Company and the Trust during the half-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 period.

DISTRIBUTIONS

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

- 3.75 cents per stapled security for the six months ended 30 June 2018 paid on 15 August 2018 amounting to \$12,370,287.

REVIEW AND RESULTS OF OPERATIONS

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

For the half-year ended 30 June 2018, on a combined basis, the Fund's profit was \$38.8 million (30 June 2017: loss of \$18.8 million). The Company reported a profit of \$14.3 million (30 June 2017: loss of \$12.4 million) and the Trust reported a profit of \$24.5 million (30 June 2017: loss of \$6.4 million).

The half-year to 30 June 2018 profit includes foreign exchange gains on US dollar denominated investments and loan receivables, and gains on underlying solar asset investment fair values. The foreign exchange gains noted were driven by the strengthening of the US dollar against the Australian dollar over the half-year, with a 30 June 2018 closing A\$:US\$ rate of \$0.7405 compared to \$0.7809 as at 31 December 2017, which reflects a 5.2% depreciation of the A\$ against the US\$ during the half-year.

Foreign exchange gains totaled \$25.9 million, comprised of \$12.6 million recorded as part of the fair value movements in the US denominated financial assets of the Company, \$13.1 million recorded as part of the fair value movements in the US denominated financial assets of the Trust and \$0.2 million foreign exchange gains recorded by the Trust in relation to US denominated cash and receivables.

On a pre-currency movements basis, for the half-year ended 30 June 2018, on a combined basis, the Fund generated net income of \$14.5 million, operating expenses for the period totaled \$2.5 million and an income tax benefit arose for \$0.9 million, resulting in earnings before currency movements of \$12.9 million.

At 30 June 2018, on a combined basis, the Fund's net assets are \$504.5 million (31 December 2017: \$472.3 million), representing a net asset value per stapled security of \$1.53 (31 December 2017: \$1.45). The Company's net assets are \$257.9 million (31 December 2017: \$210.5 million), representing a net asset value per share of \$0.78 (31 December 2017: \$0.65) and the Trust's net assets are \$246.7 million (31 December 2017: \$261.8 million), representing a net asset value per unit of \$0.75 (31 December 2017: \$0.80).

During the half-year, the Fund provided total cash funding of \$32.6 million to the Company's wholly owned subsidiary New Energy Solar US Corp to enable the investment in US solar assets. This was provided as equity funding of \$32.6 million from the Company.

On 27 June 2018, the Fund reallocated capital from the Trust to the Company. This was achieved by a capital return by the Trust of \$0.0914 per issued unit in the Trust, which was compulsorily applied as a capital contribution for existing shares in the Company. The total number of stapled securities on issue did not change and the combined net asset value of the stapled securities remained the same before and immediately after the capital reallocation.

The purpose for undertaking the capital reallocation was to simplify inter-entity arrangements and allocate available capital so that it resides in the entity which provides the best outcome to Securityholders. The capital reallocation 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 3.75 cents per stapled security totaling \$12,370,287 was declared on 30 May 2018 and was paid to securityholders on 15 August 2018. 3,278,496 stapled securities were issued on 15 August 2018 under the Fund's Distribution Reinvestment Plan.

On 3 July 2018, NES US NC-31 LLC and NES US NC-47 LLC, subsidiaries of the Company, completed the acquisition of the remaining minority interests in the NC-31 and NC-47 solar projects from Vivo Power USA LLC (Vivo). The total purchase price of US\$11,636,000, as announced on 28 May 2018, was reduced to US\$11,382,148 after accounting for adjustments of US\$253,852.

On 3 July 2018, NES US Funding 1 LLC, a subsidiary of the Company, refinanced its agreement with KeyBank National Association ("KeyBank") for a US\$20,000,000 term loan facility, which was repayable no later than 23 August 2018. The facility size was increased to US\$26,236,359, repayable no later than 2 July 2019. This loan is secured by the equity interests in the NC-31 and NC-47 solar projects as well as all the assets in NES US Funding 1, LLC. This loan was fully drawn to US\$26,236,359 on 3 July 2018 with proceeds utilised to fund the acquisition of the remaining minority interests in the NC-31 and NC-47 solar projects and to provide working capital for New Energy Solar US Corp.

On 23 July 2018, New Energy Solar Australia HoldCo #1 Pty Limited, a subsidiary of the Company, entered into a binding agreement to acquire the Beryl Solar Farm, a 108.4MW_{DC} solar plant in New South Wales, Australia, to be constructed and operational by mid 2019. Investment will occur progressively subject to satisfaction of conditions precedent, with 49% acquired shortly after construction commences and the remaining 51% once commercial operations date (**COD**) has been achieved. No purchase price payments have been made to date.

On 26 July 2018, NES Perseus Holdco LLC, a subsidiary of the Company, issued US\$22,725,482 of senior secured fixed rate notes to note purchasers via the United States private placement market. The notes are amortising over 18.5 years maturing 28 February 2037. This loan is secured by the equity interests in the Boulder Solar asset as well as all the assets in NES Perseus Holdco LLC. This loan was fully drawn on 25 July 2018 with proceeds utilised to partially repay a previous debt facility held by NES Galaxy LLC, a subsidiary of New Energy Solar US Corp, in the order of US\$10 million and to provide working capital for New Energy Solar US Corp.

In addition, Letter of Credit facilities in the order of US\$8,305,196 expiring 25 July 2028 were put in place, secured by the cashflows of underlying subsidiaries of NES Perseus HoldCo LLC.

On 27 July 2018, the Company and the Trust announced a Security Purchase Plan (**SPP**) offering existing investors the opportunity to subscribe for up to \$15,000 of new stapled securities. The SPP closed on 10 August 2018 with \$21,852,500 raised under the SPP at a price of \$1.416 per stapled security. On 17 August 2018, 15,432,100 stapled securities were issued and allotted to participating investors under the SPP.

Other than the matters discussed above, no matter or circumstance has arisen since 30 June 2018 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.

AUDITOR'S INDEPENDENCE DECLARATION

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

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

On behalf of the directors



ALEX MACLACHLAN
Chairman of the Responsible Entity



JEFFREY WHALAN
Chairman of the Company

28 August 2018



Auditor's Independence Declaration

Hanover - May 2018

Boulder Solar I - December 2017

Auditor's Independence Declaration

FOR THE HALF-YEAR ENDED 30 JUNE 2018

Deloitte.

Deloitte Touche Tohmatsu
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Australia

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

28 August 2018

Dear Board Members

New Energy Solar Limited and New Energy Solar Fund

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

As lead audit partner for the review of the financial statements of New Energy Solar Limited and New Energy Solar Fund for the financial half-year ended 30 June 2018, 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 review; and
- (ii) any applicable code of professional conduct in relation to the review.

Yours sincerely



DELOITTE TOUCHE TOHMATSU



Michael Kaplan
Partner
Chartered Accountants

Liability limited by a scheme approved under Professional Standards Legislation
Member of Deloitte Touche Tohmatsu Limited



Stanford - September 2017

Financial Statements



NC-47 - May 2017

Condensed Statement of Profit or Loss and Other Comprehensive Income

FOR THE HALF-YEAR ENDED 30 JUNE 2018

		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	30-Jun-18	30-Jun-17	30-Jun-18	30-Jun-17	30-Jun-18	30-Jun-17
		\$	\$	\$	\$	\$	\$
Net income							
Fair value gain/(loss) of financial assets at fair value through profit or loss	7	14,807,146	(12,332,083)	17,993,518	(11,471,571)	32,800,664	(23,803,654)
Foreign exchange gain/(loss)		6,046	(111,533)	192,559	(2,966)	198,605	(114,499)
Finance income	3	58,140	23,168	7,387,571	5,166,026	7,445,711	5,189,194
Other income		-	159,388	-	439,622	-	599,010
Total net income		14,871,332	(12,261,060)	25,573,648	(5,868,889)	40,444,980	(18,129,949)
Finance expenses		(187)	(143)	(368)	(179)	(555)	(322)
Responsible entity fees	12	-	-	(112,469)	(109,715)	(112,469)	(109,715)
Investment management fees	12	(400,151)	(114,489)	(465,341)	(143,759)	(865,492)	(258,248)
Accounting and audit fees		(70,004)	(5,697)	(82,938)	(101,169)	(152,942)	(106,866)
Legal and advisory expenses		(611,667)	(1,105)	(137,274)	(148,909)	(748,941)	(150,014)
Salary and wage expenses		(108,333)	-	-	-	(108,333)	-
Marketing expenses		(98,849)	(828)	(172,674)	(15,104)	(271,523)	(15,932)
Other operating expenses		(74,919)	(13,035)	(132,940)	(8,874)	(207,859)	(21,909)
Total expenses		(1,364,110)	(135,297)	(1,104,004)	(527,709)	(2,468,114)	(663,006)
Profit/(loss) before tax		13,507,222	(12,396,357)	24,469,644	(6,396,598)	37,976,866	(18,792,955)
Income tax benefit		840,541	23,192	-	-	840,541	23,192
Profit/(loss) after tax for the period		14,347,763	(12,373,165)	24,469,644	(6,396,598)	38,817,407	(18,769,763)
Other comprehensive income, net of income tax		-	-	-	-	-	-
Total comprehensive income/(loss) for the period		14,347,763	(12,373,165)	24,469,644	(6,396,598)	38,817,407	(18,769,763)
Earnings per security							
Basic and diluted earnings/(loss) (cents per security)	4	4.36	(6.52)	7.44	(3.37)	11.80	(9.89)

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

Condensed Statement of Financial Position

AS AT 30 JUNE 2018

		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	30-Jun-18	30-Jun-17	30-Jun-18	30-Jun-17	30-Jun-18	30-Jun-17
ASSETS		\$	\$	\$	\$	\$	\$
Current assets							
Cash and cash equivalents		534,597	8,105,112	877,822	34,021,450	1,412,419	42,126,562
Trade and other receivables	6	331,596	800,078	925,664	1,230,916	1,206,361	2,030,994
Total current assets		866,193	8,905,190	1,803,486	35,252,366	2,618,780	44,157,556
Non-current assets							
Financial assets held at fair value through profit or loss	7	256,710,147	201,874,660	257,825,202	239,831,684	514,535,349	441,706,344
Deferred tax assets		1,368,535	–	–	–	1,368,535	–
Other assets		102,557	–	–	–	102,557	–
Total non-current assets		258,181,239	201,874,660	257,825,202	239,831,684	516,006,441	441,706,344
Total assets		259,047,432	210,779,850	259,628,688	275,084,050	518,625,221	485,863,900
LIABILITIES							
Current liabilities							
Trade and other payables	8	1,100,351	161,876	599,511	224,334	1,648,963	386,210
Current tax payable		68,457	85,643	–	–	68,457	85,643
Distribution payable	9	–	–	12,370,287	13,051,907	12,370,287	13,051,907
Total current liabilities		1,168,808	247,519	12,969,798	13,276,241	14,087,707	13,523,760
Total liabilities		1,168,808	247,519	12,969,798	13,276,241	14,087,707	13,523,760
Net assets		257,878,624	210,532,331	246,658,890	261,807,809	504,537,514	472,340,140
EQUITY							
Issued capital	5	240,416,835	207,418,305	230,434,500	264,999,858	470,851,335	472,418,163
Retained earnings/ (accumulated losses)		17,461,789	3,114,026	16,224,390	(3,192,049)	33,686,179	(78,023)
Total equity		257,878,624	210,532,331	246,658,890	261,807,809	504,537,514	472,340,140

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

Condensed Statement of Changes in Equity

FOR THE HALF-YEAR ENDED 30 JUNE 2018

NEW ENERGY SOLAR LIMITED (COMPANY)

Notes	Issued capital \$	Retained earnings/ (accumulated losses) \$	Total \$
Balance at 1 January 2017	14,751,154	2,752,226	17,503,380
Loss after tax for the period	–	(12,373,165)	(12,373,165)
Other comprehensive income, net of income tax	–	–	–
Total comprehensive loss for the period	–	(12,373,165)	(12,373,165)
Capitalised issue costs, net of income tax	(217)	–	(217)
Capital reallocation	96,777,882	–	96,777,882
Balance at 30 June 2017	111,528,819	(9,620,939)	101,907,880
	Issued capital \$	Retained earnings \$	Total \$
Balance at 1 January 2018	207,418,305	3,114,026	210,532,331
Profit after tax for the period	–	14,347,763	14,347,763
Other comprehensive income, net of income tax	–	–	–
Total comprehensive income for the period	–	14,347,763	14,347,763
Issue of securities	2,364,708	–	2,364,708
Deferred tax asset recognised in current period in connection with prior year issue costs	527,993	–	527,993
Share buybacks	(50,899)	–	(50,899)
Capital reallocation	30,156,728	–	30,156,728
Balance at 30 June 2018	240,416,835	17,461,789	257,878,624

NEW ENERGY SOLAR FUND (TRUST)

	Issued capital \$	Retained earnings/ (accumulated losses) \$	Total \$
Balance at 1 January 2017	280,323,437	4,265,545	284,588,982
Loss after tax for the period	–	(6,396,598)	(6,396,598)
Other comprehensive income, net of income tax	–	–	–
Total comprehensive income for the period	–	(6,396,598)	(6,396,598)
Capitalised issue costs	(389)	–	(389)
Capital reallocation	(96,777,882)	–	(96,777,882)
Distributions	(6,072,338)	–	(6,072,338)
Balance at 30 June 2017	177,472,828	(2,131,053)	175,341,775

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

Condensed Statement of Changes in Equity

FOR THE HALF-YEAR ENDED 30 JUNE 2018

(CONTINUED)

NEW ENERGY SOLAR FUND (TRUST)

Notes	Issued capital \$	Retained earnings/ (accumulated losses) \$	Total \$
Balance at 1 January 2018	264,999,858	(3,192,049)	261,807,809
Profit after tax for the period	–	24,469,644	24,469,644
Other comprehensive income, net of income tax	–	–	–
Total comprehensive income for the period	–	24,469,644	24,469,644
Issue of securities	2,973,233	–	2,973,233
Unit buybacks	(64,781)	–	(64,781)
Capital reallocation	(30,156,728)	–	(30,156,728)
Distributions	9 (7,317,082)	(5,053,205)	(12,370,287)
Balance at 30 June 2018	5 230,434,500	16,224,390	246,658,890

FUND (COMBINED COMPANY AND TRUST)

	Issued capital \$	Retained earnings/ (accumulated losses) \$	Total \$
Balance at 1 January 2017	295,074,591	7,017,771	302,092,362
Loss after tax for the period	–	(18,769,763)	(18,769,763)
Other comprehensive income, net of income tax	–	–	–
Total comprehensive loss for the period	–	(18,769,763)	(18,769,763)
Capitalised issue costs	(606)	–	(606)
Distributions	(6,072,338)	–	(6,072,338)
Balance at 30 June 2017	289,001,647	(11,751,992)	277,249,655

	Issued capital \$	Retained earnings/ (accumulated losses) \$	Total \$
Balance at 1 January 2018	472,418,163	(78,023)	472,340,140
Profit after tax for the period	–	38,817,407	38,817,407
Other comprehensive income, net of income tax	–	–	–
Total comprehensive income for the period	–	38,817,407	38,817,407
Issue of securities	5,337,941	–	5,337,941
Deferred tax asset recognised in current period in connection with prior year issue costs	527,993	–	527,993
Securities buybacks	(115,680)	–	(115,680)
Distributions	9 (7,317,082)	(5,053,205)	(12,370,287)
Balance at 30 June 2018	5 470,851,335	33,686,179	504,537,514

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

Condensed Statement Of Cash Flows

FOR THE HALF-YEAR ENDED 30 JUNE 2018

		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	30-Jun-18	30-Jun-17	30-Jun-18	30-Jun-17	30-Jun-18	30-Jun-17	30-Jun-17
	\$	\$	\$	\$	\$	\$	\$
Cash flows from operating activities							
Recharge income received from subsidiaries	492,680	-	-	-	492,680	-	-
Interest income received	58,140	30,367	7,582,066	15,076	7,640,206	45,443	
Payments to suppliers	(494,030)	(627,853)	(368,765)	(55,530)	(862,795)	(683,383)	
Income tax paid	(17,186)	-	-	-	(17,186)	-	
Net cash flow from operating activities	39,604	(597,486)	7,213,301	(40,454)	7,252,905	(637,940)	
Cash flows from investing activities							
Payments for investments	7 (32,621,447)	-	-	-	(32,621,447)	-	
Loans to subsidiaries	7 (7,406,894)	-	-	-	(7,406,894)	-	
Net cash flow from investing activities	(40,028,341)	-	-	-	(40,028,341)	-	

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

Condensed Statement Of Cash Flows

FOR THE HALF-YEAR ENDED 30 JUNE 2018

(CONTINUED)

		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	30-Jun-18	30-Jun-17	30-Jun-18	30-Jun-17	30-Jun-18	30-Jun-17
		\$	\$	\$	\$	\$	\$
Cash flows from financing activities							
Proceeds from issue of securities	5	2,364,708	–	2,973,234	–	5,337,942	–
Payments for securities buybacks		(50,769)	–	(64,615)	–	(115,384)	–
Payment of issue and buyback costs		(130)	(217)	(166)	(389)	(296)	(606)
Proceeds from/ (payment of) capital reallocation		30,156,728	96,777,882	(30,156,728)	(96,777,882)	–	–
Payments of transaction costs relating to loans		(102,557)	–	–	–	(102,557)	–
Proceeds/ (repayment) of loans from New Energy Solar Fund to New Energy Solar Limited		50,899	(101,641,998)	(50,899)	101,641,998	–	–
Distributions paid		–	–	(13,051,907)	–	(13,051,907)	–
Net cash flow from financing activities		32,418,879	(4,864,333)	(40,351,081)	4,863,727	(7,932,202)	(606)
Net (decrease)/ increase in cash and cash equivalents		(7,569,858)	(5,461,819)	(33,137,780)	4,823,273	(40,707,638)	(638,546)
Cash at the beginning of the period		8,105,112	5,938,759	34,021,450	1,286,068	42,126,562	7,224,827
Effect of exchange rate changes		(657)	(4,232)	(5,848)	(1,178)	(6,505)	(5,410)
Cash and cash equivalents at the end of the period		534,597	472,708	877,822	6,108,163	1,412,419	6,580,871

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

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Notes to the Financial Statements

TID - October 2017



Arthur under construction - February 2018

Notes to the Condensed Financial Statements

FOR THE HALF-YEAR ENDED 30 JUNE 2018

1. GENERAL INFORMATION

The condensed financial statements comprise:

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

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

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

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

This half-year financial report is intended to provide users with an update on the latest annual financial statements of the Company and the Trust. The half-year financial report does not include notes of the type normally included in an annual financial report and it is therefore recommended that this half-year financial report be read in conjunction with the annual financial statements of the Company and the Trust for the year ended 31 December 2017, together with any public announcements made during the half-year.

A) 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 US subsidiary, New Energy Solar US Corp.

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 US Corp is not consolidated in the Company's financial statements, rather it is 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 Business consist of dividends from New Energy Solar US Corp, fair value movements in the value of the Company's investment in New Energy Solar US Corp, and interest on the loan from the Trust to New Energy Solar US Corp. Net operating income from assets held in the US and all US 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 US Corp, and underpin New Energy Solar US Corp's ability to pay interest on the loan to the Trust and dividends to the Company as noted above.

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 Business is also exposed to valuation movements associated with changes in the US dollar/Australian dollar exchange rate.

B) STATEMENT OF COMPLIANCE

These condensed financial statements of the Company and the Trust are condensed general purpose financial statements which have been prepared in accordance with the *Corporations Act 2001* and AASB 134 Interim Financial Reporting. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 Interim Financial Reporting issued by the International Accounting Standards Board (**IASB**).

The condensed financial statements were authorised for issue by the directors of the Company and the Responsible Entity of the Trust, Walsh & Company Investments Limited, on 28 August 2018.

Basis of preparation

The accounting policies adopted in the preparation of the half-year financial report are consistent with those adopted and disclosed in the Company and Trust's annual financial report for the year ended 31 December 2017. The adoption of new standards effective as of 1 January 2018 has not resulted in any change to these disclosed policies. The Company and the Trust have not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

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.

C) BASIS FOR NON-CONSOLIDATION

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

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

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

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

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

Investment Entity Classification

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

- Obtains funds from one or more investors for the purpose of providing those investors with investment management services; and
- Commits to its investors that its business purpose is to invest funds solely for returns from capital appreciation, investment income, or both; and
- Measures and evaluates the performance of substantially all of its investments on a fair value basis.

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

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

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

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

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

D) ADOPTION OF NEW AND REVISED ACCOUNTING STANDARDS

The Company and the Trust have adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (the AASB) that are relevant to their operations and effective for the current half-year.

New standards effective as at 1 January 2018

AASB 15 Revenue from Contracts with Customers

AASB 15 replaces AASB 118 Revenue, AASB 111 Construction Contracts and several revenue-related Interpretations. The new Standard has been applied as at 1 January 2018 and its adoption has not resulted in any changes in underlying accounting policies of the Company and the Trust, and therefore has no impact on their financial statements.

AASB 9 Financial Instruments

The Company and the Trust have since their inception early adopted AASB 9 Financial Instruments which was issued in December 2014.

E) WORKING CAPITAL DEFICIENCY

The statements of financial position of the Company and Trust reflect working capital deficit positions at 30 June 2018 of \$0.3 million and \$11.2 million respectively.

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

- Available cash balances on a look-through basis within the overall Fund structure totaling \$16.9 million at 30 June 2018;
- Available but undrawn amounts under a facility residing in a subsidiary of the Company totaling \$20.3 million (US\$15.0 million) at 30 June 2018;
- Proceeds totaling \$30.7 million (US\$22.7 million) from senior secured fixed rate notes issued by a subsidiary of the Company in July 2018; and
- Proceeds from a security purchase plan totaling \$21.9 million which were receipted by the Fund post balance date.

Based on the above, the directors are satisfied that the Fund is able to meet its working capital requirements.

2. SEGMENT REPORTING

The Company and the Trust currently operate solely in a single segment being investing in solar assets. At balance date, all solar assets are in the US. 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.

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)
	30-Jun-18	30-Jun-17	30-Jun-18	30-Jun-17	30-Jun-18	30-Jun-17
	\$	\$	\$	\$	\$	\$
Interest income on cash at bank	58,140	23,168	159,376	6,432	217,516	29,600
Interest income on loan to New Energy Solar US Corp (subsidiary of the Company)	-	-	7,228,195	5,159,594	7,228,195	5,159,594
	58,140	23,168	7,387,571	5,166,026	7,445,711	5,189,194

4. 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)
	30-Jun-18 cents	30-Jun-17 cents	30-Jun-18 cents	30-Jun-17 cents	30-Jun-18 cents	30-Jun-17 cents
Basic and diluted earnings/ (loss) per security	4.36	(6.52)	7.44	(3.37)	11.80	(9.89)

(ii) Earnings used to calculate earnings per security

	\$	\$	\$	\$	\$	\$
Profit/(loss) from continued operations used to calculate basic and diluted earnings/ (loss) per security	14,347,763	(12,373,165)	24,469,644	(6,396,598)	38,817,407	(18,769,763)

(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	329,028,447	189,760,552	329,028,447	189,760,552	329,028,447	189,760,552
Effect of dilution *	–	–	–	–	–	–
Weighted average number of securities outstanding used to calculate diluted earnings per security	329,028,447	189,760,552	329,028,447	189,760,552	329,028,447	189,760,552

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

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

5. 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)
	Six months to 30-Jun-18 \$	Year to 31-Dec-17 \$	Six months to 30-Jun-18 \$	Year to 31-Dec-17 \$	Six months to 30-Jun-18 \$	Year to 31-Dec-17 \$
Balance at beginning of period	207,418,305	14,751,154	264,999,858	280,323,437	472,418,163	295,074,591
Capital reallocation – June 2017	–	96,777,882	–	(96,777,882)	–	–
Issue of securities – August 2017	–	1,065,106	–	1,852,993	–	2,918,099
Issue of securities – December 2017	–	98,996,756	–	103,037,440	–	202,034,196
Issue of securities – February 2018	2,364,708	–	2,973,233	–	5,337,941	–
Capital reallocation – June 2018	30,156,728	–	(30,156,728)	–	–	–
Add: Deferred tax asset recognised in current period in connection with prior year issue costs	527,993	–	–	–	527,993	–
Less: Issue costs	–	(4,172,593)	–	(4,311,885)	–	(8,484,478)
Buybacks	(50,899)	–	(64,781)	–	(115,680)	–
Distributions – June 2017	–	–	–	(6,072,338)	–	(6,072,338)
Distributions – December 2017	–	–	–	(13,051,907)	–	(13,051,907)
Distributions – June 2018	–	–	(7,317,082)	–	(7,317,082)	–
Balance at the end of period	240,416,835	207,418,305	230,434,500	264,999,858	470,851,335	472,418,163

(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)
	Six months to 30-Jun-18 No.	Year to 31-Dec-17 No.	Six months to 30-Jun-18 No.	Year to 31-Dec-17 No.	Six months to 30-Jun-18 No.	Year to 31-Dec-17 No.
Balance at beginning of period	326,297,684	189,760,552	326,297,684	189,760,552	326,297,684	189,760,552
Issue of securities – August 2017	–	1,847,668	–	1,847,668	–	1,847,668
Issue of securities – December 2017	–	134,689,464	–	134,689,464	–	134,689,464
Issue of securities – February 2018	3,657,035	–	3,657,035	–	3,657,035	–
Buybacks	(80,407)	–	(80,407)	–	(80,407)	–
Balance at the end of period	329,874,312	326,297,684	329,874,312	326,297,684	329,874,312	326,297,684

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

During the prior year, 67,344,732 Class A Options and 67,344,732 Class B Options were issued over stapled securities in the Fund for nil consideration in conjunction with the December 2017 security issue.

At half-year balance date, 67,344,732 Class A Options and 67,344,732 Class B Options were outstanding. The Class A Options are exercisable at \$1.55 per security during a 20 business day period ending at 5.00pm (AEDT) on 8 February 2019. The Class B Options are exercisable at \$1.60 per security during a 20 business day period ending at 5.00pm (AEDT) on 8 August 2019.

6. 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)
	30-Jun-18	31-Dec-17	30-Jun-18	31-Dec-17	30-Jun-18	31-Dec-17
	\$	\$	\$	\$	\$	\$
Interest receivable – New						
Energy Solar US Corp	–	–	837,666	833,753	837,666	833,753
GST receivable	319,346	301,851	37,099	397,163	356,445	699,014
Other receivables – subsidiary						
entity, New Energy Solar						
US Corp	12,250	498,227	–	–	12,250	498,227
Other receivables - New Energy						
Solar Limited	–	–	50,899	–	–	–
	331,596	800,078	925,664	1,230,916	1,206,361	2,030,994

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

7. NON-CURRENT ASSETS – INVESTMENTS 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 provided by the Company and debt provided by the Company or 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 the residual net assets of the company and its controlled entities, and records its loan receivable at fair value. 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)
		30-Jun-18	31-Dec-17	30-Jun-18	31-Dec-17	30-Jun-18	31-Dec-17
		\$	\$	\$	\$	\$	\$
Investment in							
New Energy Solar	– Equity	10	–	–	–	10	–
Australia HoldCo #1							
Pty Limited	– Loans	7,406,894	–	–	–	7,406,894	–
Investment in New							
Energy Solar	– Equity	249,303,243	201,874,660	–	–	249,303,243	201,874,660
US Corp	– Loans	–	–	257,825,202	239,831,684	257,825,202	239,831,684
		256,710,147	201,874,660	257,825,202	239,831,684	514,535,349	441,706,344

The investment in immediate 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)
	30-Jun-18	31-Dec-17	30-Jun-18	31-Dec-17	30-Jun-18	31-Dec-17
	\$	\$	\$	\$	\$	\$
Fair value of underlying solar asset interests held ⁽ⁱ⁾	810,929,496	302,733,158	-	-	810,929,496	302,733,158
Cash or cash equivalents	16,913,816	216,994,573	-	-	16,913,816	216,994,573
Construction loans to underlying solar projects ⁽ⁱⁱⁱ⁾	69,004,440	22,303,041	-	-	69,004,440	22,303,041
Short-term loan provided to VivoPower USA LLC ⁽ⁱⁱⁱ⁾	5,415,844	-	-	-	5,415,844	-
Fund on deposit as security for guarantees ^(iv)	7,372,108	-	-	-	7,372,108	-
Loan funding provided by New Energy Solar Fund to New Energy Solar US Corp ^(v)	(257,825,202)	(239,831,684)	257,825,202	239,831,684	-	-
3rd party loan funding provided ^(vi)	(416,724,646)	(105,652,439)	-	-	(416,724,646)	(105,652,439)
Other net assets/liabilities	21,624,291	5,328,011	-	-	21,624,291	5,328,011
	256,710,147	201,874,660	257,825,202	239,831,684	514,535,349	441,706,344

(i) The balance recorded at 30 June 2018 relates to:

- the company's interest in the NC-31, NC-47, Stanford, TID and Boulder operating solar asset plants, collectively totaling \$409.1 million (US\$302.9 million). The fair value of these assets is based on a discounted cash flow valuation as further described in note 10; and
- the company's interest in Mount Signal 2 and Cypress Creek portfolio of solar asset plants, collectively totaling \$401.8 million (US\$297.6 million). These assets remain under construction or have been acquired within 12 months of balance date, and their fair value is considered to materially represent purchase price paid plus directly attributable transaction costs.

(ii) This balance represents loans provided in connection with the 8 solar asset plants acquired from Cypress Creek which are under construction. The loans are interest bearing and provided on commercial terms and are repayable at the earlier of the occurrence of specific construction milestones or pre-defined maturity dates.

- (iii) This balance represents a short-term loan to VivoPower USA LLC during the period which was in connection with the buyout of the membership interest of NC-31 and NC-47. The loan is interest bearing and provided on commercial terms. On 25 May 2018, wholly owned subsidiaries of NES US Funding 1 LLC entered into a binding agreement to acquire the remaining membership interests of NC-31 and NC-47 from wholly owned subsidiaries of VivoPower USA LLC. The loan has been repaid upon completion of the acquisition on 3 July 2018.
- (iv) This balance represents a short-term term deposit held by the Company's wholly owned subsidiary, New Energy Solar Australia HoldCo #1 Pty Limited. On 25 June 2018, New Energy Solar Australia HoldCo #1 Pty Limited entered into a binding agreement to acquire the Manildra Solar Farm located in New South Wales, Australia. Acquisition completion and payment of the agreed purchase price is expected upon satisfaction of certain conditions precedent. A performance guarantee was provided by New Energy Solar Australia HoldCo #1 Pty Limited to the vendor in the amount of \$7.4 million as part of the binding agreement entered into. This guarantee is cash-backed by a \$7.4m term deposit held by New Energy Solar Australia HoldCo #1 Pty Limited, which has been funded by a short-term advance from the Company. Upon completion of the acquisition of Manildra Solar Farm, this guarantee will expire and the \$7.4m term deposit will be released and used to repay this short-term advance.
- (v) As at 30 June 2018, 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\$132,478,119 (face value US\$129,481,082, effective 9 December 2016) and US\$58,441,444 (face value US\$57,803,480, effective 15 December 2017) has been converted to Australian dollars at the prevailing A\$:US\$ spot rate of 0.7405 (31 December 2017 spot rate 0.7809). 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.
- (vi) 3rd party loan funding is comprised of the following:
- US\$20.0 million term credit facility established in August 2017 held by NES US Funding 1 LLC, a wholly owned subsidiary of the Company, with KeyBank National Association. As at 30 June 2018, this facility was full drawn to US\$20.0 million. The loan matures on 23 August 2018. As part of the financing agreement, KeyBank National Association hold a charge over the NC-31 and NC-47 solar plant assets. This facility has been refinanced on 3 July 2018 as further detailed in note 15.
 - US\$62.5million senior secured fixed rate notes issued in October 2017 by NES Antares HoldCo LLC, a wholly owned 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 assets.
 - US\$30.0 million revolving loan and letter of credit facility established on 6 June 2018 held by NES Galaxy LLC, a subsidiary of the Company, with KeyBank National Association, repayable no later than 5 June 2021. As at 30 June 2018, the revolving loan was drawn to US\$15.0 million. This loan is secured by a first lien on cash flows from underlying subsidiaries of NES Galaxy LLC.
 - Mount Signal 2 non-recourse construction financing facilities, comprising a Construction Loan facility and 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, provided by HSBC Bank USA N.A., Santander Bank N.A. and KeyBank National Association. The Construction Loan is a US\$209.3 million facility which will convert to a Term Loan with a limit of the same amount

on or after construction is complete. 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 well as a small amount of ordinary equity which has already been contributed to the project. As at 30 June 2018, the construction loan was fully drawn and the ITC Bridge Loan was drawn to US\$1.8 million. The Construction Loan and ITC Bridge 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.

In addition to the above, the following Letter of Credit facilities have been provided as follows:

- KeyBank National Association has provided Letter of Credit facilities to both NES US Funding 1 LLC and NES Antares HoldCo LLC to the value of US\$4.8 million and US\$21.5 million expiring on 5 June 2027. As at 30 June 2018, these Letter of Credit facilities were drawn to US\$3.9 million and US\$19.6 million respectively.
- HSBC Bank USA N.A. have provided a Letter of Credit facility to NES Hercules Class B Member LLC and NES Hercules Project Holdings LLC to the value of US\$41.8 million expiring in December 2027. As at 30 June 2018, this Letter of Credit facility was drawn to US\$17.1 million.

Movement in the equity and debt investments associated with the Company and the Trust's investment in immediate subsidiaries during the period 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)
	30-Jun-18	31-Dec-17	30-Jun-18	31-Dec-17	30-Jun-18	31-Dec-17
	\$	\$	\$	\$	\$	\$
Investment in financial assets held at fair value through profit or loss opening balance	201,874,660	113,353,558	239,831,684	179,635,241	441,706,344	292,988,799
Total funds invested during the period in New Energy Solar Australia HoldCo #1 Pty Limited	7,406,904	–	–	–	7,406,904	–
Total funds invested during the period in New Energy Solar US Corp	32,621,437	87,000,000	–	75,599,634	32,621,437	162,599,634
Unrealised movement in fair value through profit or loss ^{(i) (ii)}	14,807,146	1,521,102	17,993,518	(15,403,191)	32,800,664	(13,882,089)

Investment in financial assets held at fair value through profit or loss closing balance	256,710,147	201,874,660	257,825,202	239,831,684	514,535,349	441,706,344
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- (i) The Company's 'movement in fair value' amount of \$14,807,146 is comprised of an unrealised foreign exchange translation gain of \$12,640,298 in relation to its US dollar denominated investments, and a \$2,166,848 increase in New Energy Solar US Corp net asset value. As at 30 June 2018, the fair value of the Company's US dollar investment in New Energy Solar US Corp has been converted to Australian dollars at the prevailing A\$:US\$ spot rate of 0.7405 (31 December 2017 spot rate 0.7809) resulting in the unrealised foreign exchange gain noted of \$12,640,298. The \$2,166,848 net asset value increase is mainly attributable to an increase in the fair value of underlying solar assets, offset by interest expense incurred on loans provided by New Energy Solar Fund to New Energy Solar US Corp, interest expense on loans provided by third parties to subsidiaries of the company, an interest rate swap mark-to-market valuation decline, other sundry operating expenses of the company and its subsidiaries, and the negative impact on investment fair value of a \$4,908,845 loan payable valuation increase in relation to New Energy Solar US Corp's loan from New Energy Solar Fund.

- (ii) The Trust's 'movement in fair value' amount of \$17,993,518 is comprised of \$13,084,673 unrealised foreign exchange gains during the year in relation to the US dollar denominated loans provided by the Trust to New Energy Solar US Corp, and \$4,908,845 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. As at 30 June 2018, the fair value of Note Purchase Agreements with New Energy Solar US Corp that New Energy Solar Fund invested have been converted to Australian dollars at the prevailing A\$:US\$ spot rate of 0.7405 (31 December 2017 spot rate 0.7809). The loans to New Energy Solar US Corp have a 7 year loan term and a fixed interest rate of 6% and are unsecured.

8. 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)
	30-Jun-18	31-Dec-17	30-Jun-18	31-Dec-17	30-Jun-18	31-Dec-17
	\$	\$	\$	\$	\$	\$
Trade payables	314,626	15,111	222,653	22,014	537,279	37,125
Accrued liabilities	702,346	136,115	372,393	197,856	1,074,739	333,971
Other liabilities	32,480	10,650	4,465	4,464	36,945	15,114
Other liabilities - New Energy Solar Fund	50,899	-	-	-	-	-
	1,100,351	161,876	599,511	224,334	1,648,963	386,210

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.

9. DISTRIBUTIONS

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

- 3.75 cents per stapled security for the six months ended 30 June 2018 paid on 15 August 2018 amounting to \$12,370,287 (30 June 2017: \$6,072,338).

10. 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 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 and financial liabilities. 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).

30 JUNE 2018

NEW ENERGY SOLAR LIMITED (COMPANY)	Level 1	Level 2	Level 3	Total
	\$	\$	\$	\$
Investments held at fair value through profit or loss	–	–	249,303,253	249,303,253
Loans receivable at fair value	–	7,406,894	–	7,406,894
NEW ENERGY SOLAR FUND (TRUST)	Level 1	Level 2	Level 3	Total
	\$	\$	\$	\$
Loans receivable at fair value	–	257,825,202	–	257,825,202
FUND (COMBINED COMPANY AND TRUST)	Level 1	Level 2	Level 3	Total
	\$	\$	\$	\$
Investments held at fair value through profit or loss	–	–	249,303,253	249,303,253
Loans receivable at fair value	–	265,232,096	–	265,232,096

31 DECEMBER 2017

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

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

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.

TRANSFERS DURING THE YEAR

The Company and the Trust recognises transfers between levels of the fair value hierarchy during the reporting period which the transfer has occurred. There were no transfers between levels during the financial period.

Reconciliation of level 3 fair value measurements

30 JUNE 2018	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	201,874,660	201,874,660
Transfers into level 3	–	–
Total gains or losses:		
– in profit or loss	14,807,146	14,807,146
Total funds invested during the year in New Energy Solar US Corp	32,621,437	32,621,437
Total funds invested during the year in New Energy Solar Australia HoldCo #1 Pty Limited	10	10
Closing balance	249,303,253	249,303,253

SOLAR ASSET VALUATION METHODOLOGY AND PROCESS

For underlying investments in solar plants under construction or otherwise becoming operational or having been acquired in close proximity to balance date, the Directors assess the existence of any significant changes in market factors impacting the value of such assets in the interim period. The fair value of these assets at balance date may be considered to materially reflect their denominated currency purchase price paid inclusive of direct acquisition costs, where this represents the value at which the Directors consider the assets could be sold in an orderly transaction between market participants at balance date. At 30 June 2018, the fair value of assets under construction or recently completed which were valued on this basis totaled US\$297.6 million.

For other underlying investments in solar plants which are operational at balance date, the Directors base the fair value of these investments in the solar assets on information received from the Investment Manager. At a minimum, valuations will be performed annually and otherwise as determined by the Directors. The Business engages suitably qualified independent valuation firms to assist in its assessment of fair 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 fair value of the solar asset investment is derived from the present value of the asset's expected future cash flows, comprising a range of operating assumptions for revenues and costs and an appropriate discount rate range.

The Investment Manager reviews a range of sources in determining the fair value of the solar asset investments and applicable discount rate ranges. The analysis undertaken includes:

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

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

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

FAIR VALUE OF SOLAR ASSET INVESTMENTS

As at 30 June 2018, the fair value of the operating solar asset investments was \$409.1 million (US\$302.9 million), comprising:

PLANT	FAIR VALUE AS AT 30 JUNE 2018 (\$)	FAIR VALUE AS AT 31 DECEMBER 2017 (\$)
Stanford	US\$73.7 million	US\$72.4 million
TID	US\$69.6 million	US\$68.1 million
NC-31	US\$44.4 million	US\$45.0 million
NC-47	US\$50.0 million	US\$50.9 million
Boulder Solar I	US\$65.2 million	–
Total (US\$)	US\$302.9 million	US\$236.4 million
A\$ to US\$ foreign exchange rate at balance date	0.7405	0.7809
Total (A\$)	A\$409.1 million	A\$302.7 million

The fair value of the Business' solar asset investments as at 30 June 2018 was determined through the adoption of a pre-tax weighted average cost of capital in the range of 6.1% to 7.2%.

The Company and the Trust have established a control framework with respect to the 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 the underlying solar asset 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 solar 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.

		30 JUNE 2018		31 DECEMBER 2017	
Input	Change in input	Change in fair value of investments (A\$ millions)	Change in NAV per Stapled Security (A\$ cents)	Change in fair value of investments (A\$ millions)	Change in NAV per Stapled Security (A\$ cents)
A\$/US\$ foreign exchange rate	+ 5.0%	(19.5)	(5.9)	(14.4)	(4.4)
	- 5.0%	21.5	6.5	15.9	4.9
Pre-tax discount rate	+ 0.5%	(25.6)	(7.8)	(19.0)	(5.8)
	- 0.5%	28.5	8.6	21.1	6.5
Electricity production (change from P50)	P90	(46.3)	(14.0)	(34.6)	(10.6)
	P10	42.5	12.9	29.1	8.9
Electricity prices	- 10.0%	(23.3)	(7.1)	(16.9)	(5.2)
	+ 10.0%	23.3	7.1	16.9	5.2
Operations and maintenance expenses	+ 10.0%	(15.1)	(4.6)	(10.2)	(3.1)
	10.0%	15.1	4.6	10.2	3.1

FOREIGN EXCHANGE RATE

The fair value of NEW's solar asset investments are first determined in US\$ for financial reporting purposes. The sensitivity shown looks at the impact of a change in the A\$ to US\$ exchange rate. A 5% appreciation and 5% depreciation of assumed US\$ to A\$ exchange rate (of A\$: US\$0.7405 as at 30 June 2018) has been considered to determine the resultant impact on NEW's fair value of investments and NAV per Stapled Security.

PRE-TAX DISCOUNT RATE

The value of NEW's operating solar asset investments are determined using a pre-tax WACC approach based on the Capital Asset Pricing Model. This approach takes into account long-term assumptions regarding risk-free rates, market risk premia, applicable tax rates, gearing levels, counterparty quality and asset specific items. The pre-tax WACC range used to determine the fair market valuation of its underlying solar assets is in the range of 6.1% to 7.2%.

This sensitivity demonstrates the impact of a change in the pre-tax WACC applied to all of NEW's solar asset investments as at 30 June 2018. A range of + / - 0.5% has been considered to determine the resultant impact on NEW's NAV per Stapled Security and fair market value of its 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 and inverter losses. These items are then considered in deriving the anticipated production of the individual site (MWh per annum) based upon a 50% probability of exceedance.

The sensitivity shown looks at the impact on the fair value of 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% likely 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 92.7% of a 1-year P50 generation estimate, implying that it is 7.3% lower than the P50 generation estimate).

In determining the proxy P10 generation estimate for those assets without independently determined P10 estimates, the Directors have assumed that the relationship between NEW's portfolio P50 generation estimate and a P10 generation estimate is the same as that between its P50 generation estimate and a P90 generation estimate in absolute terms. Therefore a 1-year P10 generation estimate by this methodology would be 107.3% (i.e. 100% + 7.3%) of the asset's P50 generation estimate.

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 leading 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 from the valuation date 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 and of a change in foreign exchange rate on the fair value of the loan receivable to New Energy Solar US Corp held by the Trust as set out below.

Input	Change in input	30 JUNE 2018		31 DECEMBER 2017	
		Change in fair value of investments (A\$ millions)	Change in NAV per Stapled Security (A\$ cents)	Change in fair value of investments (A\$ millions)	Change in NAV per Stapled Security (A\$ cents)
US interest rates	+ 0.5%	(5.9)	(1.8)	(6.1)	(1.9)
	- 0.5%	6.0	1.8	6.3	1.9
A\$/US\$ foreign exchange rate	+ 5.0%	(12.3)	(3.7)	(11.4)	(3.5)
	- 5.0%	13.6	4.1	12.6	3.9

11. BORROWINGS

In June 2018, the Company entered into a new loan facility with the Clean Energy Finance Corporation to provide bridge funding for the acquisition of solar assets. The total available amount under the facility is \$50.0 million.

No amounts have been drawn as at 30 June 2018 under this facility. 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 7.

12. RELATED PARTY DISCLOSURES

KEY MANAGEMENT PERSONNEL

Remuneration arrangements of key management personnel are disclosed in the annual financial report. There have been no significant changes during the period.

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 period ended 30 June 2018, \$107,550 (30 June 2017: \$104,156), exclusive of GST, was paid or payable to the Responsible Entity.

INVESTMENT MANAGER FEE

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

For the period ended 30 June 2018, \$396,150 (30 June 2017: \$109,990), exclusive of GST, was paid or payable to the Investment Manager by the Company, \$460,593 (30 June 2017: \$137,594), exclusive of GST, was paid or payable by the Trust and \$2,198,364 (30 June 2017: \$852,584), exclusive of GST, was paid or payable by New Energy Solar US Corp, a controlled entity of the Company.

Commencing from 1 July 2018, the Investment Manager has waived part of its fees to create the revised sliding scale fee structure as set out below:

Management Fee Structure		Base Management Fee (% of Enterprise Value (EV))	Acquisition and Disposal Fee (% of Purchase Price or Net Sale Proceeds)
Current Fees (excluding GST) – up to 30 June 2018		0.70%	1.50%
Enterprise Value band			
Revised Fees for EV within each band³⁴ (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%

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

For the period ended 30 June 2018, Acquisition Fees of \$7,643,903 (30 June 2017: \$1,760,959), exclusive of GST, was paid or payable to the Investment Manager by New Energy Solar US Corp, a Controlled Entity of the Company.

Commencing from 1 July 2018, a revised sliding scale of acquisition fees applies as noted in the above table regarding Management Fee Structure.

FUND ADMINISTRATION FEES

Australian Fund Accounting Services Pty Limited, a wholly-owned subsidiary of Evans Dixon Limited, the parent of the Responsible Entity, provides fund administration services to the Company and the Trust under an agreement with the Investment Manager. These services include net asset valuation, management accounting, statutory reporting, capital management and taxation. Total fund administration fees paid or payable for the period ended 30 June 2018 were \$26,400 (30 June 2017: \$3,000), exclusive of GST, by the Company and \$33,600 (30 June 2017: \$57,000), exclusive of GST, by 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 Evans Dixon Limited, the parent of the Responsible Entity, was engaged to provide debt arranging

34. These Proposed 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%).

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 negotiated debt arranging fees ranging from 0.5%-2.0% of the face value of new third party debt and letter of credit facilities, depending on the complexity of the debt arranging required.

During the half year, Walsh & Company Corporate Advisory successfully negotiated and established new debt and banking facilities for New Energy Solar subsidiaries totaling US\$209.3 million (A\$282.6 million) and executed associated interest rate hedging.

For the period ended 30 June 2018, debt arranging fees of \$2,698,838 (30 June 2017: nil) was paid or payable to Walsh & Company Corporate Advisory by wholly owned subsidiaries of New Energy Solar US Corp.

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 prevailing market rates at the time. The Services will be provided on arm's length and commercial terms.

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 period ended 30 June 2018, project managers completed 107 site visits across 6 active construction projects in North Carolina and 20 site visits across 2 active construction projects in Oregon. These 8 projects incurred construction expenditures of \$80.5 million (US\$59.6 million) during the period. Work also started reviewing construction plans and schedules for the Mount Signal II project in California which was acquired by NES for approximately \$391.6m (US\$290.0m) and commenced construction in July 2018. Project services fees of \$881,720 were paid or payable by New Energy Solar US Corp, a Controlled Entity of the Company for the half year.

13. CAPITAL COMMITMENTS

As at 30 June 2018, New Energy Solar Australia HoldCo #1 Pty Limited, a subsidiary of the Company, has committed to the acquisition of the Manildra Solar Farm as set out in note 7. Acquisition completion at a total enterprise value of \$113.0 million (which is inclusive of debt held at project level) is expected upon satisfaction of certain conditions precedent.

As at 30 June 2018, NES US NC-31 LLC and NES US NC-47 LLC, subsidiaries of the Company, have committed to the acquisition of the remaining minority interests in the NC-31 and NC-47 solar projects from Vivo Power USA LLC (Vivo) for a total purchase price of US\$11.6 million, subject to closing completion purchase price adjustments.

As at 30 June 2018, the Company and the Trust do not have any direct outstanding capital commitments.

14. CONTINGENT LIABILITIES

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

15. EVENTS AFTER THE REPORTING PERIOD

A distribution of 3.75 cents per stapled security totaling \$12,370,287 was declared on 30 May 2018 and was paid to securityholders on 15 August 2018. 3,278,496 stapled securities were issued on 15 August 2018 under the Fund's Distribution Reinvestment Plan.

On 3 July 2018, NES US NC-31 LLC and NES US NC-47 LLC, subsidiaries of the Company, completed the acquisition of the remaining minority interests in the NC-31 and NC-47 solar projects from Vivo Power USA LLC (Vivo). The total purchase price of US\$11,636,000, as announced on 28 May 2018, was reduced to US\$11,382,148 after accounting for adjustments of US\$253,852.

On 3 July 2018, NES US Funding 1 LLC, a subsidiary of the Company, refinanced its agreement with KeyBank National Association ("KeyBank") for a US\$20,000,000 term loan facility, which was repayable no later than 23 August 2018. The facility size was increased to US\$26,236,359, repayable no later than 2 July 2019. This loan is secured by the equity interests in the NC-31 and NC-47 solar projects as well as all the assets in NES US Funding 1, LLC. This loan was fully drawn to US\$26,236,359 on 3 July 2018 with proceeds utilised to fund the acquisition of the remaining minority interests in the NC-31 and NC-47 solar projects and to provide working capital for New Energy Solar US Corp.

On 23 July 2018, New Energy Solar Australia HoldCo #1 Pty Limited, a subsidiary of the Company, entered into a binding agreement to acquire the Beryl Solar Farm, a 108.4MW_{DC} solar plant in New South Wales, Australia, to be constructed and operational by mid 2019. Investment will occur progressively subject to satisfaction of conditions precedent, with 49% acquired shortly after construction commences and the remaining 51% once commercial operations date (**COD**) has been achieved. No purchase price payments have been made to date.

On 26 July 2018, NES Perseus Holdco LLC, a subsidiary of the Company, issued US\$22,725,482 of senior secured fixed rate notes to note purchasers via the United States private placement market. The notes are amortising over 18.5 years maturing 28 February 2037. This loan is secured by the equity interests in the Boulder Solar asset as well as all the assets in NES Perseus Holdco LLC. This loan was fully drawn on 25 July 2018 with proceeds utilised to partially repay a previous debt facility held by NES Galaxy LLC, a subsidiary of New Energy Solar US Corp, in the order of US\$10 million and to provide working capital for New Energy Solar US Corp.

In addition, Letter of Credit facilities in the order of US\$8,305,196 expiring 25 July 2028 were put in place, secured by the cashflows of underlying subsidiaries of NES Perseus HoldCo LLC.

On 27 July 2018, the Company and the Trust announced a Security Purchase Plan (**SPP**) offering existing investors the opportunity to subscribe for up to \$15,000 of new stapled securities. The SPP closed on 10 August 2018 with \$21,852,500 raised under the SPP at a price of \$1.416 per stapled security. On 17 August 2018, 15,432,100 stapled securities were issued and allotted to participating investors under the SPP.

Other than the matters discussed above, no matter or circumstance has arisen since 30 June 2018 that has significantly affected, or may significantly affect the Company or the Trust's operations, the results of those operations, or the Company or the Trust's state of affairs in future financial years.

Directors' Declaration

FOR THE HALF-YEAR ENDED 30 JUNE 2018

The directors of the Company and directors of the Responsible Entity of the Trust declare that:

- a) in the directors' opinion, 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; and
- b) in the directors' opinion, the attached financial statements and notes thereto are in accordance with the *Corporations Act 2001*, including compliance with accounting standards and giving a true and fair view of the financial position and performance of the Company and the Trust.

Signed in accordance with a resolution of the directors of the Company and Responsible Entity made pursuant to section 303(5) of the *Corporations Act 2001*.

On behalf of the directors



ALEX MACLACHLAN

Chairman of the Responsible Entity

28 August 2018



JEFFREY WHALAN

Chairman of the Company

Independent Auditor's Review Report

FOR THE HALF-YEAR ENDED 30 JUNE 2018



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

We have reviewed the accompanying half-year financial report of New Energy Solar Limited (the "Company") and New Energy Solar Fund (the "Trust"), which comprise the condensed statements of financial position as at 30 June 2018, the condensed statements of profit or loss and other comprehensive income, the condensed statements of cash flows, the condensed statements of changes in equity for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declarations.

Directors' Responsibility for the Half-Year Financial Report

The directors of the Company and the directors of Walsh and Company Investments Limited, the Responsible Entity of the Trust (the "directors") are responsible for the preparation of the half-year 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 half-year financial report that gives a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Company and the Trust's financial position as at 30 June 2018 and their performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of the Company and the Trust, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Auditor's Independence Declaration

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. 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 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 review report.

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Member of Deloitte Touche Tohmatsu Limited

Deloitte.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of the Company and the Trust is not in accordance with the *Corporations Act 2001*, including:

- (a) giving a true and fair view of the Company and Trust's financial position as at 30 June 2018 and of their performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Conclusion on the Fund Financial Statements

We have reviewed the Fund Financial Statements, representing the combined financial statements of the Company and the Trust ("the Fund"), which comprises the condensed statement of financial position as at 30 June 2018, the condensed statement of profit or loss and other comprehensive income, the condensed statement of cash flows and the condensed statement of changes in equity for the half-year ended on that date and notes comprising a summary of significant accounting policies and other explanatory information.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year Fund Financial Statements are not prepared in all material respects, in accordance with the basis of preparation described in note 1(c).

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Michael Kaplan

Michael Kaplan
Partner
Chartered Accountants
Sydney, 28 August 2018



Manildra - July 2018

Directory



Stanford and TID - September 2017

Directory

30 JUNE 2018

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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DIRECTORS – NEW ENERGY SOLAR LIMITED

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

SECRETARIES

Simon Barnett
Hannah Chan

DIRECTORS – WALSH & COMPANY INVESTMENTS LIMITED

Alex MacLachlan
Warwick Keneally
Mike Adams

SECRETARIES

Simon Barnett
Hannah Chan

INVESTMENT MANAGER

**New Energy Solar Manager Pty Limited
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