



New Energy Solar

Half-year financial report

For the period 19 November 2015 to 30 June 2016

Consisting of:

New Energy Solar Limited
ACN 609 396 983

New Energy Solar Fund
ARSN 609 154 298

New Energy Solar

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New Energy Solar

Report to stapled securityholders

For the period 19 November 2015 to 30 June 2016

Dear Securityholders

It is my pleasure to welcome you to the inaugural half-year report for New Energy Solar (**Fund**) for the period 19 November 2015 (date of registration) to 30 June 2016.

Overview

New Energy Solar is a sustainable investment fund initially focused on investing in large-scale solar plants. The Fund was established to help investors generate positive social impact alongside attractive financial returns, through the combination of distributions from producing solar assets and growth through new acquisitions and developments in the solar and renewable sectors. New Energy Solar is focused on acquiring and maintaining a diversified portfolio of solar assets across the globe, with an initial focus on the United States, Australia and select Asian markets. The Fund is an unlisted stapled group consisting of New Energy Solar Fund (**Trust**) and New Energy Solar Limited (**Company**) (together **New Energy Solar** or the **Fund**). The Fund is managed by New Energy Solar Manager Pty Limited (**Investment Manager**).

The Fund was established in November 2015 and completed its initial capital raising of \$179 million in January 2016. June 2016 marks the midpoint of the Fund's first year of operations. During the past six months, the Fund has expanded the investment team, and the Investment Manager has worked on developing a comprehensive pipeline of prospective solar investments for consideration by the Fund. Although the focus through the initial investment phase is predominantly on Australia and the United States, due to the proximity and liquidity of those markets respectively, the Investment Manager has conducted due diligence on some assets in Asia, Latin America and Europe and will continue to monitor those markets for opportunities that align with the Fund's risk/reward appetite.

Portfolio Update

Since inception, the Investment Manager has identified, sourced and screened a large number of potential investments. The Investment Manager has developed a database of 10 GW of prospective renewable energy projects in Australia, conducted an initial review of 1,500MW of those solar projects in Australia, and conducted in-depth review of 600MW of prospective acquisitions globally. Furthermore, the Fund has submitted bids or expressions of interest for approximately 250MW of solar plants.

On 1 August, the Fund was pleased to announce it had executed binding agreements to acquire a majority interest in its first asset, the 43.2MWdc "North Carolina 43" Solar Power Project in Bladenboro, North Carolina (**NC43**) from Vivo Power USA LLC (**Vivo**), for a total consideration of US\$41.7 million (excluding transaction fees). Vivo will retain a minority interest and will be involved in the ongoing management of NC43. NC43 has a secured 10-year Power Purchase Agreement (**PPA**) with Duke Energy Progress (the local utility and a subsidiary of the largest energy company in the US), which provides certainty of price and offtake for NC43 during the PPA term. After the expiry of the initial 10-year term, NC43 can seek to re-contract with Duke or find alternate energy buyers in the market. NC43 has also secured a 10-year fixed price agreement for all Renewable Energy Certificates generated. As the transaction was completed post 30 June 2016, the Project is not included in the financial accounts of the Half-Year Report. The Project is expected to generate an initial pre-tax unlevered yield of 6.4% annually over the first 5 years.

The Investment Manager continues to build relationships with developers and project owners in the US with established development pipelines or operating portfolios. By establishing a strategic long-term partnership with one or more developers, the Fund can establish transaction synergies which would enhance the ability of the Fund to execute quickly and provide access to greater deal flow, including off-market transactions.

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Report to stapled securityholders

For the period 19 November 2015 to 30 June 2016

Financial performance and distributions

As at 30 June 2016, the Fund had not recorded any investments, with the NC43 acquisition transaction completed post-June 30. Consistent with the Product Disclosure Statement, all of the Fund's capital was held in Australian and US cash accounts and cash equivalents. Over the first half of the year, the Fund recorded a statutory loss of \$3.6 million, which was primarily driven by unrealised foreign exchange losses on cash accounts. The Investment Manager is optimistic about the Fund's ability to prudently deploy capital over the second half of 2016. The Fund has not yet paid any distributions.

Environmental impact of the Fund

A key objective of the Fund is to help investors generate a positive social impact. The Fund's first investment in NC43 has helped investors achieve this. NC43 generates enough energy to power 10,000 homes, and this results in the annual displacement of an estimated 52,000 tonnes of CO2 emissions when compared to the alternative of a similarly sized coal based plant. This amount of CO2 is equivalent to removing around 12,000 cars from the road each year. We believe the Fund and investors can be a contributing factor in the decarbonisation of energy generation and transition to sustainable power.

We would like to take this opportunity to thank you for your support of the Fund.

Yours faithfully



Alex MacLachlan

Chairman of New Energy Solar Limited and Walsh & Company Investments Limited

2 September 2016

New Energy Solar

Directors' report

For the period 19 November 2015 to 30 June 2016

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, an unlisted stapled group, present their report together with the half-year financial reports 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 period 19 November 2015 (date of registration) to 30 June 2016.

ASIC Relief

New Energy Solar Limited and Walsh & Company Investments Limited, as Responsible Entity of New Energy Solar Fund, have been granted relief from the requirement to comply with subsection 323D(5) of the Corporations Act 2001 (**Act**) in respect of the first half-year of the Company and the Trust, the effect of which is to treat the period from 19 November 2015 to 30 June 2016 as the first half-year. ASIC granted relief by an order under section 340(1) of the Act on 6 May 2016.

Directors

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

Alex MacLachlan

Tristan O'Connell Resigned 30 June 2016

Tom Kline

Warwick Keneally Appointed 30 June 2016

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

Alex MacLachlan

Tristan O'Connell

Tom Kline

Directors were in office from 19 November 2015 to the date of this report, unless otherwise stated.

Principal activities and significant changes in nature of activities

The Company and the Trust were established in November 2015 and raised gross proceeds of \$9 million and \$170 million respectively, through an initial capital raising in January 2016.

The principal activities of the Company and the Trust during the half-year were undertaking due diligence for 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.

Review and results of operations

For the period 19 November 2015 to 30 June 2016, the Company reported a profit of \$13,942 and the Trust reported a loss of \$3,652,272. On a combined basis, the Fund's loss was \$3,638,330. This was predominantly related to unrealised foreign exchange losses (\$3,630,406) on US cash holdings, driven by the weakening of the US dollar against the Australian dollar over the period.

At 30 June 2016, the Company's net assets are \$8,854,722, representing a net asset value per share of \$0.08 and the Trust's net assets are \$163,388,403, representing a net asset value per unit of \$1.43. On a combined basis, the Fund's net assets are \$172,243,125, representing a net asset value per stapled security of \$1.51.

Further details are included in the report to stapled securityholders which forms part of this report.

New Energy Solar

Directors' report

For the period 19 November 2015 to 30 June 2016

Distributions

No distributions were paid or declared during, or since the end of, the half-year by either the Company or the Trust.

Events subsequent to reporting period

On 1 August 2016, the Fund announced it had executed binding agreements to acquire a majority interest in its first asset, the 43.2 MWdc Solar Power Project in Bladenboro, North Carolina from Vivo Power USA LLC, for a total consideration of US\$41.7 million (excluding transaction fees). The Company's investment is currently being held in escrow until the satisfaction of a number of conditions precedent, including the Project reaching its Commercial Operations Date, expected to be in January 2017.

Auditor's independence declaration

The auditor's independence declaration is set out on page 3 and forms part of the director's report for the period 19 November 2015 to 30 June 2016.

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

On behalf of the directors

A handwritten signature in black ink, appearing to read 'Alex MacLachlan', with a long horizontal flourish extending to the right.

Alex MacLachlan

Chairman of New Energy Solar Limited and Walsh & Company Investments Limited

2 September 2016

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

2 September 2016

Dear Board Members

New Energy Solar Fund 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 period from 19 November 2015 to 30 June 2016, 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

New Energy Solar

Condensed statement of profit or loss and other comprehensive income

For the period 19 November 2015 to 30 June 2016

| | | New Energy Solar Limited (Company) | New Energy Solar Fund (Trust) | Fund (combined Company and Trust) |
|---|--------------|---|---|--|
| | Notes | 19 November 2015 to 30 June 2016 | 19 November 2015 to 30 June 2016 | 19 November 2015 to 30 June 2016 |
| | | \$ | \$ | \$ |
| Revenue | | | | |
| Finance income | | 66,100 | 861,869 | 927,969 |
| Total revenue | | 66,100 | 861,869 | 927,969 |
| Finance expenses | | (97) | (201) | (298) |
| Responsible entity fees | | - | (61,121) | (61,121) |
| Investment management fees | | (24,300) | (524,570) | (548,870) |
| Accounting and audit fees | | (768) | (19,322) | (20,090) |
| Unrealised FX loss | | - | (3,630,406) | (3,630,406) |
| Other operating expenses | | (21,018) | (278,521) | (299,539) |
| Profit/(loss) before tax | | 19,917 | (3,652,272) | (3,632,355) |
| Income tax expense | | (5,975) | - | (5,975) |
| Profit/(loss) after tax for the period | | 13,942 | (3,652,272) | (3,638,330) |
| Other comprehensive income, net of income tax | | - | - | - |
| Total comprehensive income/(loss) for the period | | 13,942 | (3,652,272) | (3,638,330) |
| Earnings per security | | | | |
| Basic and diluted earnings/(loss) (cents per security) | 2 | 0.02 | (4.46) | (4.44) |

The condensed statement of profit or loss and other comprehensive income should be read in conjunction with the notes to the condensed financial statements.

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Condensed statement of financial position

As at 30 June 2016

| | | New Energy Solar Limited (Company) | New Energy Solar Fund (Trust) | Fund (combined Company and Trust) |
|---|-------|--|-------------------------------------|--|
| | Notes | 30-Jun-16 | 30-Jun-16 | 30-Jun-16 |
| | | \$ | \$ | \$ |
| ASSETS | | | | |
| Current assets | | | | |
| Cash and cash equivalents | | 8,786,186 | 163,317,336 | 172,103,522 |
| Trade and other receivables | | 39,466 | 215,399 | 254,865 |
| Total current assets | | 8,825,652 | 163,532,735 | 172,358,387 |
| Non-current assets | | | | |
| Investments held at fair value through profit or loss | | - | - | - |
| Deferred tax assets | | 41,388 | - | 41,388 |
| Total non-current assets | | 41,388 | - | 41,388 |
| Total assets | | 8,867,040 | 163,532,735 | 172,399,775 |
| LIABILITIES | | | | |
| Current liabilities | | | | |
| Trade and other payables | 4 | 12,318 | 144,332 | 156,650 |
| Total current liabilities | | 12,318 | 144,332 | 156,650 |
| Total liabilities | | 12,318 | 144,332 | 156,650 |
| Net assets | | 8,854,722 | 163,388,403 | 172,243,125 |
| EQUITY | | | | |
| Issued capital | 5 | 8,840,780 | 167,040,675 | 175,881,455 |
| Retained earnings/(accumulated losses) | | 13,942 | (3,652,272) | (3,638,330) |
| Total equity | | 8,854,722 | 163,388,403 | 172,243,125 |

The condensed statement of financial position should be read in conjunction with the notes to the condensed financial statements.

New Energy Solar

Condensed statement of changes in equity

For the period 19 November 2015 to 30 June 2016

| | New Energy Solar Limited (Company) | | |
|---|------------------------------------|-------------------|------------------|
| | Issued capital | Retained earnings | Total |
| | \$ | \$ | \$ |
| Balance at 19 November 2015 (date of registration) | - | - | - |
| Profit after tax for the period | - | 13,942 | 13,942 |
| Other comprehensive income, net of income tax | - | - | - |
| Total comprehensive income for the period | - | 13,942 | 13,942 |
| Issue of securities | 8,951,293 | - | 8,951,293 |
| Capitalised issue costs, net of income tax | (110,513) | - | (110,513) |
| Balance at 30 June 2016 | 8,840,780 | 13,942 | 8,854,722 |

| | New Energy Solar Fund (Trust) | | |
|---|-------------------------------|--------------------|--------------------|
| | Issued capital | Accumulated losses | Total |
| | \$ | \$ | \$ |
| Balance at 19 November 2015 (date of registration) | - | - | - |
| Loss after tax for the period | - | (3,652,272) | (3,652,272) |
| Other comprehensive income, net of income tax | - | - | - |
| Total comprehensive loss for the period | - | (3,652,272) | (3,652,272) |
| Issue of securities | 170,074,565 | - | 170,074,565 |
| Capitalised issue costs | (3,033,890) | - | (3,033,890) |
| Balance at 30 June 2016 | 167,040,675 | (3,652,272) | 163,388,403 |

| | Fund (combined Company and Trust) | | |
|---|-----------------------------------|--------------------|--------------------|
| | Issued capital | Accumulated losses | Total |
| | \$ | \$ | \$ |
| Balance at 19 November 2015 (date of registration) | - | - | - |
| Loss after tax for the period | - | (3,638,330) | (3,638,330) |
| Other comprehensive income, net of income tax | - | - | - |
| Total comprehensive loss for the period | - | (3,638,330) | (3,638,330) |
| Issue of securities | 179,025,858 | - | 179,025,858 |
| Capitalised issue costs | (3,144,403) | - | (3,144,403) |
| Balance at 30 June 2016 | 175,881,455 | (3,638,330) | 172,243,125 |

The condensed statement of changes in equity should be read in conjunction with the notes to the condensed financial statements.

New Energy Solar

Condensed statement of cash flows

For the period 19 November 2015 to 30 June 2016

| | New Energy Solar Limited (Company) | New Energy Solar Fund (Trust) | Fund (combined Company and Trust) |
|---|---|---|--|
| Notes | 19 November 2015 to 30 June 2016 | 19 November 2015 to 30 June 2016 | 19 November 2015 to 30 June 2016 |
| | \$ | \$ | \$ |
| Cash flows from operating activities | | | |
| Interest income received | 66,100 | 861,869 | 927,969 |
| Payments to suppliers | (46,289) | (954,802) | (1,001,091) |
| Net cash flow from operating activities | 19,811 | (92,933) | (73,122) |
| Cash flows from financing activities | | | |
| Proceeds from issue of securities | 8,951,293 | 170,074,565 | 179,025,858 |
| Payment of issue costs | (157,876) | (3,033,890) | (3,191,766) |
| Loans to subsidiaries | (27,042) | - | (27,042) |
| Net cash flow from financing activities | 8,766,375 | 167,040,675 | 175,807,050 |
| Net increase in cash and cash equivalents | 8,786,186 | 166,947,742 | 175,733,928 |
| Cash at the beginning of the period | - | - | - |
| Effect of exchange rate changes | - | (3,630,406) | (3,630,406) |
| Cash and cash equivalents at the end of the period | 8,786,186 | 163,317,336 | 172,103,522 |

The condensed statement of cash flows should be read in conjunction with the notes to the condensed financial statements.

New Energy Solar

Notes to the condensed financial statements

For the period 19 November 2015 to 30 June 2016

General information

The condensed financial statements comprise:

- New Energy Solar Limited (**Company**), a public company incorporated in Australia, and its controlled entities;
 - New Energy Solar Fund (**Trust**), a managed investment scheme registered and domiciled in Australia, with Walsh & Company Investments Limited acting as Responsible Entity, and its controlled entities;
- 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 an unlisted single stapled security.

The Company and the Trust were registered on 19 November 2015. Accordingly, the condensed financial statements cover the interim reporting period from the date of their registration to 30 June 2016.

The principal activity of the Company and the Trust is investing in large-scale solar plants that generate emissions-free power.

It is recommended that this half-year financial report be read in conjunction with any public announcements made during the period.

Statement of compliance

These condensed financial statements of the Company and the Trust are 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).

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

The condensed financial statements were authorised for issue by the board of directors of the Company and the Responsible Entity of the Trust, Walsh & Company Investments Limited (**Walsh & Co**) on 2 September 2016.

Basis of preparation

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

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 AASB that are relevant to their operations and effective for the current period.

No new or revised Standards and Interpretations effective for the period under review are considered to have any impact on the disclosures or the amounts recognised in the financial statements.

New Energy Solar

Notes to the condensed financial statements

For the period 19 November 2015 to 30 June 2016

1. Summary of significant accounting policies

(a) Basis for non-consolidation

New Energy Solar (or the **Fund**) comprises New Energy Solar Limited (the **Company**) and its controlled entities and New Energy Solar Fund (the **Trust**) and its controlled entities. 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 is expected to hold 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, including its own subsidiaries, is shown separately under the heading Trust. As noted above because the Trust is an investment entity, its financial statements reflect its investment in its direct and indirect subsidiaries at fair value.

The column headed "**Fund**" has been shown to reflect the combined financial statements of the Company and the Trust, representing the Fund, and has been prepared to reflect 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.

Under the definition of an Investment Entity, as set out in AASB 10, the 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.

In assessing whether the Company and the Trust meets the definition of an investment entity as set out in AASB 10, the Directors of the Company and the Responsible Entity of the Trust note that:

- The Company and the Trust have multiple investors, having obtained funds from a diverse group of security holders 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

Notes to the condensed financial statements

For the period 19 November 2015 to 30 June 2016

1. Summary of significant accounting policies (*continued*)

- The Company and Trust measure and evaluate performance of their underlying investments on a fair value basis which is most relevant for its security holders.

The Directors are of the opinion that the Company and the Trust will display all or most typical characteristics of an investment entity noted above and therefore meet the definition of an investment entity in AASB 10.

(b) Functional and presentation currency

The functional and presentation currency of the Company and the Trust is Australian dollars. All amounts are rounded to the nearest thousand dollars unless otherwise noted.

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

(c) Financial instruments

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

i. Financial assets

When financial assets are recognised initially, they are measured at fair value, plus in the case of financial assets not measured at fair value through profit and loss, directly attributable transaction costs.

Financial assets are subsequently measured at amortised cost using the effective interest rate method only if the following conditions are met, otherwise they are measured at fair value:

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

The effective interest rate method is used to allocate interest income or interest expense over the relevant period and is equivalent to the rate that exactly discounts estimated future cash payments or receipts (including fees, transaction costs and other premiums or discounts) through the expected life (or when this cannot be reliably predicted, the contractual term) of the financial instrument to the net carrying amount of the financial asset or financial liability.

Gains and losses on all other financial assets at fair value are recognised in profit or loss.

ii. Financial liabilities

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

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

Notes to the condensed financial statements

For the period 19 November 2015 to 30 June 2016

1. Summary of significant accounting policies *(continued)*

iii. Derecognition

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

iv. Fair value

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

(d) Impairment of assets

The directors of the Company and Responsible Entity assess at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, an estimate is made of the asset's recoverable amount. When the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount through profit or loss.

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

(e) Cash and cash equivalents

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

(f) Receivables

Receivables are financial assets with a contractual right to receive fixed or determinable payments. Receivables are recorded at amounts due less any impairment losses. Balances are written off when the probability of recovery is assessed as being remote.

(g) Trade and other payables

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

(h) Provisions

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

Notes to the condensed financial statements

For the period 19 November 2015 to 30 June 2016

1. Summary of significant accounting policies *(continued)*

(i) Taxes

i. Income tax

Australian Trust

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

Australian Company

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

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

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

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

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

ii. Goods and Services Tax (GST)

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

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

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

Notes to the condensed financial statements

For the period 19 November 2015 to 30 June 2016

1. Summary of significant accounting policies *(continued)*

(j) Revenue recognition

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

i. Interest income

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

ii. Dividend/distribution income

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

(k) Earnings per security

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

(l) Share/unit capital

i. Ordinary shares/units

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

ii. Dividend/distribution to securityholders

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

(m) Critical accounting estimates and judgements

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

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

As the definition of an 'investment entity' under AASB 10 is met, the Company and the Trust accounts for their subsidiaries at fair value through profit or loss rather than consolidating them. The Company and the Trust's investments are therefore measured at fair value for financial reporting purposes. The Board and the Responsible Entity will appoint the Investment Manager to produce investment valuations based upon projected future cash flows. As the assets are expected to be illiquid in nature, these valuations will include unobservable inputs and will therefore be categorised as Level 3 investments. The Investment Manager may at its discretion source independent valuers to undertake these valuations.

New Energy Solar

Notes to the condensed financial statements

For the period 19 November 2015 to 30 June 2016

2. Earnings per security

(i) Calculated earnings per security

| | New Energy Solar Limited (Company) | New Energy Solar Fund (Trust) | Fund (combined Company and Trust) |
|--|---|---|---|
| | 19 November 2015 to 30 June 2016 | 19 November 2015 to 30 June 2016 | 19 November 2015 to 30 June 2016 |
| | cents | cents | cents |
| Basic and diluted earnings/(loss) per security | 0.02 | (4.46) | (4.44) |

(ii) Earnings used to calculate earnings per security

| | \$ | \$ | \$ |
|--|-----------|-------------|-------------|
| Profit/(loss) from continued operations used to calculate basic and diluted earnings/(loss) per security | 13,942 | (3,652,272) | (3,638,330) |

(iii) Weighted average number of securities

| | No. | No. | No. |
|--|-------------------|-------------------|-------------------|
| Weighted average number of units outstanding used to calculate basic and diluted earnings per security | 81,910,374 | 81,910,374 | 81,910,374 |
| Effect of dilution | - | - | - |
| | 81,910,374 | 81,910,374 | 81,910,374 |

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

3. Distributions

No distributions were paid or declared to securityholders during or since the end of the period.

4. Trade and other payables

| | New Energy Solar Limited (Company) | New Energy Solar Fund (Trust) | Fund (combined Company and Trust) |
|---------------------|---|--|--|
| | 30-Jun-16 | 30-Jun-16 | 30-Jun-16 |
| | \$ | \$ | \$ |
| Trade payables | 11,068 | 115,319 | 126,387 |
| Accrued liabilities | 1,250 | 29,013 | 30,263 |
| | 12,318 | 144,332 | 156,650 |

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.

New Energy Solar

Notes to the condensed financial statements

For the period 19 November 2015 to 30 June 2016

5. Issued capital

(i) Movements in issued capital

| | New Energy Solar Limited (Company) | New Energy Solar Fund (Trust) | Fund (combined Company and Trust) |
|--------------------------------|--|-------------------------------------|--|
| | 30-Jun-16 | 30-Jun-16 | 30-Jun-16 |
| | \$ | \$ | \$ |
| Balance as at 19 November 2015 | - | - | - |
| Issue of securities | 8,951,293 | 170,074,565 | 179,025,858 |
| Less: Issue costs | (110,513) | (3,033,890) | (3,144,403) |
| Balance as at 30 June 2016 | 8,840,780 | 167,040,675 | 175,881,455 |

(ii) Movements in stapled securities

| | 30-Jun-16 | 30-Jun-16 | 30-Jun-16 |
|--------------------------------|-------------|-------------|-------------|
| | No. | No. | No. |
| Balance as at 19 November 2015 | - | - | - |
| Issue of securities | 113,764,408 | 113,764,408 | 113,764,408 |
| Balance as at 30 June 2016 | 113,764,408 | 113,764,408 | 113,764,408 |

6. Financial instruments

(i) Fair value

Fair value of the Company and the Trust's financial assets and liabilities that are not measured at fair value on a recurring basis

The fair value of financial assets and financial liabilities which are not measured at fair value on a recurring basis approximate their carrying amounts at the reporting date.

7. Controlled entities

Company

| Name of entity | Place of registration and operation | Ownership interest 2016 |
|---------------------------|-------------------------------------|----------------------------|
| New Energy Solar US Corp. | United States of America | 100% |
| NES US NC-31 LLC | United States of America | 100% |

Trust

| Name of entity | Place of registration and operation | Ownership interest 2016 |
|----------------|-------------------------------------|----------------------------|
| - | N/A | N/A |

New Energy Solar

Notes to the condensed financial statements

For the period 19 November 2015 to 30 June 2016

8. Related party disclosures

Key management personnel

Alex MacLachlan, Tom Kline and Warwick Keneally are directors of New Energy Solar Limited (**Company**), and Alex MacLachlan, Tristan O'Connell and Tom Kline are directors of the Responsible Entity of New Energy Solar Fund (**Trust**), Walsh & Company Investments Limited, and are deemed to be key management personnel.

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

Key management personnel are not compensated by the Company, Trust or by the Responsible Entity directly for the management function provided to New Energy Solar (**Fund**).

Responsible Entity Fees and other transactions

Responsible Entity Fee

Walsh & Company Investment Limited, as Responsible Entity of the Trust is entitled to receive 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 19 November 2015 to 30 June 2016, \$58,489, 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 is entitled to receive an Investment Manager Fee of 0.7% per annum (exclusive of GST) calculated on the gross asset value of the combined Company and Trust, payable monthly in arrears.

For the period 19 November 2015 to 30 June 2016, \$23,707, exclusive of GST, was paid or payable to the Investment Manager by the Company and \$511,776, exclusive of GST, was paid or payable by the Trust.

Structuring Fee

In respect of the initial Offer by the Fund, the Responsible Entity was entitled to receive a Structuring Fee of 1.5% (excluding GST) of the gross proceeds raised by the Fund under the Offer, payable after the close of the Offer. The component of the Structuring Fee payable by the Trust falls under the Trust Constitution. The component of the Structuring Fee payable by the Company falls under an agreement between the Responsible Entity and the Company.

For the period 19 November 2015 to 30 June 2016, \$134,269, exclusive of GST, was paid to the Responsible Entity by the Company and \$2,551,118, exclusive of GST, was paid by the Trust.

Acquisition and Disposal Fee

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

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

New Energy Solar

Notes to the condensed financial statements

For the period 19 November 2015 to 30 June 2016

8. Related party disclosures (*continued*)

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

There were no acquisition or disposal fees paid to the Investment Manager for the period 19 November 2015 to 30 June 2016.

9. Capital commitments

As at 30 June 2016, the Company and the Trust do not have any outstanding capital commitments.

10. Contingent liability

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.

11. Events subsequent to reporting date

On 1 August 2016, New Energy Solar announced it had executed binding agreements to acquire a majority interest in its first asset, the 43.2 MWdc Solar Power Project in Bladenboro, North Carolina from Vivo Power USA LLC, for a total consideration of US\$41.7 million (excluding transaction fees). The Company's investment is currently being held in escrow until the satisfaction of a number of conditions precedent, including the Project reaching its Commercial Operations Date, expected to be in January 2017.

Other than those disclosed above or in the financial report, there are no other matters or circumstances that have arisen since the end of the financial period that will significantly affect the operations of the Company or the Trust, the results of those operations or the state of affairs in future financial years.

New Energy Solar

Directors' declaration

For the period 19 November 2015 to 30 June 2016

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

A handwritten signature in dark ink, appearing to read 'Alex MacLachlan', with a long horizontal stroke extending to the right.

Alex MacLachlan

Chairman of New Energy Solar Limited and Walsh & Company Investments Limited

2 September 2016

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 comprising the financial statements 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 2016, and the condensed statements of profit or loss and other comprehensive income, the condensed statements of cash flows and the condensed statements of changes in equity for the period from 19 November 2015 to 30 June 2016, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration as set out on pages 4 to 18 for the Company and the Trust. The half year financial statements of the Company comprises the Company and the entities it controlled at the end of the half-year or from time to time for the period from 19 November 2015 to 30 June 2016 and the half year financial statements of the Trust comprises the Trust and the entities it controlled at the end of the period or from time to time for the period from 19 November 2015 to 30 June 2016.

Directors' Responsibility for the Half-Year Financial Statements

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 statements that give 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 statements 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 statements 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 statements are 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 2016 and their performance for the period from 19 November 2015 to 30 June 2016; 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 reports.

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.

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 statements of New Energy Solar Limited and New Energy Solar Fund are 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 2016 and of their performance for the period from 19 November 2015 to 30 June 2016; and
- b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.



DELOITTE TOUCHE TOHMATSU



Michael Kaplan
Partner
Chartered Accountants
Sydney, 2 September 2016

New Energy Solar

Directory

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Tom Kline

Warwick Keneally

Secretaries

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Directors – Walsh & Company Investments Limited

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