RNS Number : 2321U
US Solar Fund PLC
27 March 2023

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27 March 2023

US SOLAR FUND PLC (USF, the "Company")

Annual Results to 31 December 2022, Notice of AGM and Dividend Announcement

US Solar Fund plc (**LON: USF (USD)/USFP (GBP)**) announces its annual results. This covers the period ended 31 December 2022.

The Company also announces that its 2023 Annual General Meeting will be held on Wednesday, 24 May 2023 at 12.00 p.m. at the offices of JTC (UK) Limited, The Scalpel, 18th Floor, 52 Lime Street, London EC3M 7AF.

The Company's Annual Report and Financial Statements for the year ended 31 December 2022 and the formal Notice of the Annual General Meeting will be posted to shareholders and in accordance with Listing Rule 9.6.1 copies of the documents have been submitted to the UK Listing Authority and will shortly be available to view on the Company's corporate website at http://www.ussolarfund.co.uk and for inspection from the National Storage Mechanism at: https://data.fca.org.uk/#/nsm/nationalstoragemechanism

Highlights during the year

- During the year, the portfolio grew to 543MW_{DC}. The Company continued to comfortably cash cover the 2022 dividend target of 5.58 cents, which included a 1.5% increase from the previous year dividend, as targeted at IPO, and dividend cover for the 12 months to 31 December was 1.20x.
- USF's audited NAV as at 31 December 2022 was $320.0 million or $0.963 per Ordinary Share, marginally lower than the 30 June 2022 NAV of $321.2 million or $0.967 per Ordinary Share. While the portfolio experienced an overall fair value uplift, this was offset by dividends paid, operating costs at the plc level, and US tax losses (deferred tax liabilities arising from an increase in asset valuations), resulting in the reduction in NAV.
- While NAV decreased slightly, the increase in the portfolio's fair value was driven by a modest uplift in electricity price forecasts and improved operating cost assumptions which more than offset the impact of increased discount rates driven by sustained higher interest rates.
- Generation for 2022 remained within the expected range of annual variance, producing 904GWh (including reimbursed curtailment). USF continues to benefit from having a high-quality, diversified portfolio as assets largely continued performing well and contracted cashflows from long-term PPAs provided stability. The distribution of assets across different locations gave the portfolio the benefit of varying weather conditions, mitigating volatility from any particular event or local weather trend throughout the year.
- All assets in the portfolio have power purchase agreements (**PPAs**) with contracted prices for 100% of electricity generated. The portfolio weighted average PPA term is 13.8 years as at 31 December 2022, and all PPA counterparties are investment-grade (S&P rated A to BBB).
- In October 2022, USF's Board announced that it was undertaking a strategic review of the options available to the Company to maximise value for shareholders (**Strategic Review**) and that it expected to conclude the Strategic Review by the end of Q1 2023. The Strategic Review is considering all options available to the Company including a sale of the entire Company, a sale of the Company's portfolio assets, or changing the Company's investment management arrangements.
- Since the Strategic Review commenced the Board and its advisors have engaged with a significant number of parties and, following receipt of indicative proposals, have shortlisted several parties who have proceeded to the next phase of the Strategic Review process. In order to provide the shortlisted parties with the requisite time to finalise their due diligence and submit binding proposals, the Board now expects to update shareholders on the Strategic Review within the next six to eight weeks.

Dividends

- The Company paid its Q3 2022 dividend of 1.52 cents per Ordinary Share on 6 January 2023. The dividend is consistent with the Company's target full year dividend of 5.58 cents per Ordinary Share. Dividend cover for the twelve months to 31 December 2022 was 1.20x.

- The Company confirms that the dividend for the quarter ended 31 December 2022 is 1.52 cents per Ordinary Share, which will be paid as timetabled below:

Ex-Dividend Date:	6 April 2023
Record Date:	11 April 2023
Pay Date:	28 April 2023

- Companies which have been approved as investment trusts by HMRC are able, provided certain conditions are met, to designate all or part of the dividends that they pay as interest distributions.
- Of this dividend declared of 1.52 cents per Ordinary Share, 0.30 cents per Ordinary Share has been designated as an interest distribution while the remaining 1.22 cents per Ordinary Share will be paid as a dividend.

Highlights post period-end

- In January 2023, the Company announced that MN8, a renewable energy business formerly known as Goldman Sachs Renewable Power LLC, had exercised its purchase option over USF's 50% interest in the 200MW_{DC} Mount Signal 2 asset (**MS2**), with financial close expected to occur in Q2 2023. The sale will generate total proceeds (including the $1 million option fee) of $53.2 million and implies a gross return of 11% per annum since USF announced the agreement to acquire up to 50% of MS2 from New Energy Solar in December 2020. The Company will update shareholders regarding use of proceeds at the conclusion of the Strategic Review (or the financial close of the MS2 sale if earlier).

Gill Nott, Chair of the Company said:

"2022 was a significant year for the Company. The portfolio grew to over half a gigawatt, we increased the dividend and continued to cash cover the payments, and USF received a compelling offer for its ownership in MS2. However, with the sustained share price discount to net asset value impeding the ability of the Company to grow, we also announced that the Company was conducting a strategic review in the interest of all shareholders.

We are proud of the high-quality portfolio USF has built and look forward to providing an update to shareholders in due course."

For further information, please contact:

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About US Solar Fund plc
US Solar Fund plc, established in 2019, is listed on the premium segment of the London Stock Exchange. The Company's investment objective is to provide investors with attractive and sustainable dividends with an element of capital growth by owning and operating solar power assets in North America and other OECD countries in the America.

The solar power assets that the Company acquires or constructs are expected to have an asset life of at least 30 years and generate stable and uncorrelated cashflows by selling electricity to creditworthy offtakers under long-term power purchase agreements (or PPAs). The Company's portfolio consists of 42 operational solar projects with a total capacity of 543 MW_{DC}, all located in the United States.

Further information on the Company can be found on its website at http://www.ussolarfund.co.uk.

About the Investment Manager
USF is managed by New Energy Solar Manager (**NESM**). NESM also manages New Energy Solar, an Australian Securities Exchange (**ASX**)-listed fund. Combined, US Solar Fund and New Energy Solar have committed approximately US$1.3 billion to 57 projects totalling 1.2GW_{DC}.

NESM is owned by E&P Funds, the funds management division of E&P Financial Group, an ASX listed company (**ASX: EP1**) with over A$20 billion of funds under advice.

US SOLAR FUND PLC
(Company Registration Number 11761009)
ANNUAL REPORT AND AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

1. Highlights

Table 1: Highlights for the period

	12 Months Ended 31 December 2022	**6 Months Ended 30 June 2022**	**12 Months Ended 31 December 2021**
FINANCIAL			
Net Asset Value (**NAV**)	$320.0m	$321.2m	$324.0m
NAV per share*	$0.963	$0.967	$0.975
Ordinary shares outstanding	332.2m	332.2m	332.2m
Share price based on closing price of indicated date	$0.84	$0.88	$0.96
Premium (discount) to NAV*	(12.8%)	(9.0%)	(1.6%)
Market capitalisation based on closing price of indicated date	$279m	$292m	$319m
Dividends paid[1]	$18.4m	$10.0m	$10.3m
Dividend cover*	1.20x	1.19x	1.82x
Shareholder total return (from inception)*[2]	(5.95%)	(4.06%)	3.13%
NAV total return (from inception)*[3]	9.98%	7.76%	5.55%
Profit/(loss)	$14.5m	$6.4m	$15.0m
Earnings per share (cents)	4.4	1.9	5.2
Ongoing charges[4]	1.37%	1.35%	1.36%
Gearing*	44.2%	44.2%	38.4%
OPERATIONAL			
Projects[5] fully operational	42	42	42
Total capacity (ownership stake)	543MW$_{DC}$[6]	543MW$_{DC}$[6]	493MW$_{DC}$
Total electricity generation	904GWh[6]	452GWh[6]	851GWh
Generation shortfall (percentage of budget)	(4.9%)[6]	(3.0%)[6]	(3.9%)
Weighted average PPA term remaining	13.8 years	14.3 years	14.4 years
Average offtaker credit rating	BBB+	BBB+	BBB+
ENVIRONMENTAL[7]			
CO_2 emissions displaced	618,000t	336,000t	639,000t
Equivalent US homes powered	95,000	46,000	87,000
Equivalent US cars removed from the road	134,000	73,000	139,000

* Marked metrics are Alternative Performance Measures (**APM's**) used by the Company to monitor performance against expectations. Calculations are defined in the glossary in section 21 of this Annual Report or in USF's quarterly RNS updates and other market announcements. USF's APMs may not be comparable with similarly titled measures presented by other companies.

2. Chair's Statement

I am pleased to present the Annual Report for US Solar Fund plc for the period ended 31 December 2022. In May this year, the portfolio increased by 50 MW$_{DC}$ bringing total capacity to over half of a GW. The Company continued to comfortably cash cover the 2022 dividend target of 5.58 cents, which included a 1.5% increase from the previous year dividend, as targeted at IPO.

However, the Company's share price performance continued to be disappointing compared to its peers. Ongoing and unexpected softness in long-term US electricity price forecasts has offset the otherwise favourable discount rate compression the Company has achieved as it completed construction projects and they became operational. Additionally, the supply of "construction-ready" projects in the US has become more limited as market participants have increased their risk appetite and acquired earlier stage projects than previously, invested in development pipelines, or invested in development platforms. These factors have prevented the Company from growing as all stakeholders had hoped.

As a result, the Board announced in October 2022 that USF was undertaking a Strategic Review which it expected to conclude by the end of Q1 2023. The Strategic Review is considering all options available to the Company including a sale of the entire Company, a sale of the Company's portfolio assets, or changing the Company's investment management arrangements. Since the Strategic Review commenced, the Board and its advisors have engaged with a significant number of parties and, following receipt of indicative proposals, have shortlisted several parties who have proceeded to the next phase of the Strategic Review process. In order to provide the shortlisted parties with the requisite time to finalise their due diligence and submit binding proposals, the Board now expects to update shareholders on the Strategic Review within the next six to eight weeks.

As noted in the half-year report, USF remains a stable and solidly performing company despite the volatility in energy markets around the world. In the UK, wholesale electricity prices experienced dramatic swings throughout 2022, with a high of £363/MWh and a low of £110/MWh; much more volatile than US wholesale electricity markets[8]. At 31 December 2022, UK prices were £285/MWh and have since fallen due to warmer winter weather and the increased availability of liquefied natural gas in Europe and the UK as these countries seek to reduce reliance on Russian gas.

USF was structured to provide dividend stability from long-term contracted cash flows and, as such, has no exposure to short-term electricity price volatility. At 31 December 2022, the weighted average remaining PPA term for the portfolio was 13.8 years. While this has not allowed the Company to benefit from higher US spot electricity prices in the last year, it does mean that the Company can consistently deliver the steady cash flows that result from having long-term contracts in place for the electricity generated by its high-quality renewable energy assets. While USF's assets do not benefit from spot electricity price increases during their PPAs, they are also insulated from electricity price reductions. Following the PPA term, USF's projects can seek to recontract at market prices.

Throughout the period USF shares traded between $0.82 and $0.98 on the London Stock Exchange. At 30 December 2022, the Company's shares were trading at $0.84. This represents a 12.8% discount to the NAV of $320.0 million or $0.963 per Ordinary Share. Including dividends paid during the period, shareholder total return from inception to 31 December is (5.95%).

PORTFOLIO DEVELOPMENTS

In May, USF's portfolio grew to 543MW$_{DC}$ with the acquisition of a second 50MW$_{DC}$ tranche of MS2, bringing USF's total ownership to 100MW$_{DC}$ or 50% of the project. In August, USF announced that it had sold a purchase option (**Option**) over its 50% interest in MS2 to MN8 (**MN8**), a renewable energy business formerly known as Goldman Sachs Renewable Power LLC. For a non-refundable fee of $1 million, the Option gave MN8 the right to acquire USF's interest in MS2 for $52.2 million excluding working capital for a period of six months from August 2022. MN8 exercised the Option in January 2023.

The MS2 sale is expected to generate total proceeds (including the Option fee and excluding working capital) of $53.2 million and implies a gross return of 11% per annum[9] since USF announced the agreement to acquire up to 50% of MS2 from New Energy Solar in December 2020.

The MS2 sale price was based on the net asset value at which USF held MS2 at 31 March 2022, which remains consistent with MS2's 31 December 2022 net asset value (adjusted for the option fee and working capital) of $51.7 million. The Option exercise and expected resultant MS2 sale has no impact on the Strategic Review and simplifies the Company's structure for a sale of the whole Company or its assets as MS2 was the only asset in which USF had partial ownership. The Company will update shareholders regarding use of proceeds at the conclusion of the Strategic Review (or the financial close of the MS2 sale if earlier).

As the Option was exercised after the end of the period, the portfolio comprised 543MW$_{DC}$ across 42 fully operating projects in four states at 31 December 2022. During the period, the assets produced 904 GWh of electricity. This was within the expected range of annual generation variance and ensured the continued strong cash cover of the dividend.

PERFORMANCE

USF's audited NAV at 31 December 2022 was $320.0 million or $0.963 per Ordinary Share, marginally lower than the 31 December 2021 NAV of $324.0 million or $0.975 per Ordinary Share and 30 June 2022 NAV of $321.2 million or $0.967 per Ordinary Share. The Fair Value (**FV**) of solar investments increased from June 2022 as increases in discount rates were offset by favourable reductions in future operating costs reflecting ongoing efficiency gains in the solar operations and maintenance market. This increase in FV was offset by dividends paid, the IM fee, expenses and US tax losses (deferred tax liabilities arising from an increase in asset valuations) which resulted in the reduction in NAV.

DIVIDEND

For the period ending 31 December, the Company declared and paid three dividends including 1.27 cents (31 March), 1.27 cents (30 June) and 1.52 cents (30 September). The final dividend for the period, 1.52 cents per Ordinary Share, is declared in this Report and will be paid on 28 April 2023. The total dividends meet the 2022 target dividend of 5.58 cents per Ordinary Share, a 1.5% increase over the 2021 full year dividend of 5.5 cents.

Dividend cover for the 12 months to 31 December was 1.20x. As a reminder, USF's highest power generation, and therefore operating cash flows, are produced in the summer months; electricity sales must then be converted to distributable cash flow at the Company level. The profile of dividend payments and the dividend cash cover throughout the year broadly reflects this seasonality of the Company's underlying cash flows.

The target annual dividend for 2023 is 5.66 cents per Ordinary Share, a 1.5% increase over the prior year's annual dividend of 5.58 cents per Ordinary Share.

INVESTMENT MANAGER PERSONNEL

In December, the Company announced that Liam Thomas, previously CEO of USF's Investment Manager, will cease full-time employment with the Investment Manager from 31 December 2022. However, from 1 January 2023, Liam has been engaged as a consultant to the Investment Manager to spend 25% of his time focused on the Strategic Review. At the same time, it was announced that Adam Haughton, previously CIO, was departing to pursue another opportunity. Subsequently, Bert Snarr has been promoted to Director of the Investment Manager and is serving as commercial lead on the Strategic Review. Warwick Keneally (CFO) along with Brian Disler, formerly general counsel of E&P Financial Group Limited's (Investment Manager's parent company) US operations, are currently providing management oversight and support as well as legal expertise.

US SOLAR INDUSTRY

The year was significant for the solar industry in the US. Growth in utility-scale development continued to slow through the third quarter. Fourth quarter data has not yet been released but if it reaches Wood Mackenzie's 2022 target of 10.3GW$_{DC}$, this will be a 40% drop from 2021. This slow-down was expected for 2022 based on supply chain constraints, high commodity prices and complex trade policy. Growth is forecast to return in 2023, with targets exceeding the records set in 2021. Importantly, the trend toward more solar in general remains strong. Solar PV accounted for 45% of new electricity-generating capacity additions through the third quarter, its highest share to date; 140 GW_{DC} of utility scale solar is forecast to be added between 2023 and 2027. This forecast growth is despite headwinds from inflation and higher interest rates, continued supply chain constraints, and trade and tariff uncertainty. However, these are being offset by tax credit additions and extensions as a result of the Inflation Reduction Act and federal investment in transmission and resource planning.

In early June, President Biden removed tariffs on solar panels for at least 24 months, and concurrently, the US government is working to bring more solar panel production online in the US. Related to these initiatives, the US also has enacted the Uyghur Forced Labor Prevention Act, which is intended to prevent polysilicon produced from forced labour from entering the US market by requiring clear supply chain documentation. In the short term it is causing some delays on key imports as all parties work through how best to source and provide the information required. In the medium and long term, the initiatives will potentially help to mitigate uncertainty around supply chain concerns and to reduce the risk of the US market participating in human rights violations.

In early August, after a year of negotiations and stalled efforts, landmark climate legislation was passed through Congress and signed by President Biden as part of the Inflation Reduction Act (**IRA**). The measures are expected to drive a huge shift in replacing existing fossil fuel generation with new, cheaper clean energy to increase its share of energy production in the US and includes the restoration of the Investment Tax Credit (**ITC**) (through the end of 2035). Commencing in 2022 the IRA also allows developers to elect a $0.026 /kWh production tax credit in lieu of the ITC which rises with inflation.

Despite these tailwinds, USF's ability to acquire projects that align with the investment strategy has been limited by both its inability to raise capital due to muted NAV and share price performance and the previously described changes in the US market. At inception, USF was able to acquire high-quality, construction-ready projects from credible developers. However, as capital continued to flow into the sector, risk appetites increased and market participants who previously took little to no development risk began investing directly in development pipelines or development platforms. This limited the supply of projects available for USF to purchase and increased the price of those projects that were available.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE & SUSTAINABILITY

USF continues to focus on Environmental, Social and Governance (**ESG**) reporting as a priority. This year the Company engaged an external consultant, Carbon Responsible, to assist in the Company's carbon footprint calculation to further enhance data collection and analysis. We are releasing our annual Sustainability Report following the annual report and hope that all of our stakeholders find it helpful and engaging. We have continued to follow many of the valuable frameworks we have previously reported against like the Sustainable Financial Disclosure Regulation (**SFDR**) Annexe One and the mandatory Task Force on Climate-related Financial Disclosures (**TCFD**) because data from these templates are most often requested from our investors, and the templates provide detailed and straightforward approaches for our ESG and Sustainability communications.

OUTLOOK

Global financial markets and politics were defined by volatility during 2022. Much of this has derived from the appalling war in Ukraine, which led to a surge in energy prices, markets in turmoil, and concerns about recessions across the globe. Of course, this happened on the heels of global concerns about the recovery from the Covid pandemic. This was particularly true for China, a major driver of global trade, where the pandemic led to lower economic growth. Another challenge for global markets has been rising interest rates. In 2022, the US Federal Funds Effective Rate rose from 0.08% to 4.10%, bringing concerns about the future pace of growth in the US economy. Unfortunately, 2023 thus far also seems to be dominated by volatility and concerns about potential economic recession.

However, alongside this, we are seeing important and exciting developments around climate policy and renewables adoption. In 2019, the UK was the first G7 economy to pass a net zero target. Today, after just four years, the countries that have a net zero target account for 91% of the world's GDP[10]. In the US, the White House has repeatedly committed to taking meaningful action regarding climate change, including reducing US greenhouse gas emissions 50-52% below 2005 levels in 2030, reaching 100% carbon pollution-free electricity by 2035 and achieving a net-zero emissions economy by 2050. These efforts will require a significant shift toward clean energy, suggesting the outlook for renewable energy in the US is positive and, while we have been pleased to participate in this exciting market during a time of great growth and development, acquiring a high-quality portfolio of assets, it is disappointing that US Solar has not been in a position deliver ongoing growth for shareholders.

The Board continues to consider the needs of all shareholders and, while it is too early in the Strategic Review to provide further information, we look forward to providing an update as the process progresses.

GILL NOTT
CHAIR
24 March 2023

3. Investment Manager's Report

SUMMARY OF THE PERIOD

Over the course of 2022, the Company has continued to pay and cash-cover the target dividend as the portfolio moved into its second full year of operations. All cash flows from USF's assets continue to be contracted with US investment-grade offtakers for a weighted average remaining term of 13.8 years[11].

The Investment Manager completed the acquisition of a second 50MW_{DC} tranche of MS2 in May 2022, bringing total ownership to 100MW_{DC} or 50% of the project. In August, USF announced that it had sold a purchase option (**Option**) over this 50% interest in MS2 to MN8 (**MN8**), a renewable energy business formerly known as Goldman Sachs Renewable Power LLC. The other 50% of the asset was acquired by MN8 as part of a broader portfolio transaction during 2022.

As announced with this report, the Company has met the annual dividend target of 5.58 cents per Ordinary share for 2022. Coverage of dividends paid during the period by free cash flow and any cash flows carried forward was 1.20x[12].

Over the course of the year and as part of normal Asset Management strategy, the Investment Manager has continued to proactively investigate plant performance to reduce downtime and improve operations. Reflecting the geographic diversity of the plants, performance for the year was within 4.9% of budget.

NET ASSET VALUE

USF's audited NAV at 31 December 2022 was $320.0 million or $0.963 per Ordinary Share, marginally lower than the 30 June 2022 NAV of $321.2 million or $0.967 per Ordinary Share. While the portfolio experienced an overall fair value uplift, this was offset by dividends paid, and operating costs at the plc level, as well as US tax losses (deferred tax liabilities arising from an increase in asset valuations), resulting in the reduction in NAV.

The fair value increase was driven by a modest uplift in electricity price forecasts and improved operating cost assumptions which more than offset the impact of increased discount rates driven by sustained higher interest rates.

US SOLAR FUND STRUCTURE

USF invests in its US-based subsidiary, USF Holding Corp., via a combination of debt and equity. USF is entitled to a Management Services Agreement (**MSA**) fee for the provision of management services to USF Holding Corp. USF Holding Corp. reimburses USF for investment costs, and costs associated with providing capital and advice to acquire underlying US Solar Assets. In addition, the Company earns interest on an intercompany loan to USF Holding Corp. Cash may also flow from USF Holding Corp. to USF as a dividend or return of capital, which is distributed to USF Holding Corp. on a periodic basis from the Company's underlying Solar Assets.

There are no restrictions on the movement of cash between USF and its subsidiary. As of 31 December 2022, the Company and USF Holding Corp. have available cash of $7.3 million and $3.5 million respectively, for a total balance of $10.8 million which may be used to meet the obligations of USF. At 31 December 2022, the Company had access through USF Avon LLC (a wholly owned subsidiary of the Company) to a $40.0 million revolving credit facility (**RCF**) of which $36.5 million is undrawn, providing further liquidity support.

PORTFOLIO UPDATE

As previously mentioned, USF's portfolio grew to 543MW_{DC} with the acquisition of a second 50MW_{DC} tranche of MS2 in May 2022, bringing total ownership to 100MW_{DC} or 50% of the project. In August, USF announced that it had sold a purchase option (**Option**) over this 50% interest in MS2 to MN8 (**MN8**), a renewable energy business formerly known as Goldman Sachs Renewable Power LLC. The other 50% of the asset was sold to MN8 as part of a broader portfolio transaction during 2022. Under the terms of the Option, MN8 paid USF a non-refundable option fee of $1 million. MN8 exercised the Option in January 2023, with financial close expected during Q2 of this year.

The sale is expected to generate total proceeds (including the option fee) of $53.2 million and implies a gross return of 11% per annum[13] since USF announced the agreement to acquire up to 50% of MS2 from New Energy Solar (**NEW**) in December 2020. The valuation is consistent with the net asset value at which USF held MS2 at 31 March 2022. The Option exercise and expected resultant MS2 sale has no impact on the Strategic Review and the Company will update shareholders regarding use of proceeds at the conclusion of the Strategic Review (or the financial close of the MS2 sale if earlier).

As the Option was exercised after the end of the period, the portfolio comprised 543MW_{DC} across 42 projects at 31 December 2022. The portfolio is fully operating and diversified across four states with all production sold to a variety of investment-grade offtakers (S&P rated: A to BBB).

PORTFOLIO GENERATION UPDATE

Figure 2 above shows actual and budgeted generation from the assets during the full year, including 50% of MS2 generation from the end of May 2022. The increase in production from Q1 to Q2 and decrease from Q3 to Q4 is largely attributable to the seasonality of production as we moved into and out of the summer months.

During the period, the assets produced 904GWh (including reimbursed curtailment). As shown in Figure 3 below, a 0.8% increase in generation from better-than-expected weather was more than offset by decreases from availability, unscheduled maintenance, and non-reimbursed curtailment, resulting in generation 4.9% below budget. Some of the lost generation and revenue related to inverter failure is expected to be reimbursed through business interruption insurance claims, and the Investment Manager expects the majority of future curtailment to be reimbursable as per the PPA curtailment provisions. Unscheduled maintenance was largely due to grid instability in Oregon and North Carolina as a result of weather and storms across the country.

USF has a high-quality, diversified portfolio of assets that are largely continuing to perform well with their long-term PPAs. The distribution of assets across different locations gave the portfolio the benefit of varying weather conditions, mitigating volatility from any particular event or local weather trend throughout the year. The period's generation is within the expected range of annual variance and did not impact USF's ability to continue to achieve an appropriate level of cash cover against the target dividend.

Over the course of the year, the Investment Manager has continued to proactively investigate plant performance to remediate production losses and improve operations. The Direct Current (**DC**) health of each facility remains to be one of the major areas of focus related to plant performance and the Investment Manager in conjunction with the site's O&M providers have implemented strategies to identify and remediate negative impacts to DC performance. For instance, the Investment Manager has upgraded the data analytics tool to better track DC health by comparing individual combiner boxes to the expected output and thereby identifying string or panel level losses, including soiling losses. Further, the frequency of thermal aerial drone scans have been increased where needed to ensure the DC health issues are identified and rectified as quickly as possible. To help reduce the duration of future outages, the team is continually reviewing the site spare parts inventory, evaluating items that may be subject to increased lead time or manufacturing constraints and purchasing as necessary.

USF measures "Actual" performance against "Budgeted" performance. "Actual" production is the number of GWh generated and sold to the offtaker. "Budget" is the P50 production forecast for the plant before any adjustment for experienced weather conditions. Budgeted production is based on a production model and assumptions verified by an independent engineer at the time of acquisition, considering the location of the site, design of the plant and equipment used, degradation of equipment over time, planned maintenance outages, unplanned maintenance and grid outages.

STRATEGIC REVIEW AND SALE PROCESS UPDATE

The Company is currently undertaking a sale process for USF as a part of the Strategic Review to maximise value for shareholders. The process has invited expressions of interest for the entire USF plc, USF's US assets, or the investment management rights. Since the Strategic Review commenced, the Board and its advisors have engaged with a significant number of parties and, following receipt of indicative proposals, have shortlisted several parties who have proceeded to the next phase of the Strategic Review process. In order to provide the shortlisted parties with the requisite time to finalise their due diligence and submit binding proposals, the Board now expects to update shareholders on the Strategic Review in the next six to eight weeks.

FUNDS COMMITTED

At 31 December 2022, USF had invested $304 million in the operating portfolio. USF has $11 million of available cash and an undrawn RCF balance of $36.5 million remaining.

EVENTS AFTER THE PERIOD

On 23 January 2023, the Company announced that MN8, a renewable energy business formerly known as Goldman Sachs Renewable Power LLC, has exercised its purchase option over USF's 50% interest in the 200MW_{DC} Mount Signal 2 asset, with financial close expected to occur in Q2 2023. The sale will generate total proceeds (including the option fee) of $53.2 million and implies a gross return of 11% per annum[14] since USF announced the agreement to acquire up to 50% of MS2 from NEW in December 2020.

On 24 March 2023, the Company declared a dividend of 1.52 cents per Ordinary Share for the period ending 31 December 2022, bringing total dividends declared for the twelve-month period to 5.58 cents per Ordinary Share, meeting the dividend target. The dividend is expected to be paid on or around 28 April 2022.

INVESTMENT PORTFOLIO

As at 31 December 2022 the Company owned 42 utility scale solar projects, totalling 543MW_{DC}. All assets in USF's portfolio have achieved commercial operations and are generating revenue for the Company. Table 2 sets out the location and further information regarding each project.

Table 2: Portfolio Overview

Asset	Capacity (MW_{DC})	Location	Acquisition Date	Energy Offtaker	Offtaker Credit Rating[15]	Remaining PPA Length (Years)	COD[16]
Milford	127.8	Utah	Aug 19	PacifiCorp	S&P: A	22.9	Nov 20
MS2	99.8[17]	California	Mar 21	Southern California Edison	S&P: BBB	17.4	Jan 20
Suntex	15.3	Oregon	Jun 20	Portland General Electric	S&P: BBB+	8.6	Jul 20
West Hines	15.3	Oregon	Jun 20	Portland General Electric	S&P: BBB+	8.6	Jun 20
Alkali	15.1	Oregon	Jun 20	Portland General Electric	S&P: BBB+	8.7	Jun 20
Rock Garden	14.9	Oregon	Jun 20	Portland General Electric	S&P: BBB+	8.7	Jun 20
Chiloquin	14.0	Oregon	Mar 20	PacifiCorp	S&P: A	9.0	Jan 18
Dairy	14.0	Oregon	Mar 20	PacifiCorp	S&P: A	8.8	Mar 18
Tumbleweed	14.0	Oregon	Mar 20	PacifiCorp	S&P: A	9.0	Dec 17
Lakeview	13.7	Oregon	Mar 20	PacifiCorp	S&P: A	8.8	Dec 17
Turkey Hill	13.2	Oregon	Mar 20	PacifiCorp	S&P: A	8.8	Dec 17
Merrill	10.5	Oregon	Mar 20	PacifiCorp	S&P: A	8.8	Jan 18
Lane II	7.5	North Carolina	Dec 19	Duke Energy Progress	S&P: BBB+	10.7	Jul 20
Pilot Mountain	7.5	North Carolina	Dec 19	Duke Energy Carolinas	S&P: BBB+	10.7	Sep 20
Davis Lane	7.0	North Carolina	Mar 20	Virginia Electric & Power	S&P: BBB+	10.0	Dec 17
Gauss	7.0	North Carolina	Mar 20	Virginia Electric & Power	S&P: BBB+	10.6	Oct 18
Jersey	7.0	North Carolina	Mar 20	North Carolina Electric	S&P: A-	5.0	Dec 17
Sonne Two	7.0	North Carolina	Mar 20	Duke Energy Carolinas	S&P: BBB+	8.6	Dec 16
Red Oak	6.9	North Carolina	Mar 20	Duke Energy Progress	S&P: BBB+	9.0	Dec 16
Schell	6.9	North Carolina	Mar 20	Virginia Electric & Power	S&P: BBB+	9.0	Dec 16
Siler 421	6.9	North Carolina	Mar 20	Duke Energy Progress	S&P: BBB+	8.6	Dec 16
Cotten	6.8	North Carolina	Mar 20	Duke Energy Progress	S&P: BBB+	8.9	Nov 16
Tiburon	6.7	North Carolina	Mar 20	Duke Energy Carolinas	S&P: BBB+	8.6	Dec 16
Monroe Moore	6.6	North Carolina	Mar 20	Duke Energy Carolinas	S&P: BBB+	8.6	Dec 16

Four Oaks	6.5	North Carolina	Dec 19	Duke Energy Progress	S&P: BBB+	7.8	Oct 15
Princeton	6.5	North Carolina	Dec 19	Duke Energy Progress	S&P: BBB+	7.8	Oct 15
Tate	6.5	North Carolina	Dec 19	Duke Energy Progress	S&P: BBB+	10.7	Aug 20
Freemont	6.4	North Carolina	Mar 20	Duke Energy Carolinas	S&P: BBB+	8.6	Dec 16
Mariposa	6.4	North Carolina	Mar 20	Duke Energy Carolinas	S&P: BBB+	8.7	Sep 16
S. Robeson	6.3	North Carolina	Jan 20	Progress Energy	S&P: BBB+	4.6	Jul 12
Sarah	6.3	North Carolina	Dec 19	Duke Energy Progress	S&P: BBB+	7.5	Jun 15
Nitro	6.2	North Carolina	Dec 19	Duke Energy Progress	S&P: BBB+	6.9	Jul 15
Sedberry	6.2	North Carolina	Mar 20	Duke Energy Progress	S&P: BBB+	8.6	Dec 16
Willard	6.0	North Carolina	Dec 19	Duke Energy Progress	S&P: BBB+	10.7	Oct 20
Benson	5.7	North Carolina	Dec 19	Duke Energy Progress	S&P: BBB+	10.7	Aug 20
Eagle Solar	5.6	North Carolina	Dec 19	Duke Energy Progress	S&P: BBB+	10.7	Aug 20
Granger	3.9	California	Mar 20	San Diego Gas & Electric	S&P: BBB+	13.7	Sep 16
Valley Center	3.0	California	Mar 20	San Diego Gas & Electric	S&P: BBB+	13.9	Dec 16
County Home	2.6	North Carolina	Mar 20	Duke Energy Carolinas	S&P: BBB+	8.6	Sep 16
Progress 1	2.5	North Carolina	Jan 20	Progress Energy	S&P: BBB+	9.3	Apr 12
Progress 2	2.5	North Carolina	Jan 20	Progress Energy	S&P: BBB+	5.0	Apr 13
Faison	2.3	North Carolina	Dec 19	Duke Energy Progress	S&P: BBB+	7.3	Jun 15
Grand Total	**542.8**					**13.8**[18]	

ACQUISITIONS

As at 31 December 2022, the Company had closed six acquisitions. Milford and Olympos completed in 2019, Granite, Heelstone and Euryalus were completed in 2020. The first 25% tranche of MS2 was completed in 2021 and subsequent second tranche financially closed in 2022, bringing the total portfolio to $543MW_{DC}$ as at 31 December 2022. In January 2023, USF announced it would sell its interests in MS2, bringing the total portfolio capacity back to $443MW_{DC}$.

INVESTMENT PERFORMANCE

At 31 December 2022, the Company's shares were trading at $0.84 per Ordinary Share. This represents a 12.8% discount to the 31 December 2022 NAV of $320.0 million or $0.963 per Ordinary Share. The NAV is defined as the total assets less any liabilities.

The financial statements of the Company are presented in Sections 14-17 of this document. For further detail, please see Section 14: Condensed Statement of Profit and Loss and Other Comprehensive Income.

Table 3 below summarises the performance of the Company during the period.

Table 3: Performance Summary

	12 MONTHS ENDED 31 DECEMBER 2022	6 MONTHS ENDED 30 JUNE 2022	12 MONTHS ENDED 31 DECEMBER 2021
Number of projects[19]	42	42	42
Capacity of projects	$543MW_{DC}$	$543MW_{DC}$	$493MW_{DC}$
NAV	$320.0m	$321.2m	$324.0m
NAV per share	$0.963	$0.967	$0.975
Ordinary shares issued	332m	332m	332m
Closing share price (USF)	$0.84	$0.88	$0.96
Market capitalisation (based on closing price)	$279m	$292m	$319m
Dividends paid[20]	$18.4m	$10.0m	$10.3m
NAV total return performance	9.98%	7.76%	5.55%
Share price total return performance (from inception)	(5.95%)	(4.06%)	3.13%

The Figure below shows the Company's NAV progression from 31 December 2021 to the end of the period, 31 December 2022. During the period, positive impacts from distributions from solar assets and fair value gain on solar investments were offset by dividends, the IM fee, expenses, and US tax loss. The US tax losses refer to increases in deferred tax liabilities arising from an increase in asset valuations.

The Company generated a profit after tax of $14,494,994 (4.4 cents per share) during the period. As set out in note 10 of the Financial Statements and summarised in Figure 6 below, dividend income of $15,911,710 (4.8 cents per share), intercompany loan interest income of $1,988,965, MSA fee income of $5,499,339 and an unrealised loss on investment of $4,008,758 sum to a net gain from the Company's investment in USF Holding Corp. over the period of $19,391,256 or 5.8 cents per share. This was offset by foreign exchange losses of $366,763 on funds that were retained in GBP, interest income of $3,905 and administrative, Investment Management fees and other expenses of $4,533,404.

The net improvement in fair value of the underlying solar power plants of $0.028 per share is broken down into its individual movements in fair value in Figure 7 below but is most significantly impacted by the roll forward, updated merchant curve and operating assumptions in the modelling of the solar plants in the portfolio, offset by updated discount rates.

Dividends paid by the Company to its shareholders incorporates the corresponding movement of earnings from the subsidiaries to the Company on a per share basis in the table above.

The movement in US taxes of $0.014 per share represents the increase in estimated deferred US taxes expected to be payable from a sale of the Company's portfolio of solar assets.

Figure 7 details the $0.028 cents per Ordinary Share movement in the "FV gain on solar investments" category shown in Figure 6. The increase reflects the updated operating assumptions, updated merchant curves and net working capital impacts on the valuations between 31 December 2021 and 31 December 2022.

The roll forward category is a result of bringing forward the valuation date to 31 December 2022 from 31 December 2021, thereby removing cash flows from prior periods and bringing forward future cash flows.

Updated operating assumptions include revised assumptions regarding expenses like vegetation management fees or recontracted O&M fees and had a net positive effect on the FV of the portfolio over the period through price reductions. These assumptions are based on real market data at year-end, however, future outcomes will depend on the market pricing at the time current contracts expire and are renewed.

The change in merchant curve reflects the update of forecast power prices to use the most recent two power price forecasts from two market consultants. Over the course of H2 2022, independent forecasts of merchant prices (i.e. energy, capacity and RECs forecasts post the contracted PPA period) have generally been revised upwards, resulting in a positive impact on NAV.

The increase in net working capital (NWC update) reflects the increase in cash balances and movements in working capital at the holding company subsidiaries.

The MS2 option valuation difference refers to the difference between the option valuation as recorded at 31 December 2021 and the exercised 30 June 2022 valuation of tranche two of MS2.

Model update refers to the amendment of underlying fair value modelling mechanisms of the portfolio. Over the period there was a minor amendment made to the MS2's model to adjust for updated tax equity buyout estimates, resulting in a negative impact on the valuation of that asset. MS2's valuation was previously underestimating the cash flow associated with the tax equity buyout. There were no changes made to the generation assumptions over the course of the period.

Discount rates were reviewed and generally revised upwards for the period, resulting in a negative impact on FV. Further details on the discount rates can be found in the Valuation Methodology section below.

ONGOING CHARGES

The ongoing charges ratio of the Company is 1.37% of the average NAV for the period ended 31 December 2022. The ratio has been calculated using the AIC recommended methodology.

VALUATION

NET ASSET VALUE

The NAV for the period ending 31 December 2022 is $320.0 million, or $0.963 per Ordinary Share.

The valuation of the Solar Assets produced by the Investment Manager fully takes into account the overall valuations by an independent appraiser on a semi-annual basis as at 30 June and 31 December. The Company's valuations are within the valuation ranges of the independent appraiser. These valuations form part of the NAV calculation of the Company, which is subject to review/audit. Additionally, an unaudited NAV and NAV per Ordinary Share is calculated in US dollars on a quarterly basis as at 31 March and 30 September by the administrator, JTC (UK) Limited, (**Administrator**) in conjunction with the Investment Manager.

VALUATION METHODOLOGY

The Company has engaged an independent third-party appraiser to value operational Solar Assets acquired by the Company and its Project Special Purpose Vehicle (**SPV**), every six months as at 30 June and 31 December.

At each quarter-end, the Investment Manager provides the relevant third-party or internal valuations of the Solar Assets, together with the valuations of the other assets of the Company and its Project SPVs, to the Company Secretary and Administrator of the Company.

The Administrator, in conjunction with the Investment Manager, calculates the NAV and the NAV per Ordinary Share as at the end of each quarter of the Company's financial year, and submits the same to the Board for its approval.

The valuation has been calculated in accordance with Uniform Standards of Professional Appraisal Practice (**USPAP**) as applied to PV electricity generation systems in the US.

Fair value for operational Solar Assets is derived from a discounted cash flow (**DCF**) methodology. For Solar Assets that are still under construction at the time of valuation, the purchase price of the Solar Power Asset including construction and acquisition costs is normally used as an appropriate estimate of fair value, provided no significant changes to key underlying economic considerations (such as major construction impediments or natural disasters) have arisen.

Primary valuation methodology:

- The equity fair values of USF's construction assets are based on the equity purchase price plus transaction costs (no assets were valued on this basis for 31 December 2022 as all assets were operational during the period and at period end).
- The equity fair values of USF's operational assets are based on DCF modelling of pre-tax cash flows to equity as at 31 December 2022. This methodology more accurately reflects the valuation impact of the discrete debt instruments that USF has in place when compared to an unlevered valuation.

- A post-tax valuation is conducted at the US Holding Corp. level to cross-check the implied post-tax discount rate.

In a DCF analysis, the fair value of the Solar Power Asset is the present value of the asset's expected future cash flows, based on a range of operating assumptions for revenues and costs and an appropriate discount rate range.

The Investment Manager has reviewed a range of sources in determining the fair market valuation of the Solar Assets, including but not limited to:

- discount rates publicly disclosed by the Company's global peers;
- discount rates applicable to comparable infrastructure asset classes; and
- capital asset price model outputs and implied risk premium over relevant risk-free rates.

A broad range of assumptions are used in valuation models. Where possible, assumptions are based on observable long-term historical market and technical data given the long-term life of the assets. The Investment Manager also engages technical experts such as long-term electricity price forecasters, and for the current valuation cycle, an independent engineer to provide or validate long-term inputs for use in its valuations.

Long-term electricity price forecasts are obtained every six months from two leading independent power price forecasting firms for each jurisdiction in which Solar Assets are located. The most recent two electricity price forecasts from each firm are averaged and provided to the independent valuer to project the prices at which existing PPAs will be re-contracted. The averaging of curves and providers is used to prevent the valuation of the portfolio being unduly influenced by one forecaster's set of assumptions; to mitigate potential forecaster errors in a particular period; and to reduce the timing risk inherent in valuing the portfolio shortly before curve updates are released. The independent valuer assesses these forecast prices for reasonableness against their own internal forecasts and others in the marketplace.

The Investment Manager has used its judgement in arriving at appropriate discount rates which are consistent with the discount rates derived by the independent valuer. The Investment Manager's view of discount rates is based on its knowledge of the market, considering intelligence gained from its bidding activities, discussions with financial advisers in the appropriate market, and publicly available information on relevant transactions.

The Investment Manager engaged independent valuer KPMG to calculate the fair value of its operating renewable energy assets. KPMG is one of the largest valuation firms in the US with significant experience in estimating the fair value of solar and other renewable energy assets. In line with USF policy, all 42 of USF's operating assets were externally valued at 31 December 2022.

The weighted average pre-tax cost of equity used for levered assets was 7.8% (June 2022: 7.6%, December 2021: 7.8%), and the pre-tax weighted average cost of capital (**WACC**) for unlevered assets was 7.0% (June 2022: 6.7%, December 2021: 6.3%). The key driver of the increase in pre-tax cost of equity and pre-tax WACC was increased risk-free rates.

TAX EQUITY

At a federal level in the US, the Investment Tax Credit (**ITC**) introduced in 2005 to give project owners tax credits for installing designated renewable energy generation equipment, has been highly successful in driving renewable energy adoption in the US. In addition, certain solar PV assets are eligible for accelerated depreciation, enhancing US tax effectiveness. At 31 December 2022, tax equity financing was in place for all projects in the Company's portfolio except for Granite and two assets in the Heelstone portfolio. US tax equity structures customarily include a mechanism for the tax equity investor to exit the structure after a time or return-based target is met. For valuation purposes, the Investment Manager assumes tax equity partners exercise their purchase or withdrawal options at the earliest possible date, and as expected at the time of acquisition,

Table 4 below details the tax equity arrangements for the Company's portfolio.

Table 4: Tax Equity Summary

Solar Asset	Tax Equity Partner	Funding Status
Milford	Wells Fargo	Fully funded and active
Olympos	US Bancorp	Fully funded and active
Granite	None (previously US Bancorp)	Fully funded and exited
Heelstone	Hartford Insurance Company; Valley National Bank; and US Bancorp	Fully funded and partially active
Euryalus	US Bancorp	Fully funded and active
MS2	Wells Fargo	Fully funded and active

GEARING

Taking the US operating subsidiaries and holding companies into account (which we also refer to as being on a look-through basis), USF had outstanding debt of $253 million as at 31 December 2022, based on the face value of drawn debt ($201.9 million as at 31 December 2021). This equates to 44.2% of Gross Asset Value (**GAV** - calculated as NAV plus outstanding debt) (38.4% as at 31 December 2021). This is below USF's long-term target of 50%.

Refer to Note 8 of the financial statements for further information on USF's debt facilities.

SENSITIVITY ANALYSIS

The Investment Manager and the Company use sensitivity analysis to assess the impact of changes in key assumptions on the fair value of the Company's investments. The sensitivities shown assume the relevant input is changed over the entire useful life of each of the underlying renewable energy assets, while all other variables remain constant. All sensitivities have been calculated independently of each other. The full sensitivity analysis, including comments on key assumptions and sensitivities, is included in Note 13 to the financial statements.

	Reduction or Increase in input	CHANGE IN INPUT	CHANGE IN NAV ($'M)	CHANGE IN NAV PER SHARE (cents per share)
Discount rate	Increase	+1.0%	-37.25	-11.21
	Reduction	-1.0%	+45.70	+13.76
Electricity production (change from P50)	Reduction	P90	-45.89	-13.81
	Increase	P10	+45.93	+13.83
Merchant Period Electricity Prices	Reduction	-10%	-24.23	-7.29
	Increase	+10%	+24.23	+7.29
Operations and maintenance expenses	Increase	+10%	-16.82	-5.06
	Reduction	-10%	+16.06	+4.83
Operating life	Reduction	- 3 years	-14.83	-4.46
	Increase	+ 3 years	12.2	+3.67
Tax rate	Increase	+5%	-15.36	-4.63
	Reduction	-5%	+15.40	+4.64

INFLATION

Rising inflation continued to be a concern in the US over the course of 2022 and has continued into 1Q 2023. USF considers inflation in terms of potential impact on cash flows from the existing portfolio and NAV. US consumer inflation expectations for the year ahead have lowered since June 2022 and, as of December 2022, are holding at low levels not seen since the end of 2021.

For the existing portfolio, which is fully operational, the Company is protected from near-term increases in capital and operating costs. While replacement of equipment in the near-term is unlikely given the age of the portfolio, any required near-term equipment replacements are expected to be under manufacturer warranties. Contracted operating costs such as operations and maintenance (**O&M**) and asset management are fixed under the terms of the Company's contracts with third party providers for terms of one to four years and are often subject to extensions at predetermined pricing independent of inflation. Given this, along with increasing competition and continued efficiency gains in the solar O&M and asset management market, upcoming renewals are expected to be at the same, or lower, pricing. In terms of revenue, although USF's PPAs do not contain direct inflation linkages (which are uncommon in the US), some of the contracts escalate at a specified percentage annually.

In terms of NAV in a sustained inflationary environment, USF expects the discount rates used in valuations to increase. However, the price at which the projects can re-contract or sell electricity after the PPA period expires could also be expected to increase with higher inflation and interest rates, which would partially offset the impact of higher discount rates.

INTEREST RATE ON DEBT FACILITIES

Base interest rates on the Company's drawn amortising debt facilities are fully hedged for amortisaton period of the relevant loan which includes the initial term and one or more subsequent re-financings. In general, the amortisation period on term loans matches the PPA term.

SHARE CAPITAL

On 16 April 2019, the Company was admitted to the premium listing segment of the Official List of the FCA and to trading on the main market of the London Stock Exchange.

As at 31 December 2022 332,192,361 Ordinary Shares were in issue and no other classes of shares were in issue at that date. At 31 December 2021 332,192,361 Ordinary Shares were in issue, 31 December 2020, 200,192,361 Ordinary Shares were in issue and at 31 December 2019 there were 200,092,323 Ordinary Shares in issue.

During the period,

- the Investment Manager acquired 176,112 Management Fee Shares on 13 April 2022 at an average market price of $0.916 per share, reflecting the Management Share Amount due to the Investment Manager for the period from 1 July 2021 to 31 December 2021; and
- the Investment Manager acquired 185,352 Management Fee Shares on 10 October 2022 at an average market price of $0.86 per share, reflecting the Management Share Amount due to the Investment Manager for the period from 1 January 2022 to 30 June 2022.

INFORMATION ON THE INVESTMENT MANAGER

USF is managed by New Energy Solar Manager Pty Limited, who also established and built New Energy Solar, which was an Australian listed solar fund (www.newenergysolar.com.au). Combined, US Solar Fund and New Energy Solar have committed approximately $1.3 billion to 57 projects totalling 1.2GW_{DC}. New Energy Solar is in the process of returning capital to investors after successfully selling its US solar projects during 2022

The Investment Manager has been given responsibility, subject to the overall supervision of the Board, for active discretionary investment management of the Portfolio in accordance with the Company's investment objective and policy. The Investment Manager offers in-house deal origination, execution, and asset management capabilities with experience in equity, tax equity, debt structuring and arranging, and active asset management. The Investment Manager's team currently consists of more than 12 investment and asset management professionals located in Sydney and New York. The Investment Manager is a corporate authorised representative of E&P Funds Management Pty Limited, a wholly owned subsidiary of the Investment Manager's parent entity, E&P Financial Group Limited.

SENIOR MANAGEMENT TEAM

The senior members of the Investment Manager who are responsible for the management of US Solar Fund are set out below. With the exception of Liam Thomas who is now a contractor, all senior management and staff are employees of the Investment Manager. Further information on the Investment Manager team is provided at www.ussolarfund.co.uk.

LIAM THOMAS
BAgribus (Curtin), MSc (Curtin), MBA (Melbourne)
PREVIOUSLY CHIEF EXECUTIVE OFFICER, NESM; CURRENTLY ADVISOR TO USF

Liam joined the Investment Manager as Director - Investments in March 2016 to lead transaction origination and execution activities and succeeded John Martin as CEO in August 2021. As of December 2022, Liam has ceased full-time employment with the Investment Manager; however, from 1 January 2023, Liam has been engaged as a consultant to the parent company of the Investment Manager, spending 25% of his time focused on USF's Strategic Review. Liam has over 16 years' experience in mergers and acquisitions, corporate and business development, projects, and commercial management in the energy, infrastructure, mining, and agribusiness sectors. Prior to joining the Investment Manager, Liam was a senior member of the International Development team at Origin Energy, which 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.

BERT SNARR
MPA (Harvard), MBA (UCLA), BEcon (UM)
DIRECTOR, INVESTMENTS, NESM

Bert joined the Investment Manager in June 2022, focusing on due diligence and transaction execution. Prior to NESM, Bert was a Vice President in Bank of America Merrill Lynch's Emerging Growth Investment Banking Group. Previously he was a Vice President in the firm's Global Industrials Investment Banking Group. Bert led a variety of M&A and capital markets transactions in both roles, ranging from IPOs to private company acquisitions. Earlier in his career, Bert worked in Macquarie Capital's Emerging Markets Division, where he structured equity-linked notes and other derivative products before moving to fixed income trading, where he made markets in corporate and sovereign bonds.

WARWICK KENEALLY
BEcon (ANU), BCom (ANU), CA
CHIEF FINANCIAL OFFICER, NESM

Prior to joining NESM, Warwick was the interim CFO of NESMs parent, E&P Financial Group Limited. Warwick has worked in chartered accounting firms specialising in turnaround and restructuring. Warwick started his career with KPMG working in its Canberra, Sydney, and London offices and has undertaken a range of complex restructuring and insolvency engagements across Europe, UK, and Australia, for a range of Australian, UK, European and US banks. Warwick has worked with companies and lenders to develop and implement strategic business options, provide advice in relation to continuous disclosure requirements, develop cash forecasting training for national firms, and lectured on cash management.

SCOTT FRANCIS
BS (Mechanical Engineering) (UR), MBA (UR)
HEAD OF ASSET MANAGEMENT, NESM

Scott joined the Investment Manager in July of 2021, focusing on Asset Management and Operations across the portfolio of projects. Scott brings over 15 years of energy industry experience and has managed over 1,000MWs of solar and 2,500MWs of wind projects. Most recently, Scott was Director of Asset Management at Apex Clean Energy, a leading developer and operator of US utility scale solar and wind power, where Scott led the Asset Management team. Scott and his team provide comprehensive asset management in all aspects of projects including performance, reporting, optimisation, revenue assurance (PPA and Merchant), insurance, and contractual performance obligations. Prior roles have included various positions managing operations and business development for Dominion Energy's (Fortune 500 Utility) renewable assets.

BRIAN DISLER
BA (UPenn), JD (Brooklyn)
HEAD OF US, NESM

Brian was previously Co-Head of the US Masters Residential Property Fund, a REIT listed on the Australian Securities Exchange, which owns 1-4 family residential properties in the New York Metro area. Prior to that, he was General Counsel of E&P's US Division, overseeing all legal functions for the group. Brian began his career as an attorney at a large NY based law firm - where his practice focused on a wide-range of real estate matters, predominately for large corporate clients.

5. Principal Risk and Uncertainties

The Board is responsible for financial reporting and controls, including the approval of the Annual Report and Accounts, the dividend policy, any significant changes in accounting policies or practices, and treasury policies including a use of derivative financial instruments.

The Company faces a broad range of risks that the Board and Investment Manager aim to mitigate through internal controls and other actions. These risks are regularly assessed on a periodic basis to ensure that the business operates smoothly and that any adverse effect on the Company's performance and share value is mitigated. To the extent possible, the Board also maintains a risk register that is subject to a detailed review annually under the risk management framework in place to minimise the impact of these risks should they occur. The risks that the Board and Investment Manager believe to be the most relevant to the business can be organised into key categories as set out below:

- climate-related risks (refer to disclosures made in Section 4 and USF's Sustainability Report);

- legal & regulatory risks;
- financial & market risks; and
- operational risks.

The principal risks for the period and their mitigants are summarised in the tables below with the symbols (↑), (↓) and (↔) denoting an increase, decrease and no change respectively in the assessed risk over the period since the 2021 Annual Report. The Directors do not consider that the risks to the Company resulting from Brexit, the Ukraine conflict or the Covid-19 pandemic significantly affect the principal risks and uncertainties set out below.

LEGAL & REGULATORY RISKS

Risk	Impact on Company	Mitigant
Changes in laws or regulations governing the Company's operations or the Investment Manager's operations (↔)	Regulation changes may adversely affect the business and performance of the Company. The Company is sensitive to tax changes for example, including but not limited to income tax, Investment Tax Credits and tax restrictions on renewables. An adverse change in tax legislation may impact the Company's overall returns.	The Company and Investment Manager monitor changes in legislation for relevant jurisdictions to enable rapid and effective response. This ensures that any upcoming changes in legislation are proactively accounted for when evaluating potential investment opportunities. The Company and Investment Manager also consult with tax and regulatory experts as required. US legislation remains supportive of an energy transition, with the Infrastructure and Jobs Act passed through Congress in November 2021, which included $65 billion to upgrade transmission capabilities, which will assist integration of renewable generation into US grids. In August 2022, the Inflation Reduction Act[21] was passed which includes $370 billion in clean energy incentives, many of which are directly targeting the solar industry.
Political risk (↔)	Political risks often translate to elevated political uncertainties and have detrimental effects on investment and currency markets. The separation of the United Kingdom (UK) from the European Union (EU) may impact the Company's ability to raise additional funds. The outcome from US Congress decisions and changes in US administration, and the impacts on renewable energy credits, tax concessions and support for the renewable generation sector are uncertain.	As the Company's assets are in the US, the Investment Manager does not consider separation from the EU to cause significant risks to the US renewables market. While the Company was able to raise capital in April 2021, it has not been in a position to do so since that time, contributing to the Board's decision to undertake the Strategic Review. The Company and Investment Manager monitor changes in legislation for relevant jurisdictions to enable rapid and effective response. The Company and Investment Manager also consult with tax and legislation experts as required. The policy objectives of the Biden administration regarding net zero carbon emission energy generation have lowered the political risk associated with investment in US renewable energy.

FINANCIAL & MARKET RISKS

Risk	Impact on Company	Mitigant
Long-term power price fluctuations (↔)	PPA terms are generally shorter than the expected useful life of Solar Assets so price forecasts are used to estimate the value of cash flows between PPA expiry and the end of the asset's useful life. Lower or higher wholesale electricity price forecasts will reduce or increase the revenue that the Solar Assets are expected to generate after PPA expiry, thereby impacting asset valuations.	The Company secures revenue by acquiring assets that have long- term PPAs in place (with a minimum PPA term of 10 years for each project or portfolio acquisition and a target weighted average PPA term of approximately 15 years for the Company's entire portfolio at acquisition). The Company continues to regularly monitor changes in expert energy price forecasts and ensures that they are appropriately factored into asset valuations. The Company averages forecast price curves from two reputable providers over their most recent two periods (i.e., four curves in total) to mitigate the impact on asset values from any one forecaster changing views.
Valuation of assets (↔)	The Investment Manager's due diligence process used in evaluating acquisitions of Solar Assets may not reveal all facts that may be relevant in connection with such investments, including the impacts of climate related risks. This could lead to valuation errors that affect the returns achieved by the underlying assets or results in inaccurate reporting to investors and other stakeholders.	The Company appoints an independent reputable firm to undertake valuations of its Solar Assets on at least an annual basis. Further, the Company appoints reputable third parties with industry specific skills to assist in the due diligence process including reviewing detailed financial model inputs.
Access to capital from tax equity partners and debt providers (↑)	The Company may not be able to source funding from suitable tax equity partners and debt providers which may limit the amount of capital the Company is able to invest. Additionally, the Company may be exposed to risks from its contractual relationships in relation to tax equity financing with any tax equity partner.	Debt and tax equity financing is in place for all projects in the Company's portfolio except for Granite (Acquisition Three) and two assets in the Heelstone portfolio (Acquisition Four), with the respective tax equity partner fully exiting the tax equity structure as expected during the period. The Company has appointed a reputable and experienced Investment Manager with strong

	equity partner.	experienced Investment Manager with strong existing banking and tax equity relationships. These existing relationships, in addition to new relationships, developed with experienced tax equity partners allow for various avenues to appoint a partner best suited for the project. The Company also continues to monitor compliance with tax equity financing provisions. The Company successfully refinanced its Acquisition Four (Heelstone Portfolio) debt facility, using existing banking relationships of the Investment Manager, with the Company's next facility maturity being the USF Avon LLC corporate revolving credit facility in September 2023.
Unable to source suitable solar assets (↑)	The Company may not be able to source suitable assets in future, which would result in Company holding levels of cash which are higher than optimal. This cash would likely generate much lower levels of returns than the assets in the Company, consequentially adversely affecting the level of returns to shareholders and the market value of the Company.	The IPO proceeds and 2021 capital raising proceeds are largely invested with $11 million remaining. In addition, the Company has an $36 million undrawn within the RCF to deploy. The ability of the Company to access suitable solar assets was a contributing factor to the Board's decision to commence the Strategic Review.
Interest rate risk (↔)	The Company has debt facilities with both fixed and floating interest rates. The Company is also exposed to interest rate risk though holding variable rate bank deposits. As such, changes in interest rates may have a positive or negative impact directly on the Company's net income and, consequently, the profits of the Company. Changes in interest rates may also affect the discount rates used in the valuation of the assets. Interest rate risk, along with increasing operating costs, offset by higher long term merchant power prices are areas that the broader market risk of rising inflation impacts the Company (refer below).	The base interest rate for all amortising debt is fully hedged for the term of the relevant loan, and for one or more subsequent re-financings. The FTB Facility has a floating interest rate which is not hedged but is currently undrawn. The interest rate risk on this instrument and on bank deposits is not significant given the relatively low balances and current low level of interest rates. The Company does not bear interest rate risk on its loan to USF Holding Corp. as the loan rate is fixed for the duration of the loan facility. Changes in interest rate that affect the discount rates used in the valuation of the assets will also tend to impact long-term electricity price forecasts which provides a partial hedge. In the event of the Company investing in new projects, the Company's standard practice is to hedge the floating rate risk on the actual and anticipated debt amortisation profile at the time of investment.
Inflation risk (↑)	Inflation in the Company's context is likely to result in higher: • capital costs for new projects; • operating and maintenance costs for existing and new projects; • revenues from higher spot and PPA electricity prices; • interest rates for servicing debt (refer above); • market rates of return required for equity invested in new projects; and • discount rates for valuing equity in existing projects.	USF's operating cash flows are relatively fixed, except for the period of merchant generation beyond the term of existing PPAs. Higher long-term interest rates, however, will result in higher discount rates being applied to all cash flows for valuing USF's assets and equity investments. Adverse changes in valuations are likely to apply to all asset classes (not just solar generation) which have relatively fixed cash flows, so USF's cash flows, which are relatively fixed in the medium-term due to existing PPAs and interest rate hedging, are likely to be impacted. A potential mitigant is a reduction is the asset-specific risk premium applied for each USF asset as well as potentially higher forecast electricity prices after the term of the existing PPAs which would partially offset rising rates. Higher capital costs, operating costs and required returns of capital are likely to present additional challenges to new projects. If USF is investing in new projects, inflation may make it more difficult for new projects to meet required returns. USF has existing fixed term O&M contracts in place, but these are generally of much shorter term (up to 5 years) than project PPAs and interest rate hedging (typically over 10 years). Higher costs may be expected from replacement contracts, which, along with higher prices for replacement parts and equipment, is likely to result in higher overall operating costs. USF's existing long-term PPAs means that the Company's assets will not be able to benefit from higher PPA prices until the existing PPAs expire. The net impact from inflation on the current portfolio is uncertain as it depends on changes to post-PPA revenue, O&M costs, debt service costs and valuation effects from higher discount rates.

OPERATIONAL RISKS

Risk	Impact on Company	Mitigant
Operational fraud (↔)	The Company is potentially exposed to financial losses from fraudulent activities related to receipts from counterparties or	The Investment Management Agreement (IMA) provides USF with certain protections through passing certain responsibilities to the Investment

	related to receipts from counterparties or wholesale markets, or payments made to construction entities, maintenance providers and capital investors.	passing certain responsibilities to the Investment Manager. The Investment Manager maintains and adheres to policies and processes to mitigate the risk of fraud. The E&P Financial Group Limited, of which the Investment Manager is a member, holds insurance which covers fraudulent incidents.
Unfavourable weather conditions including climate change or events (↔)	The Company may be exposed to a lower than expected volume of revenue generation produced by the Solar Assets. Additionally, the Solar Assets may face damages due to extreme weather conditions arising from climate change.	The Company and Investment Manager consider the impacts of climate change risks on financial planning by conducting sensitivity analysis over the medium term (5 years) and longer term (useful asset life) using a range of power generation forecasts when evaluating acquisitions. However, isolated or localised conditions such as storms, heavy snowfall, or smoke and dust events may cause production shortfalls outside the range of power generation forecasts. Investing in geographically diverse projects mitigates the impact of localised, unfavourable weather conditions. Wider climate change risks include changes to the US energy grid and mix which may impact grid stability; with US federal and state- based incentives for new solar having positive benefits for the Company. The Investment Manager performs sensitivity analysis as, policy monitoring, retains capable O&M contractors to respond to physical risks, improved grid monitoring and having geographic mix of assets (to monitor physical and transitional risk).
Under-performance of solar power plants relative to acquisition assumptions (↔)	The underperformance of Solar Assets may lead to reductions in energy generated and thereby a reduction in revenue that the asset would be expected to produce.	The Company uses third-party independent engineers to review the assets and provide independent reports on performance before acquisition, to ensure that reasonable generation assumptions are utilised. The Company and Investment Manager also conduct sensitivity analyses on power generation when evaluating the acquisition target. The Company and the Investment Manager also seek to engage with reputable O&M and EPC contractors and include market-standard contractual protections in the relevant contracts.
Pandemics (↔)	Global health concerns often translate to elevated uncertainties in financial markets and have detrimental effects on the global economy. Pandemics may impact the Company's supply chain and service providers (such as higher O&M costs, longer response times, and higher insurance costs) and also its ability to raise additional funds.	The Investment Manager has established systems and procedures that allow remote monitoring of the solar power assets and remote work by staff. These systems have operated throughout COVID-19, included extended periods of lock-down restrictions. The Investment Manager manages costs by using fixed-time and fixed-cost contracts for construction, working closely with EPC contractors during the construction of assets, and with O&M contractors and other key suppliers once assets become operational. The Company was able to successfully raise funds in 2021 during the recent Covid-19 pandemic.
Counterparty credit risk (↔)	There is the potential for losses to be incurred due to defaults by PPA counterparties, EPC contractors, derivative counterparties, and deposit taking institutions.	There have been no material changes to the creditworthiness of any of the USF counterparties as a result of COVID-19, and the Company and the Investment Manager diversifies credit risk across multiple investment-grade counterparties. No financial transactions are permitted with counterparties with a credit rating of less than BBB- from Standard & Poor's or Baa3 from Moody's unless specifically approved by the Board. The Investment Manager will continue to monitor credit market conditions, including as they apply to PPA counterparties.
Supply chain disruption (↑)	The potential for financial losses from not being able to obtain essential parts, components or specialist skills when required to keep availability at desired levels due to delays or blockages in supply chains	The Investment Manager is acutely aware of the potential for foregone revenue where supply chain delays or blockages do not enable the timely repair and replacement of components. Where feasible, the Investment Manager works with O&M contractors to hold adequate inventories of spare parts. In addition, industry connections are maintained with component manufacturers, engineering advisors and other industry participants to enable the early identification of potential supply chain issues.
Stability of the Investment Manager (↑)	With changes to the Company's strategy, stability and retention of the Investment Manager and key staff will be important as the Board works through the Strategic Review.	The Investment Manager's initial 5-year management agreement with the Company to provide investment management and other services to the Company expires in April 2024. In circumstances where the Investment Manager can no longer provide the contracted services stipulated in the management agreement, subject to its terms, the Board can replace the Investment Manager with an alternative investment manager

		Manager with an alternative investment manager with the requisite capabilities.

LONGER TERM VIABILITY

The Board is responsible for financial reporting and controls, including the approval of the Annual Report and Accounts, the dividend policy, any significant changes in accounting policies or practices, and treasury policies including the use of derivative financial instruments. The Board of the Company is also required to assess the long-term prospects of the Company according to the Association of Investment Companies (**AIC**) Code. The Board has assessed the principal risks facing the Company set out above over a five-year period, which it considers appropriate given the long-term nature of the Company's investments and its long-term planning horizon if the Strategic Review does not subsequently lead to an earlier realisation of the portfolio. The Board considers a five-year timeframe to be reasonable on the basis that the Company is in the initial stage of operating assets. The principal risks facing the Company have been individually assessed by the Board. The likelihood and impact of each risk on the Company prior to and after specific risk mitigation controls have taken place have been evaluated.

The Board considers longer term viability in the context of the current base case forecast, and given the Company is relatively sensitive to electricity production, were there to be a generation/production shortfall of 10% across the whole portfolio for the entirety of the forecast period. This is viewed as conservative as USF operated at 4.9% below budget in 2022 (2021: 3.9% below). The Board reviews the sensitivities impact on forecast cash flows, dividend cover and average dividend yield over a five-year timeframe.

The Company owns a portfolio of Solar Assets in the US that are fully constructed, operational and generating renewable electricity. As a result, it benefits from predictable and reliable long-term cash flows and is subject to a set of risks that can be identified and assessed. Each Solar Asset is supported by a detailed financial model at acquisition and incorporated into the Company's valuation model for quarterly valuations, which are independently reviewed every half-year. The Board believes the geographical diversification within the Company's portfolio of Solar Assets helps to withstand and mitigate many of the emerging and principal climate, regulatory and operational risks the Company is likely to face. The Company's revenues from investments provide substantial cover to the operating expenses of the SPVs, USF Holding Corp., and the Company and any other costs likely to be faced by any of them over the viability assessment period. The Investment Manager also prepares a rolling detailed monthly two-year short term cash flow forecast to address and specifically consider the sustainability of the dividends.

After assessing these risks, and reviewing the Company's liquidity position, together with the Company's commitments, available but undrawn credit facilities, and forecasts of future performance under various scenarios, the Board has a reasonable expectation that the Company is well positioned to continue to operate and meet its liabilities over the short term and the five-year outlook period. While the Board has no reason to believe that the Company will not be viable beyond the specified outlook period, it is aware that it is difficult to foresee the viability of any business, including the potential impacts of climate related risks, over a longer period given the inherent uncertainty involved.

The Company's dividend policy is to target increasing annual dividends of 1.5% to 2.0% per annum from a 5.5 cents per share from when the Company's solar portfolio became fully operational in 2020. This takes into consideration forecast operating cash flows, expected dividend cover, inflation, the outlook for electricity prices and the operational performance of the Company's portfolio. Dividends are discretionary and declared quarterly. Each year, as the target dividend for the next financial year is established, the Directors consider the expected forward-looking cash flows and consider the sustainability of the proposed dividend. Each quarter, as dividends are declared, the Directors consider the projected operating cash flows and dividend cover levels.

It is important to note that the risks associated with investments within the solar infrastructure sector, including rising inflation and climate related risks resulting in unfavourable weather conditions for extended periods, could result in a material adverse effect on the Company's performance and value of Ordinary Shares. When required, experts will be employed to gather information, including tax advisers, legal advisers, and environmental advisers.

GILL NOTT
Chair

24 March 2023

8. Directors' Responsibility Statement

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

As a Company listed on the London Stock Exchange, US Solar Fund plc is subject to the FCA's Listing Rules and Disclosure and Transparency Rules, as well as to all applicable laws and regulations in England and Wales where it is registered.

The financial statements have been prepared in accordance with UK-adopted international accounting standards. Under the *UK Companies Act 2006*, the Directors must not approve the financial statements unless they are satisfied they give a true and fair view of the state of affairs of the Company and of the profit or loss for the period. In preparing these financial statements, the Directors should:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable;
- specify which generally accepted accounting principles have been adopted in their preparation; and
- prepare the financial statements on the going concern basis, unless it is inappropriate to presume that the Company will continue in business.

will continue in business.

The Directors are responsible for keeping proper accounting records which are sufficient to show and explain the Company's transactions and are to disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the requirements of the *Companies Act 2006*. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are also responsible for preparing the Annual Report and financial statements and the Directors confirm that they consider that, taken as a whole, the Annual Report and financial statements are fair, balanced and understandable and provide the information necessary for shareholders to assess the Company's performance, business model and strategy. In accordance with the FCA's Disclosure and Transparency Rules, the Directors confirm to the best of their knowledge that:

a. the financial statements, prepared in accordance with applicable accounting standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company taken as a whole;

b. the Annual Report and accounts include a fair view of important events that have occurred during the financial period; and

c. the Annual Report and accounts include the related parties' transactions that have taken place in the financial period and that have materially affected the financial position or the performance of the enterprise during that period.

The Directors have acknowledged their responsibilities in relation to the financial statements for the period to 31 December 2022.

Signed by order of the Board,

GILL NOTT
Chair
24 March 2023

14. Statement of Profit and Loss and Other Comprehensive Income

FOR THE YEAR ENDED 31 DECEMBER 2022

		FOR THE YEAR ENDED 31 DECEMBER 2022			**FOR THE YEAR ENDED 31 DECEMBER 2021**		
Notes		**Revenue $**	**Capital $**	**Total $**	**Revenue $**	**Capital $**	**Total $**
Net (loss)/gain on investments at fair value through profit and loss	10	-	(4,008,758)	(4,008,758)	-	9,118,692	9,118,692
MSA fee income	10	5,499,339	-	5,499,339	4,673,924	-	4,673,924
Dividends received	10	15,911,710	-	15,911,710	2,996,992	-	2,996,992
Intercompany interest income	10	1,988,965	-	1,988,965	1,988,957	-	1,988,957
Interest income	6	3,905	-	3,905	-	-	-
Total income		**23,403,919**	**(4,008,758)**	**19,395,161**	**9,659,873**	**9,118,692**	**18,778,565**
Expenditure							
Administrative and other expenses	7	(4,533,404)	-	(4,533,404)	(3,930,271)	-	(3,930,271)
Operating profit for the year		**18,870,515**	**(4,008,758)**	**14,861,757**	**5,729,602**	**9,118,692**	**14,954,943**
Loss on foreign exchange		-	(366,763)	(366,763)	-	106,649	106,649
Profit before taxation		**18,870,515**	**(4,375,521)**	**14,494,994**	**5,729,602**	**9,225,341**	**14,954,943**
Taxation	8	-	-	-	-	-	-
Profit and total comprehensive income for the year		**18,870,515**	**(4,375,521)**	**14,494,994**	**5,729,602**	**9,225,341**	**14,954,943**
Earnings per share (basic and diluted) - cents/share	9	5.681	(1.317)	4.363	2.009	3.235	5.244

All items dealt with in arriving at the result for the year relate to continuing operations. No other sources of other comprehensive income, therefore no separate statement is presented.

The Total column of this statement represents the Company's profit and loss account. The financial statements have been prepared in accordance with UK-adopted international accounting standards. The supplementary revenue and capital columns are presented for information purposes, in accordance with the Statement of Recommended Practice issued by the Association of Investment Companies, as further explained in Note 2.

The Notes form an integral part of these financial statements.

15. Statement of Financial Position

AS AT 31 DECEMBER 2022

	Notes	31 DECEMBER 2022 $	31 DECEMBER 2021 $
Non-current assets			
Investment held at fair value	10	317,634,210	314,442,968
		317,634,210	**314,442,968**
Current assets			
Trade and other receivables	11	1,215,366	243,782
Cash and cash equivalents	12	7,325,703	16,161,464
		8,541,069	**16,405,246**
Total assets		**326,175,279**	**330,848,214**
Current liabilities			
Trade and other payables	13	1,104,143	1,868,616
Dividends payable	14	5,049,324	4,982,886
		6,153,468	**6,851,502**
Net current assets		**1,316,402**	**9,553,744**
Total net assets		**320,021,811**	**323,996,712**
Shareholders equity			
Share capital	18	3,321,924	3,321,924
Share premium	18	128,035,864	128,035,864
Capital reduction reserve	18	175,007,789	175,080,315
Capital reserve	19	8,470,669	12,648,250
Retained earnings	19	5,185,565	4,910,359
Total shareholders equity		**320,021,811**	**323,966,712**
Net asset value per share	20	0.963	0.975

The financial statements of US Solar Fund plc (registered number 11761009) were approved by the Board of Directors and authorised for issue on 24 March 2023. They were signed on its behalf by:

GILL NOTT
Director
Date: 24 March 2023

The Notes form an integral part of these financial statements

16. Statement of Changes in Equity

FOR THE YEAR ENDED 31 DECEMBER 2022

	Notes	SHARE CAPITAL $	SHARE PREMIUM $	CAPITAL REDUCTION RESERVE $	CAPITAL RESERVE $	RETAINED EARNINGS $	TOTAL Equity $
Balance at 1 January 2022		**3,321,924**	**128,035,864**	**175,080,315**	**12,648,250**	**4,910,359**	**323,996,712**
Dividends	14	-	-	(72,526)	-	(18,397,369)	(18,469,895)
Tax credit/(charge)	8	-	-	-	197,940	(197,940)	-
Total comprehensive income for the year		-	-	-	(4,375,521)	18,870,515	14,494,994
Balance at 31 December 2022		**3,321,924**	**128,035,864**	**175,007,789**	**8,470,669**	**5,185,565**	**320,021,811**

FOR THE YEAR ENDED 31 DECEMBER 2021

	Notes	SHARE CAPITAL $	SHARE PREMIUM $	CAPITAL REDUCTION RESERVE $	CAPITAL RESERVE $	RETAINED EARNINGS $	TOTAL Equity $
Balance at 1 January 2021		**2,001,924**	**184,786**	**188,176,521**	**3,271,402**	**524,715**	**194,159,348**
Issue of share capital	18	1,320,000	127,851,078	-	-	-	129,171,078
Dividends	14	-	-	(13,096,206)	-	(1,192,451)	(14,288,657)
Tax credit/(charge)	8	-	-	-	151,507	(151,507)	-
Profit & total comprehensive income for the year		-	-	-	9,225,341	5,729,602	14,954,943
Balance at 31 December 2021		**3,321,924**	**128,035,864**	**175,080,315**	**12,648,250**	**4,910,359**	**323,996,712**

The Notes form an integral part of these financial statements

17. Statement of Cash Flows

FOR THE YEAR ENDED 31 DECEMBER 2022

	Notes	YEAR ENDED 31 DECEMBER 2022 $	YEAR ENDED 31 DECEMBER 2021 $
Cash flows from operating activities			
Profit for the year		14,494,994	14,954,943
Adjustments for:			
Net loss/(gain) on investments at fair value through profit and loss	10	4,008,758	(9,118,692)
Gain/(loss) on foreign exchange		366,763	(106,649)
Operating cash flows before movements in working capital		**18,870,515**	**5,729,602**
Increase in trade and other receivables		(971,582)	(198,195)
(Decrease)/increase in trade and other payables		(764,474)	1,135,893
Net cash generated from operating activities		**17,134,459**	**6,667,300**
Cash flows used in investing activities			
Purchases of investments	10	(7,200,000)	(110,000,000)
Net cash inflow/(outflow) from investing activities		**(7,200,000)**	**(110,000,000)**
Cash flows generated from/(used in) financing activities			
Dividends paid		(18,403,457)	(10,306,733)
Proceeds from issue of ordinary shares at a premium		-	131,032,911
Share issue costs		-	(1,861,833)
Net cash outflow from financing activities		**(18,403,457)**	**(4,002,347)**
Net increase/(decrease) in cash and cash equivalents for the year		(8,468,998)	(15,531,645)
Effect of foreign exchange rate movements		(366,763)	106,649
Cash and cash equivalents at the beginning of the year		16,161,464	523,170
Cash and cash equivalents at the end of the year		**7,325,703**	**16,161,464**

The financial statements of US Solar Fund plc (registered number 11761009) were approved by the Board of Directors and authorised for issue on 24 March 2023. They were signed on its behalf by:

GILL NOTT
Director

Date: 24 March 2023

The Notes form an integral part of these financial statements

18. Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2022

1. GENERAL INFORMATION

US Solar Fund plc (the **Company**) was incorporated as a Public Company, limited by shares, in England and Wales on 10 January 2019 with registered number 11761009. The registered office of the Company is The Scalpel, 18th Floor, 52 Lime Street, London EC3M 7AF. Its share capital is denominated in US Dollars and currently consists of ordinary shares. The Company's principal activity is to invest in a diversified portfolio of Solar Power Assets located in North America and other countries forming part of the Organisation for Economic Co-operation and Development (**OECD**) in the Americas.

2. BASIS OF PREPARATION

The financial statements have been prepared using accounting policies consistent with UK-adopted international accounting standards in conformity with the requirements of the *Companies Act 2006* and the Statement of Recommended Practice "Financial Statements of Investment Trust Companies and Venture Capital Trusts", issued by the Association of Investment Companies, (the **AIC SORP**) in July 2022. The financial statements have been prepared on a historical cost basis, except for the investment portfolio at fair value through the profit and loss. The principal accounting policies are set out in Note 5.

In the prior year, the MSA fees charged to its subsidiary USF Holding Corp (Note 10) were included in the net fair value movement. This is now included in profit and loss on an accrual basis in order to give a true and fair view of the transaction. This has not been applied retrospectively as the effect on earlier periods is not considered material.

In terms of the AIC SORP, the Company presents a Statement of Profit and Loss and Other Comprehensive Income, which

In terms of the AIC SORP, the Company presents a Statement of Profit and Loss and Other Comprehensive Income, which shows amounts split between those which are revenue and capital in nature. The determination of the revenue or capital nature of a transaction is determined by giving consideration to the underlying elements of the transaction and is carried out in accordance with the recommendations and principles as set out in the AIC SORP. Capital transactions are considered to be those arising as a result of the appreciation or depreciation in the value of assets, whether due to the retranslation of assets held in foreign currency or fair value movements on investments held at fair value through profit and loss. Revenue transactions are all transactions, other than those which have been identified as capital in nature.

FUNCTIONAL AND PRESENTATION CURRENCY

The currency of the primary economic environment in which the Company operates (the functional currency) is the US Dollar (**$** or **USD**), which is also the presentation currency.

GOING CONCERN

In assessing the going concern basis of accounting the Directors have had regard to the guidance issued by the Financial Reporting Council. In addition, Note 16 to the financial statements includes the policies and processes for managing its capital, its financial risk management, details of its financial instruments and its exposure to credit risk and liquidity risk.

The Company generated profit after tax of $14.5 million and operating cash flows of $18.9 million for the year. As at 31 December 2022, the company is in a net current asset position of $1.3 million and has available cash of $7.3 million. As of the same date, the Company's subsidiary, USF Holding Corp., has available cash of $3.5 million, which is available to meet the obligations of the Company. The Directors and the Investment Manager have been able to ensure the operational and trading integrity of the Company and based on the aforementioned, the Company appears to have sufficient cash resources to continue its operations for a period of at least 12 months from the date of approval of the accounts. As such the Directors believe that the Company will continue into the foreseeable future and have adopted the going concern basis of preparation in preparing these financial statements. In addition, the Company (through a wholly owned US subsidiary) has access to a $40 million revolving credit facility with Fifth Third Bank National Association (**RCF**). With an undrawn balance of $36.5 million at 31 December 2022, the RCF provides additional liquidity for capital expenditures, working capital and general corporate purposes. The RCF matures in September 2023, and the Investment Manager expects to amend and extend the facility agreement. In accordance with the terms of the facility, at the date of this report, the RCF had been paid down to nil as part of its annual 30-day paydown requirement. As noted in the Chair's letter, at this early stage the range of potential outcomes arising from the Strategic Review process being undertaken by the Board are not sufficiently certain and therefore do not to alter the Directors assessment of the going concern basis of preparation.

3. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amount of assets, liabilities, income and expenses. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to the accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

During the year, the Directors considered the following significant judgements, estimates and assumptions:

CRITICAL ACCOUNTING JUDGEMENTS

ASSESSMENT AS AN INVESTMENT ENTITY

Entities that meet the definition of an investment entity within IFRS 10 are required to measure their subsidiaries at fair value through profit or loss rather than consolidate them unless they provided investment related services to the Company. To determine that the Company continues to meet the definition of an investment entity, the Company is required to satisfy the following three criteria:

the Company obtains funds from one or more investors for the purpose of providing those investors with investment management services;

b. the Company commits to its investors that its business purpose is to invest funds solely for returns from capital appreciation, investment income, or both; and

c. the Company measures and evaluates the performance of substantially all of its investments on a fair value basis. The Company meets the criteria as follows:

- the Company provides investment management services and has several investors who pool their funds to gain access to infrastructure related investment opportunities that they might not have had access to individually;
- the stated strategy of the Company is to deliver stable returns to shareholders through investing in a diversified portfolio of utility-scale solar power plants and associated infrastructure, which may include transmission and storage (e.g. batteries) assets which will typically be co-located with the solar power plant (together, Solar Power Assets) located in North America and other OECD countries in the Americas; and
- the Company measures and evaluates the performance of all of its investments on a fair value basis. The fair value method is used to represent the Company's performance in its communication to the market, including investor presentations. In addition, the Company reports fair value information internally to Directors, who use fair value as the primary measurement attribute to evaluate performance.

The Directors are of the opinion that the Company has all the typical characteristics of an investment entity and continues to meet the definition in the standard. This conclusion will be reassessed on an annual basis.

In respect of the second criterion the Company's purpose is to invest funds for returns from capital appreciation and investment income. In respect of the requirement that investments should not be held indefinitely but should have an exit strategy for their realisation the Company may hold these assets until the end of their expected useful lives, unless there is an opportunity in the market to dispose of the investments at a price that is considered appropriate. There continues to be an active secondary market for renewables projects in the countries in which we operate.

active secondary market for renewables projects in the countries in which we operate.

As at 31 December 2022, the Company only had one subsidiary, USF Holding Corp. Being an investment entity, it is measured at fair value as opposed to being consolidated on a line-by-line basis, meaning its cash, debt and working capital balances are included in the fair value of investments rather than the Group's current assets.

ESTIMATES

VALUATION OF INVESTMENT IN SUBSIDIARY

The significant estimate in the Company's financial statements that carries the most significant risk of a material effect on next year's financial statements is the fair value of investments. The determination of the fair value of investment in subsidiary depends on certain assumptions, which include selection of the discount rate, operational life, power generation, post-PPA period merchant prices and re-contracted O&M costs, which have a significant risk of causing a material adjustment to the carrying amounts of assets within the next financial year. Refer to note 17 for further year-end detail on the fair value measurement as at 31 December 2022 and detail on the sensitivity analysis on inputs including discount rate, electricity production, electricity prices and operational expenses.

4. NEW AND REVISED STANDARDS AND INTERPRETATIONS

APPLICATION OF NEW AND REVISED STANDARDS

The accounting policies adopted in the preparation of the Annual Report and Audited Financial Statements for the year ended 31 December 2022 are consistent with those of the previous financial year. The adoption of new standards, interpretations and amendments in the current year has not had a material impact. The Company has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective at 31 December 2022.

NEW AND REVISED STANDARDS IN ISSUE BUT NOT YET EFFECTIVE

The following standards have been issued but are not effective for this accounting period and have not been adopted early:

- IAS 1 (amended) - Amendments regarding classifications of liabilities, and disclosure of accounting policies - effective from 1 January 2023
- IAS 8 (amended) - Amendments regarding the definition of accounting estimates - effective from 1 January 2023.
- IAS 12 (amended) - Amendments regarding deferred tax on leases and decommissioning obligations - effective from 1 January 2023.

Adoption of the new or amended standards and relevant interpretations in future periods is not expected to have a material impact on the financial statements of the Company.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies used in the preparation of the financial statements have been consistently applied during the year ended 31 December 2022 as well as the prior period.

The principal accounting policies applied in the preparation of the financial statements are set out below:

SEGMENTAL INFORMATION

The Board is of the opinion that the Group is engaged in a single segment business, being the investment in Solar Power Assets located in North America.

INCOME

Income comprises interest income (bank interest and loan interest), Management Services Agreement (MSA) fee and dividend income. Interest income is recognised when it is probable that the economic benefits will flow to the Company and the amount of revenue can be measured reliably. Loan interest income is accrued by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition. Dividend income is recognised in profit or loss on the date on which the Group's right to receive payment is established. Previously, the MSA fee was included in the net fair value movement. This is now included in profit and loss on an accrual basis in order give a true and fair view of the transaction. This has not been applied retrospectively as the effect on earlier periods are not considered material.

No income is earned from contracts with customers and as such IFRS 15 has not been applied.

EXPENSES

Operating expenses are the Company's costs incurred in connection with the on-going management of the Company's investments and administrative costs. Operating expenses are accounted for on an accruals basis.

The Company's management and administration fees, finance costs and all other expenses are charged through the Statement of Profit and Loss and Other Comprehensive Income.

Directly attributable acquisition costs of assets are capitalised on purchase of assets. Costs directly relating to the issue of ordinary shares are charged to share premium.

NET GAIN OR LOSS ON INVESTMENTS AT FAIR VALUE THROUGH PROFIT AND LOSS

The Company recognises movements in the fair value of investments in subsidiaries through profit and loss.

TAXATION

The Company is approved as an Investment Trust Company under sections 1158 and 1159 of the *Corporation Tax Act 2010* and Part 2 Chapter 1 Statutory Instrument 2011/2999 for accounting periods commencing on or after 16 April 2019. The approval is subject to the Company continuing to meet the eligibility conditions of the *Corporation Tax Act 2010* and

The approval is subject to the Company continuing to meet the eligibility conditions of the *Corporation Tax Act 2010* and the Statutory Instrument 2011/2999. The Company intends to ensure that it complies with the Investment Trust Company regulations on an ongoing basis and regularly monitors the conditions required to maintain Investment Trust Company status.

From 1 April 2015 there is a single corporation tax rate of 19%. Tax is recognised in the Statement of Profit and Loss and Other Comprehensive Income except to the extent that it relates to the items recognised as direct movements in equity, in which case it is similarly recognised as a direct movement in equity. Current tax is the expected tax payable on any taxable income for the period, using tax rates enacted or substantively enacted at the end of the relevant period.

INVESTMENT IN SUBSIDIARIES

Subsidiaries are entities controlled by the Company. Control exists when the Company is exposed, or has rights, to variable returns from its involvement with the subsidiary entity and has the ability to affect those returns through its power over the subsidiary entity.

In accordance with the exception under IFRS 10 Consolidated financial statements, an investment entity is not required to consolidate its subsidiaries where certain conditions are met. The Company does not have any subsidiaries that provide investment management services and are not themselves investment entities. As a result the Company, being an investment entity, does not consolidate any of its subsidiaries.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise cash at bank and deposits held with the bank.

TRADE AND OTHER RECEIVABLES

Trade and other receivables are recognised initially at fair value and subsequently stated at amortised cost less loss allowance which is calculated using the provision matrix of the expected credit loss model, the effect of which is considered immaterial. The MSA fee receivable is classified as trade and other receivables following its inclusion in profit and loss on an accrual basis.

TRADE AND OTHER PAYABLES

Trade and other payables are recognised initially at fair value and subsequently stated at amortised cost.

EQUITY

Equity instruments issued by the Company are recorded at the amount of the proceeds received, net of directly attributable issue costs. Costs not directly attributable to the issue are immediately expensed in the Statement of Profit and Loss and Other Comprehensive Income. The Company's capital is represented by the ordinary shares, Share Premium (until cancellation), Accumulated losses and Capital Reduction Reserve.

FINANCIAL INSTRUMENTS

In accordance with IFRS 9, the Company classifies its financial assets and financial liabilities at initial recognition into the categories of amortised cost or fair value through profit or loss. None of the financial instruments are classified as fair value through other comprehensive income.

FINANCIAL ASSETS

The Company classifies its financial assets at amortised cost or fair value through profit or loss on the basis of both:

- the entity's business model for managing the financial assets; and
- the contractual cash flow characteristics of the financial asset

FINANCIAL ASSETS MEASURED AT AMORTISED COST

A debt instrument is measured at amortised cost if it is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. The Company includes in this category short-term non-financing receivables including cash OR and financial instruments classified as trade and other receivables.

FINANCIAL ASSET MEASURED AT FAIR VALUE THROUGH PROFIT LOSS

A financial asset is measured at fair value through profit or loss if:

a. its contractual terms do not give rise to cash flows on specified dates that are solely payments of principal and interest (SPPI) on the principal amount outstanding; or

b. it is not held within a business model whose objective is either to collect contractual cash flows, or to both collect contractual cash flows and sell; or

c. it is classified as held for trading (derivative contracts in an asset position).

The Company's investment in subsidiaries (which comprises both debt and equity) is held at fair value through profit or loss under IFRS 9 as the equity portion of the investment does not meet the SPPI test nor will the Company elect to designate the investments at fair value through other comprehensive income. The debt investment forms part of a group of assets that are managed and the performance evaluated on a fair value basis.

The Company includes in this category equity instruments including investments in subsidiaries (which comprises both debt and equity). There are no consolidated subsidiaries.

FINANCIAL LIABILITIES MEASURED AT AMORTISED COST

This category includes all financial liabilities, other than those measured at fair value through profit or loss, including short-term payables.

RECOGNITION AND DERECOGNITION

Financial assets are recognised on trade date, the date on which the Company commits to purchase or sell an asset. A financial asset is derecognised where the rights to receive cash flows from the asset have expired, or the Company has transferred its rights to receive cash flows from the asset. The Company derecognises a financial liability when the obligation under the liability is discharged, cancelled or expired.

IMPAIRMENT OF FINANCIAL ASSETS

While cash and cash equivalents are also subject to the impairment requirements of IFRS 9, there has been no impairment loss identified. Investment held at fair value through profit or loss is not subject to IFRS 9 impairment requirements.

The company holds trade receivables with no financing component and which have maturities of less than 12 months at amortised cost and, as such has chosen to apply an approach similar to the simplified approach for expected credit losses (**ECL**) under IFRS 9 to all of its trade receivables.

Interest receivable on cash balances, fall within the scope of IFRS 9. The Company has completed some high-level analysis and forward looking qualitative and quantitative information, the Directors consider the interest receivable to be low credit risk as the deposits are held with reputable financial institutions.

For interest receivable that are low credit risk, IFRS 9 allows a 12-month expected credit loss to be recognised. The Directors have concluded that any ECL on the interest receivable would be immaterial to the Annual Financial Statements and therefore no impairment adjustments were accounted for.

FAIR VALUE MEASUREMENT AND HIERARCHY

Fair value is the price that would be received on the sale of an asset, or paid to transfer a liability, in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market. It is based on the assumptions that market participants would use when pricing the asset or liability, assuming they act in their economic best interest. A fair value measurement of a non-financial asset takes into account the best and highest value use for that asset.

The level in the fair value hierarchy within which the fair value measurement is categorised is determined on the basis of the lowest level input that is significant to the fair value measurement in its entirety. For this purpose significance of the inputs is assessed against the fair value measurement in its entirety. Assessing the significance of a particular input to the fair value measurement in its entirety requires judgement, considering factors specific to the asset or liability. If a fair value measurement uses observable inputs that require significant adjustment based on unobservable inputs or any other significant unobservable inputs, that measurement is a Level 3 measurement.

The fair value hierarchy to be applied under IFRS 13 is as follows:

Level 1: Quoted (unadjusted) market prices in active markets for identical assets or liabilities.

Level 2: Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.

Level 3: Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are carried at fair value and which will be recorded in the financial information on a recurring basis, the Company will determine whether transfers have occurred between levels in the hierarchy by reassessing categorisation at the end of each reporting period.

6. INTEREST INCOME

	31 December 2022 $	31 December 2021 $
Bank interest	3,905	-
	3,905	-

7. ADMINISTRATIVE AND OTHER EXPENSES

	31 December 2022 $	31 December 2021 $
Administrative fees	157,333	140,409
Director & officer insurance	97,822	79,910
Directors' fees	266,760	271,591
Fees payable to the Company's auditor for the audit of the Company's financial statements	144,063	137,730
Fees payable to the Company's auditor for non-audit services[1]	23,987	45,643
Investment Management expenses/(recoupment)	75,190	38,867
Investment Management fees	3,220,609	2,880,537
Legal and professional fees	211,799	55,559
Regulatory fees	27,315	7,151

Sundry expenses	308,526	272,874
	4,533,404	**3,930,271**

[1] The non-audit services provided relates to the review of the interim financial statements. In addition Deloitte LLP is paid to audit certain subsidiary investments at a cost of $50,000.

The Company has no employees and therefore no employee related costs have been incurred.

8. TAXATION

The Company is approved as an Investment Trust Company with effect as of 16 April 2019 and is subject to tax at the UK corporation tax rate of 19%. An Investment Trust Company can claim a corporation tax deduction for dividends designated as interest distributions that are derived from net interest income. Therefore, no UK corporation tax charge has been recognised by the Company for the period ended 31 December 2022.

	31 December 2022 $	31 December 2021 $
Tax charge in profit or loss:		
- UK corporation tax	-	-

	31 December 2022 $	31 December 2021 $
Reconciliation of the tax charge for the year		
Profit before tax	14,494,994	14,954,943
Tax at UK main rate of 19%	2,754,049	2,841,439
Tax effect of:		
Fair value gains/(losses) on investments not taxable	563,724	(1,884,059)
Foreign exchange (gain) / loss not taxable	69,685	(20,263)
Non-deductible expenditure	24,031	759
(Utilisation)/non-utilisation of excess expenses that no deferred tax is recognised on	(11,043)	8,115
Non-taxable dividend income	(3,023,225)	(569,428)
Dividends designated as interest distributions	(377,221)	(376,563)
Tax charge for the year	**-**	**-**

The tax credit of $377,221 (2021: $376,563) arose as a result of dividends payable in respect of the year being designated as interest distributions in accordance with UK tax legislation specific to Investment Trust Companies. Investment trust companies which have been approved by HM Revenue & Customs are exempt from UK corporation tax on their capital gains. Due to the Company's status as an approved investment trust company, and the intention to continue meeting the conditions required to maintain that approval for the foreseeable future, the Company has not provided for deferred tax in respect of any gains or losses arising on the revaluation of its investments. The Company has an unrecognised deferred tax asset of $21,758 (2021: $36,288) in respect of tax losses which are available to be carried forward and offset against future taxable profits. A deferred tax asset has not been recognised as it is considered unlikely that the Company will generate taxable profits in excess of deductible expenses in future periods. The unrecognised deferred tax asset has been calculated using a corporation tax rate of 25% (2021: 25%).

9. EARNINGS PER SHARE

Earnings per share amounts are calculated by dividing the profit or loss for the year attributable to ordinary equity holders of the Company by the weighted average number of ordinary shares in issue during the year. As there are no dilutive instruments outstanding, basic and diluted earnings per share are identical.

	31 December 2022 $	31 December 2021 $
Net profit attributable to ordinary shareholders	14,494,994	14,954,939
Weighted average number of ordinary shares for the year	332,192,437	285,178,711
Earnings per share - Basic and diluted (cents per share)	**4.363**	**5.244**

During the year ended 31 December 2022, the Investment Manager acquired 361,464 shares at an average price of $0.89 per share (2021: 221,176 shares at an average price of $1.01 per share) reflecting the Management Share Amount due to the Investment Manager from 1 July 2021 to 30 June 2022.

10. INVESTMENT IN SUBSIDIARY

	Place of Business	Percentage Ownership
USF Holding Corp	Delaware, USA	100%

Opening Equity	Equity Loans: Principal	Net Fair Value	Closing Balance: Equity

	Opening Equity And Loans	Acquisitions during the Year	Advanced during the Year	Movement During the Year	Balance: Equity and Loans
	$	$	$	$	$
USF Holding Corp.	314,442,968	7,200,000	-	(4,008,758)	317,634,210

From establishment to 31 December 2022, the Company has funded USF Holding Corp. with equity and debt, with the total amount of debt funding based on several criteria, including an arm's length gearing test satisfying thin capitalisation rules. During the period, the Company contributed an additional $7,200,00 in equity to USF Holding Corp., of which the majority was used for the refinancing of the Heelstone portfolio and to reduce gearing across its subsidiaries. Note 17 of these financial statements contains the components of the 31 December 2022 equity and loans balance. Fair value relates to USF's share of the underlying Solar Asset investment and cash flows only (i.e. balances exclude tax equity investment amounts) and expected returns and fair values are modelled after allowing for distributions to tax equity investors. Included in the total fair value movement of $4,008,758 are dividends paid to USF from underlying US entities of $15,911,710.

The net fair value movement comprises the following:

	Total $
Fair value gain on investments	25,400,945
Dividends paid	(15,911,710)
Operating costs of USF Holding Corp (excluding MSA fee)	(6,009,852)
Total fair value movement	3,479,383
MSA fee income - cash received transferred to revenue reserve	(1,041,792)
MSA fee income - cash receivable and received for the year	(4,457,384)
Intercompany interest - cash received transfer to revenue reserve	(1,988,965)
Net fair value movement	(4,008,758)

On 28 June 2019, the Company entered into a Management Services Agreement (MSA) with its subsidiary USF Holding Corp. The Board of the Company, with further assistance by delegation of its duties to the Investment Manager, provides strategic management services to USF Holding Corp relating to its current portfolio of US Solar Assets and potential acquisitions. Previously, the MSA fee was included in the net fair value movement. This is now included in profit and loss on an accrual basis in order give a true and fair view of the transaction. This has not been applied retrospectively as the effect on earlier periods are not considered material.

The investment in subsidiaries comprises on a 'look-through' basis the following:

	31 December 2022 $	31 December 2021 $
Fair value of underlying solar asset interests held (i)	545,080,586	499,868,185
Cash or cash equivalents	3,526,852	21,038,732
Fair value of 3rd party loan funding provided (ii)	(253,302,242)	(201,916,761)
Fair value of interest rate swaps on 3rd party loan funding provided (ii)	30,994,646	(7,462,104)
Deferred tax liability	(8,080,938)	(3,572,073)
Other net assets and liabilities	(584,694)	6,487,010
Investment balance	**317,634,210**	**314,442,968**

(i) The balance recorded at 31 December 2022 relates to the company's interest in the Milford, Olympos, Granite, Heelstone, Euryalus and MS2 portfolio solar power plants.

(ii) Fair value of 3rd party loan funding provided and the fair value of interest rate swaps at 31 December 2022 was $222,307,595 (2021: $209,378,865) is comprised of the following:

Issuing Bank	Loan Type	Held By	Facility Size ($ million)	Drawn Face Value ($ million)	Drawn Fair Value of Debt and Swaps ($ million)
Fifth Third Bank, National Association	Revolving Credit Facility	USF Avon, LLC	40.0	3.5	3.5
Zions Bancorporation, N.A	Term Loan	USF Bristol Class B Member, LLC (Milford)	23.6	23.6	18.0
KeyBank National Association	Term Loan	USF Bristol Class B Member, LLC (Milford)	23.6	23.6	18.0
Fifth Third Bank, National Association	Term Loan	Heelstone Energy Holdings, LLC (Heelstone)	68.8	68.8	60.7
Fifth Third Bank, National Association	Term Loan	SC Oregon 2, LLC (Euryalus)	34.3	34.3	29.0
Multiple Lenders	Term Loan	NES Hercules Class B Member, LLC (MS2)	99.5	99.5	93.1
Multiple Lenders	Revolving Loan Facility	NES Hercules Class B Member, LLC (MS2)	4.3	-	-

Total	**294.1**	**253.3**	**222.3**

USF Bristol Class B Member, LLC as Acquisition One borrower, is party to a financing agreement with Zions Bancorporation, N.A. and KeyBank National Association, each as lenders. The facility is a term loan with a mini-perm structure, which will be fully amortised over a 25-year period.

The initial tenure of the loan is a seven-year period, after which the loan will be refinanced. The term loan facility is hedged with fixed interest rate swaps for the full duration of the amortisation period. As at 31 December 2022, the drawn fair value of the loan includes mark-to-market revaluation of associated interest rate swaps of $11.2 million.

In May 2021, the Live Oak Bank debt held by the projects in Acquisition Four (Heelstone) was repaid and a new term loan was entered into between Heelstone Energy Holdings LLC and Fifth Third Bank, National Association. The new debt facility has a tenor of seven years but is fully amortised over approximately 16 years to match the duration of the underlying power purchase agreements. The term loan is hedged with fixed interest rate swaps for the full duration of the loan, with a mark-to-market valuation as at 31 December 2022 of $8.07 million, included in the drawn fair value of the loan.

SC Oregon 2, LLC, entered into a term loan agreement with Fifth Third Bank, National Association in September 2020. The term loan has a miniperm structure and will be fully amortised over an 11-year period, with the initial tenure maturing in June 2026. In June 2021, SC Oregon 2, LLC prepaid $7.14 million of the outstanding principal balance. The term loan facility is hedged with fixed interest rate swaps for the full duration of the loan, with a mark-to-market revaluation as at 31 December 2022 of $5.32 million, included in the drawn fair value of the loan.

In March 2020, NES Hercules Class B Member LLC, the Acquisition Six borrower, entered into a $203.4 million term loan facility with Santander Bank N.A., CoBank ACB, CIT Bank N.A., Société Générale, Canadian Imperial Bank of Commerce - New York Branch, KeyBank National Association and Seine Funding, LLC as lenders. The mini-perm loan will be fully amortised over a 20-year period, with the initial tenure maturing on 31 January 2028. USF owns a 50% interest in the plant therefore only 50% of the drawn facility values have been recorded. The term loan is secured by the assets of NES Hercules Class B Member LLC with collateral pledges of various material project documents. As at 31 December 2022, the drawn fair value of the loan includes mark-to-market revaluation of associated interest rate swaps of $6.42 million.

NES Hercules Class B Member LLC also has an $8.5 million revolving loan facility. The purpose of this facility is to provide short-term liquidity for the payment of Debt Service and O&M Expense as required by the project. As at 31 December 2022, the revolving loan was undrawn. The revolving loan matures on 31 January 2028. USF owns a 50% interest in the plant therefore only 50% of the available facility value has been recorded.

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

- KeyBank National Association has provided a Letter of Credit to USF Bristol Class B Member, LLC to the value of $19.8 million, expiring in November 2026 concurrent with the mini-perm structure and will be refinanced thereafter.
- Zions Bancorporation, N.A. has provided a Letter of Credit to USF Bristol Class B Member, LLC to the value of $2.3 million, expiring in November 2026 concurrent with the mini-perm structure and will be refinanced thereafter.
- Fifth Third Bank, N.A. has provided a Letter of Credit to Heelstone Energy Holdings, LLC to the value of $6.8 million, expiring in May 2028 concurrent with the mini-perm structure and will be refinanced thereafter.
- Fifth Third Bank, N.A. has provided a Letter of Credit to SC Oregon 2, LLC to the value of $4.5 million, expiring in June 2026 concurrent with the mini-perm structure and will be refinanced thereafter.
- CoBank, ACB has provided a Letter of Credit to NES Hercules Class B Member LLC on behalf of Imperial Valley Solar 2, LLC. There are currently two Letters of Credit issued under this facility - a $28.3 million LC expiring in March 2023 and a $7.9 million LC expiring in March 2025.

11. TRADE AND OTHER RECEIVABLES

	31 December 2022 $	31 December 2021 $
MSA fee receivable	1,071,201	-
Prepayments	81,808	86,324
VAT receivable	62,357	157,458
	1,215,366	**243,782**

12. CASH AND CASH EQUIVALENTS

	31 December 2022 $	31 December 2021 $
Cash at bank	7,325,703	16,161,464
	7,325,703	**16,161,464**

13. TRADE AND OTHER PAYABLES

	31 December 2022 $	31 December 2021 $
Creditors and operating accruals	213,801	250,876
Investment management fee accrual	890,342	1,617,740
	1,104,143	**1,868,616**

14. DIVIDENDS PAYABLE

During the year, the Company declared dividends totaling $18,469,895 (31 December 2021: $14,288,657) of which $13,420,570 (31 December 2021: $9,305,771) has been paid as at 31 December 2022. The Company declared a dividend of 1.52 cents per share, totaling $5,049,323.88 for the period ending 30 September 2022. The dividend was paid on 7 January 2023.

15. CATEGORIES OF FINANCIAL INSTRUMENTS

	31 December 2022 $	31 December 2021 $
Financial assets		
Financial assets at fair value through profit and loss: Investment in subsidiary	317,634,210	314,442,968
Financial assets at amortised cost:		
Cash at bank	7,325,703	16,161,464
Total financial assets	**324,959,913**	**330,604,432**
Financial liabilities		
Financial liabilities at amortised cost:		
Trade and other payables	1,104,143	1,868,616
Total financial liabilities	**1,104,143**	**1,868,616**

At the balance sheet date, all financial assets and liabilities were measured at amortised cost except for the investment in subsidiary which is measured at fair value as further explained in note 17.

16. FINANCIAL RISK MANAGEMENT

The Company is exposed to certain risks through the ordinary course of business and the Company's financial risk management objective is to minimise the effect of these risks. The management of risks is performed by the Directors of the Company and the exposure to each financial risk considered potentially material to the Company, how it arises and the policy for managing it is summarised below. The symbols (↑), (↓) and (↔) denoting an increase, decrease and no change respectively in the assessed risk over the period since the 2021 Annual Report.

CREDIT RISK (↔)

The Company is exposed to third-party credit risk and the possibility that counterparties with which the Company and its subsidiaries, together the Group, contracts may fail to perform their obligations in the manner anticipated by the Group.

Counterparty credit risk exposure limits are determined based on the credit rating of the counterparty. Counterparties are assessed and monitored on the basis of their ratings from Standard & Poor's and/or Moody's. No financial transactions are permitted with counterparties with a credit rating of less than BBB- from Standard & Poor's or Baa3 from Moody's unless specifically approved by the Board.

Cash and other assets that are required to be held in custody will be held at bank. Cash and other assets may not be treated as segregated assets and will therefore not be segregated from the banks own assets in the event of the insolvency of a custodian. Cash held with the bank will not be treated as client money subject to the rules of the FCA and may be used by the bank in the ordinary course of its own business. The Company will therefore be subject to the creditworthiness of the bank. In the event of the insolvency of the bank, the Company will rank as a general creditor in relation thereto and may not be able to recover such cash in full, or at all.

Credit risk is mainly at subsidiary level where the capital commitments are being made and is managed by diversifying exposures among a portfolio of counterparties and through applying credit limits to those counterparties with lower credit standing.

Credit exposures may also be managed using credit derivatives. No credit derivatives were in place as at 31 December 2022.

Cash and bank deposits are held with major international financial institutions who each hold a Moody's credit rating of A2 or higher.

LIQUIDITY RISK (↑)

The objective of liquidity management is to ensure that all commitments which are required to be funded can be met out of readily available and secure sources of funding. The Company's only financial liabilities are trade and other payables. The Company intends to hold sufficient cash across the Company and Subsidiary's operating accounts to meet the working capital needs over a horizon of at least the next 6 months. Cash held at subsidiary level is available to meet the obligations of the Company. As at 31 December 2022 USF Holding Corp. held cash at bank of $2,858.869 and had trade and other payables totaling $661,500. Cash flow forecasts are prepared on a monthly basis for a rolling 2-year period to assist in the ongoing analysis of short term cash flow.

The following table reflects the maturity analysis of the Company's financial assets and liabilities.

As at 31 December 2022	<1 year $	1 to 2 years $	2 to 5 years $	>5 years $	Total $
Financial assets					
Financial assets at fair value through profit and loss:					
Loan to subsidiary*	-	-	-	41,791,694	41,791,694
Financial assets at amortised cost:					
Cash at bank	7,325,703	-	-	-	7,325,703

Total financial assets	**7,325,703**	**-**	**-**	**41,791,694**	**49,117,397**

As at 31 December 2022	**<1 year $**	**1 to 2 years $**	**2 to 5 years $**	**>5 years $**	**Total $**
Financial liabilities					
Financial liabilities at amortised cost:					
Trade and other payables	1,104,143	-	-	-	1,104,143
Total financial liabilities	**1,104,143**	**-**	**-**	**-**	**1,104,143**

As at 31 December 2021	**<1 year $**	**1 to 2 years $**	**2 to 5 years $**	**>5 years $**	**Total $**
Financial assets					
Financial assets at fair value through profit and loss:					
Loan to subsidiary*	-	-	-	47,818,615	47,818,615
Financial assets at amortised cost:					
Cash at bank	523,170	-	-	-	523,170
Total financial assets	**523,170**	**-**	**-**	**47,818,615**	**48,341,785**

As at 31 December 2021	**<1 year $**	**1 to 2 years $**	**2 to 5 years $**	**>5 years $**	**Total $**
Financial liabilities					
Financial liabilities at amortised cost:					
Trade and other payables	732,723	-	-	-	732,723
Total financial liabilities	**732,723**	**-**	**-**	**-**	**732,723**

*Excludes the equity portion of the investment in subsidiary.

MARKET RISK (↑)

Market risk is the risk that the fair value or cash flows of a financial instrument will fluctuate due to changes in market prices. Market risk reflects interest rate risk, currency risk and other price risks. The objective is to minimise market risk through managing and controlling these risks to acceptable parameters, while optimising returns. The Company uses financial instruments in the ordinary course of business in order to manage market risks.

PRICE RISK (↔)

Price risk is the risk that the fair value or cash flows of a financial instrument will fluctuate due to changes in market prices. At 31 December 2022, the Company had no direct exposure to price risk. The effect of price risk on the Company's investments is considered in note 17.

INTEREST RATE RISK (↑)

Interest rate Risk is the risk of changes in the interest expense for debt, or interest received on deposits, as measured in the currency of that debt, due to movements in market interest rates.

The Company does not have any borrowings as at 31 December 2022. The Company may manage the cost of borrowing by borrowing using fixed rate instruments, and/or by overlaying interest rate derivatives against the Company's debt portfolio. Policy limits for the maximum and minimum levels of hedging relative to the expected net debt profile for rolling multi-year periods.

In considering whether to execute hedging transactions, the costs and benefits of hedging will be balanced against the effects of movements in interest rates on the debt portfolio.

At 31 December 2022, the Company is indirectly exposed to interest rate risk through its investment in the subsidiary. However this risk is managed at a subsidiary level and the effect of Interest rate risk on the Company is considered immaterial.

The Company may be exposed to changes in variable market rates of interest as this could impact the discount rate and therefore the valuation of the projects as well as the fair value of the loan to subsidiary.

CURRENCY RISK (↔)

The Net Asset Value of the Company is calculated in US Dollars whereas the financial instruments at year end may be in other currencies. The value in terms of USD of the financial instruments of the Company, which may be designated in any currency, may rise and fall due to exchange rate fluctuations of individual currencies. Adverse movements in currency exchange rates can result in a decrease and loss of capital. At year end, the currency exposure was considered immaterial.

Currency risk can be mitigated to some extent through transacting wherever possible in USD. Where non-USD exposures are unavoidable, the Company is able to manage exposures to movements in foreign currencies through foreign exchange derivative transactions.

CAPITAL RISK MANAGEMENT (↔)

The capital structure of the Company at year-end consists of equity attributable to equity holders of the Company, comprising issued capital, reserves and accumulated loss. The Company has no return on capital benchmark, but the Board continues to monitor the balance of the overall capital structure so as to maintain investor and market confidence. The Company is not subject to any external capital requirements.

17. FAIR VALUE MEASUREMENT

The following table analyses within the fair value hierarchy the Company's assets and liabilities measured at fair value at 31 December 2022:

	Level 1 $	Level 2 $	Level 3 $
Investment in subsidiary	-	-	317,634,210

The following table analyses within the fair value hierarchy the Company's assets and liabilities measured at fair value at 31 December 2021:

	Level 1 $	Level 2 $	Level 3 $
Investment in subsidiary	-	-	314,442,968

The investments recognised at fair value through profit and loss are classified as Level 3 in the fair value hierarchy and the reconciliation in the movement of this Level 3 investment is presented below. No transfers between levels took place during the year.

	31 December 2022 $	31 December 2021 $
Opening balance	314,442,968	195,324,276
Add: purchases during the year	7,200,000	110,000,000
Less: receipt of MSA fee income	(5,499,176)	(4,673,924)
Less: receipt of intercompany interest	(1,988,965)	(1,988,957)
Total fair value movement through the profit or loss (capital)	3,479,383	15,781,573
Closing balance	**317,634,210**	**314,442,968**

The Company's policy is to recognise transfers into and transfers out of fair value hierarchy levels as of the date of the event or change in circumstances that caused the transfer.

In accordance with the guidelines of the Company's valuation policy, all assets held as at 31 December 2022 have been valued by an external valuation expert, as they are now fully operational.

VALUATION APPROACH AND METHODOLOGY

Fair value for operational Solar Assets is derived using a discounted cash flow (**DCF**) methodology. For Solar Assets that are not yet operational or where the completion of the acquisition by the Company has not occurred at the time of valuation, the purchase price of the Solar Power Asset including acquisition costs is normally used as an appropriate estimate of fair value provided no significant changes to key underlying economic considerations (such as major construction impediments or natural disasters) have arisen.

In a DCF analysis, the fair value of the Solar Power Asset is the present value of the asset's expected future cash flows, based on a range of operating assumptions for revenues and costs and an appropriate discount rate range.

The Investment Manager has reviewed a range of sources in determining the fair market valuation of the Solar Assets, including but not limited to:

- discount rates publicly disclosed by the Company's global peers;
- discount rates applicable to comparable infrastructure asset classes; and
- capital asset price model outputs and the implied risk premium over relevant risk-free rates.

A broad range of assumptions are used in valuation models. Given the long-term nature of the assets, valuations are assessed using long-term historical data to reflect the asset 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 long-term data for use in its valuations.

Long-term electricity price forecasts are obtained every six months from two leading independent power price forecasting firms for each jurisdiction in which Solar Assets are located. These two electricity price forecasts are averaged and provided to the independent valuer to project the prices at which existing power purchase agreements will be re-contracted. A blend of providers is used to prevent the valuation of the portfolio being unduly influenced by one forecaster's set of assumptions, to mitigate potential forecaster errors, and to reduce the timing risk inherent in valuing the portfolio shortly before curve updates are released. The independent valuer assesses these forecast prices for reasonableness against their own internal forecasts and others in the marketplace.

VALUATION PROCESS

NESM has engaged independent valuer KPMG to calculate the fair value of its operating renewable energy assets. KPMG is one of the largest valuation firms in the United States with significant experience in estimating the fair value of solar and other renewable energy assets. In accordance with Company policy, all 42 operating assets were externally valued at 31 December 2022 (construction assets were held at cost in previous periods). The valuation has been calculated in accordance with Uniform Standards of Professional Appraisal Practice (**USPAP**) as applied to photovoltaic electricity generation systems in the United States.

Primary valuation methodology:

- The equity fair values of USF's construction assets are based on the equity purchase price plus transaction costs (no assets were valued at cost for 31 December 2022 as all assets were operational at period end).
- The equity fair values of USF's operational assets are based on DCF modelling of pre-tax cash flows to equity as at 31 December 2022. This methodology more accurately reflects the valuation impact of the discrete debt instruments that USF has in place when compared to an unlevered valuation.
- A post-tax valuation is conducted at the US Holding Corp. level to compare the implied post-tax discount rate.

In order to ensure that the potential impact of the pandemic is considered in the valuations, KPMG has included a specific COVID-19 risk premium in the discount rate used in valuations, and the Company has adopted merchant curves which include the impact of the pandemic on future power prices.

A summary of the movement during the year is included in the table below:

$	MILFORD ACQUISITION ONE	OLYMPOS ACQUISITION TWO	GRANITE ACQUISITION THREE	HEELSTONE ACQUISITION FOUR	EURYALUS ACQUISITION FIVE	MS2 ACQUISITION SIX	US CASH AND WC*	UK CASH AND WC#	Total#
31 December 2021	**36,145,085**	**35,949,175**	**34,495,622**	**119,658,198**	**36,723,035**	**26,003,488**	**25,468,358**	**9,553,751**	**323,996,712**
Additions (at cost)	-	106,432	-	606,243	-	21,133,863	(27,969,500)	(7,166,150)	(13,289,111)
Change in fair value	311,993	2,361,160	82,255	6,952,681	46,727	4,559,395^	(5,000,000^)	-	9,314,210
31 December 2022	**36,457,078**	**38,416,767**	**34,577,876**	**127,217,121**	**36,769,763**	**51,696,747**	**(7,501,142)~**	**2,387,601**	**320,021,811**

* Working capital (**WC**) is comprised of assets and liabilities other than investments held at fair value.

^ Includes a $5 million reallocation from 'US Cash and WC' to 'MS2 - Acquisition Six' related to the derivative asset value of the option over the second tranche of MS2 that was recorded as at 31 December 2021. The sale closed in May 2022 and the $5 million is now reflected in the 'Change in Fair Value' of MS2.

The Company's total net asst value (NAV) of $320,021,811 (31 December 2021: $323,996,731) less WC in the UK of $2,387,601 (31 December 2021: $9,553,744) equals the fair value of the Company's investment in its US subsidiary of $317,634,210 (31 December 2021: $314,442,968).

~ Excluding undrawn revolver capacity of $36.5 million as at 31 December 2022.

SENSITIVITY ANALYSIS

Set out below are the initial indications of the key assumptions the Directors believe would have a material impact upon the fair value of the investments should they change. In the absence of an operating business model for each underlying renewable energy asset, the sensitivities have been conducted on the acquisition models of these assets. The following sensitivities assume the relevant input is changed over the entire useful life of each of the underlying renewable energy assets, while all other variables remain constant. All sensitivities have been calculated independently of each other.

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

	Reduction or Increase in input	CHANGE IN INPUT	CHANGE IN NAV ($'M)	CHANGE IN NAV PER SHARE (cents per share)
Discount rate	Increase	+1.0%	-37.25	-11.21
	Reduction	-1.0%	+45.70	+13.76
Electricity production (change from P50)	Reduction	P90	-45.89	-13.81
	Increase	P10	+45.93	+13.83
Merchant Period Electricity Prices	Reduction	-10%	-24.23	-7.29
	Increase	+10%	+24.23	+7.29
Operations and maintenance expenses	Increase	+10%	-16.82	-5.06
	Reduction	-10%	+16.06	+4.83
Operating life	Reduction	- 3 years	-14.83	-4.46
	Increase	+ 3 years	12.2	+3.67
Tax rate	Increase	+5%	-15.36	-4.63
	Reduction	-5%	+15.40	+4.64

DISCOUNT RATE

The sensitivity demonstrates the impact of a change in the discount rate applied to the pre-tax, equity cash flows from all of the Company's renewable energy asset investments as at 31 December 2022. A range of +/- 1.0% has been considered to determine the resultant impact on the Company's NAV per share and the fair value of its solar asset investments.

As at 31 December 2022, the weighted average discount rate range used was 7.0% (December 2021: 6.3%) on a WACC basis, and 7.8% (December 2021: 7.8%) on a pre-tax cost of equity basis. The use of a WACC or cost of equity in valuations is dependent on actual leverage employed.

ELECTRICITY PRODUCTION

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

The sensitivity estimates the impact on the fair value of solar asset investments and NAV per share of a change of production estimates to P90 (90% likely probability of exceedance) and a P10 generation estimate (10% probability of exceedance).

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

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

MERCHANT PERIOD ELECTRICITY PRICES

Each of the assets underlying the Company'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 (nor for the duration of current PPAs). For the post-PPA period of each solar asset, the Directors use long-term electricity price forecasts that have been prepared by a market consultant in their determination of the fair value of the Company's operating solar asset investments.

The sensitivities show the impact of an increase / decrease in power prices for each year of the power price curve for each plant over the plant's remaining economic life after the conclusion of the existing PPAs. A flat 10% increase / decrease in market electricity prices from forecasted levels over the remaining asset life of all plants have been used in the sensitivity analysis. Although a 10% increase / decrease is not typical, this figure has been used as merchant period prices are determined upon the discretion of expert market consultants.

OPERATING EXPENSES

The operating costs of the assets underlying the Company'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. Most operating expenses for the Solar Power Assets are contracted and as such there is typically little variation in annual operating costs. However, there may be cases where all operating costs are recontracted at a 10% premium or discount.

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

OPERATING LIFE

The useful operating life of a solar asset is generally accepted by independent valuers to be the lesser of the lease term for asset site and the independent engineer's assessment of the asset's useful life. The Company's maximum useful life assumption is 40 years (December 2021: 40 years) for newly constructed assets.

The sensitivity above assumes a three-year increase / decrease in useful operating life of the Company's Solar Assets, and the resultant impact on the Company's fair value of investments and NAV per share.

TAX RATE

The United States imposes a tax on profits of US resident corporations at a rate of 21%. The sensitivity above assumes the US corporate tax rate increases / decreases by 5% (to 26% / 16%) and shows the resultant impact on the Company's fair value of investments and NAV per share.

18. SHARE CAPITAL

	ORDINARY SHARES #	SHARE CAPITAL $	SHARE PREMIUM $	CAPITAL REDUCTION RESERVE $	TOTAL SHAREHOLDERS EQUITY $
As at 31 December 2020	200,192,361	2,001,924	184,786	188,176,521	190,363,231
Issue of fully paid Ordinary Shares at 0.01	132,000,000	1,320,000	129,712,911	-	131,032,911
Equity issue costs	-	-	(1,861,833)	-	(1,861,833)
Dividends	-	-	-	(13,096,206)	(13,096,206)
As at 31 December 2021	**332,192,361**	**3,321,924**	**128,035,864**	**175,080,315**	**306,438,103**

Dividends	-	-	-	(72,526)	(72,526)
As at 31 December 2022	**332,192,361**	**3,321,924**	**128,035,866**	**175,007,789**	**306,365,577**

The Company has an authorised share capital of 500,000,000 ordinary shares. On incorporation the Company issued one ordinary share of $0.01 which was fully paid up.

Following a successful application to the High Court and lodgement of the Company's statement of capital with the Registrar of Companies, the Company was permitted to cancel its share premium account. This was effected on 21 June 2019 by a transfer of the balance of $194 million from the share premium account to the capital reduction reserve. The capital reduction reserve is classed as a distributable reserve and dividends to be paid by the Company are to be offset against this reserve.

In line with its target dividend, the Company declared a dividend of 1.52 cents per share, totaling $5,049,324 for the period ending 30 September 2022. The dividend was paid on 7 January 2023. This brought total dividends declared during the year to $18,469,895 '(or 5.6 cents per share). For the year ended 31 December 2022, the Company paid total dividends of $13,420,570 (or 4.04 cents per share).

19. RESERVES

The nature and purpose of each of the reserves included within equity at 31 December 2022 are as follows:

- Share premium reserve: represents the surplus of the gross proceeds of share issues over the nominal value of the shares, net of the direct costs of equity issues and net of conversion amount. As at 31 December 2022 the share premium account has a balance of $128,035,864 (2021: $128,035,964).
- Capital reduction reserve: represents a distributable reserve (which may be utilised in respect of dividend payouts) created following a court approved reduction in capital. As at 31 December 2022 the capital reduction reserve has a balance of $175,007,789 (2021: $175,080,315).
- Capital reserve: represents cumulative net gains and losses, of a capital nature, recognised in the Statement of Profit and Loss and Other Comprehensive Income and associated tax allocations arising from the MSA fee income and interest distributions. As at 31 December 2022 the capital reserve reflects a profit of $8,470,669 (2021: $12,648,250).
- Retained earnings represent cumulative net gains and losses, of an income nature, recognised in the Statement of Profit and Loss and Other Comprehensive Income and associated tax allocations arising from the MSA fee income and interest distributions. As at 31 December 2022, retained earnings reflects a profit of $5,185,565 (2021: $4,910,359).

The only movements in these reserves during the year are disclosed in the statement of changes in equity.

20. NET ASSET VALUE PER SHARE

Basic NAV per share is calculated by dividing the Company's net assets as shown in the statement of financial position that are attributable to the ordinary equity holders of the Company by the number of ordinary shares outstanding at the end of the period. As there are no dilutive instruments outstanding, basic and diluted NAV per share are identical.

	31 December 2022 $	**31 December 2021 $**
Net assets per Statement of Financial Position	320,021,811	323,996,712
Ordinary shares in issue as at 31 December	332,192,437	332,192,437
NAV per share - Basic and diluted ($/share)	**0.963**	**0.975**

21. CASH FLOW STATEMENT RECONCILIATION

IAS 7 Statement of Cash Flows require additional disclosures about changes in an entity's financing liabilities, arising from both cash flow and non-cash flow items. As at 31 December 2022 the Company has no financing liabilities and therefore no further disclosure is required.

22. TRANSACTIONS WITH RELATED PARTIES

The Company and the Directors are not aware of any person who, directly or indirectly, jointly or severally, exercises or could exercise control over the Company. The Company does not have an ultimate controlling party.

Details of related parties are set out below:

NON-EXECUTIVE DIRECTORS

Directors are paid fees of £42,000 per annum. In addition to this, Gillian Nott receives £21,000 per annum in respect of serving as Chair of the Board and Jamie Richards receives £10,500 per annum in respect of serving as Chair of the Audit committee.

Total Directors' fees of $266,759 (2021: $271,591) were incurred in respect of the year with none being outstanding and payable at the year-end (2021: $nil).

SUBSIDIARY

The Company previously issued loans totaling $43 million to its subsidiary USF Holding Corp. The principal portions of the loans are repayable in 7 years from issuance. The loans bear interest at rates of 5% and 4.1% respectively, payable semi-annually in arrears.

INVESTMENT MANAGER

The Investment Manager is entitled to management fees under the terms of the Investment Management Agreement. The Company shall pay to the Investment Manager an annual fee (exclusive of value added tax, which shall be added where

Company shall pay to the Investment Manager an annual fee (exclusive of value added tax, which shall be added where applicable) payable quarterly in arrears calculated at the rate of:

ASSETS UNDER MANAGEMENT	FEE BASED ON NAV
< $500 million	1.0% per annum
$500 million to $1 billion	0.9% per annum
> $1 billion	0.8% per annum

Based on the Net Asset Value on the last Business Day of the relevant quarter.

The Management Fee due in respect of each quarter shall be invoiced by the Manager to the Company as at the final Business Day of the relevant quarter, and shall be due and payable in the following manner:

a. no later than 10 Business Days after the Payment Date, 90% of the Management Fee shall be paid to the Manager in cash to such bank account as the Manager may nominate for this purpose; and

b. 10% of the Management Fee shall be paid to the Manager or an Associate (as directed by the Manager) in the form of ordinary shares in accordance with the provisions stated in the Investment Management Agreement.

For the avoidance of doubt, where there are C Shares in issue, the advisory fee will be charged on the Net Asset Value attributable to the ordinary shares and C Shares respectively. On 10 November 2020, the Board approved a recommendation from the Investment Manager to have the Administrator arrange for 10% of its Management Fee to be applied to purchase ordinary USF shares in the secondary market. From that time, the Company ceased issuing shares to the Investment Manager.

A management fee of $3,220,609 (2021: $2,880,537) was incurred during the year ($322,061 paid or payable in ordinary shares), of which $890,342 (2021: $1,617,740) remained payable at 31 December 2022 ($162,339 payable in ordinary shares). In addition to the management fee, the Manager shall also be entitled to payment of the following:

a. a fee for any successful arrangement of debt services payable at a rate of 0.5% of the debt face value; and

b. a fee for any oversight of asset construction services payable at market rates, negotiated on an arms' length basis and subject to the approval of the Board.

The Manager provides debt arranging services to the Fund, including contacting and liaising with capital providers, negotiating borrowing terms, obtaining credit ratings, implementing interest rate hedging strategies and executing documentation. The Manager was 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, the Manager receives debt arranging fees of 0.5% of the face value of new third-party debt and letter of credit facilities.

No debt arranging fees were incurred during the year (2021: $381,236). Asset management and construction services fees totaling $1,641,728 ($294,470 accrued; $1,347,259 paid) were incurred during the year (2021: $476,277).

23. CAPITAL COMMITMENTS

Other than disclosed in the post balance date events note, the Company had no contingencies and no other significant capital commitments at the reporting date.

24. POST BALANCE SHEET EVENTS

On 24 March 2023, the Company declared a dividend of 1.52 cents per Ordinary Share for the period ending 31 December 2022.

In January 2023, the Company announced that MN8 had exercised its purchase option over USF's 50% interest in the 200MW_{DC} Mount Signal 2 asset, with financial close expected to occur in Q2 2023.

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[1] Dividends paid by the Company at 31 December 2022 does not include the 1.52 cents per Ordinary Share dividend declared by the Company for 3Q 2022 on 21 November 2022, paid to shareholders on 6 January 2023.

[2] Total return to shareholders is based on dividends paid and reinvested (at ex-dividend date) throughout the period and share price movement since the issue price of $1.00.

[3] NAV total return to is based on dividends paid throughout the period and NAV movement since inception.

[4] The ongoing charges ratio is calculated in accordance with the Association of Investment Companies (**AIC**) methodology.

[5] Solar Projects (**Projects**) or Solar Assets (**Assets**) are used interchangeably throughout the report.

[6] Includes the second 50MW_{DC} tranche of Mount Signal 2 (**MS2**) from end of May 2022, per financial close.

[7] Environmental figures use actual generation figures for the period. US CO_2 emissions displacement is calculated using data from the US Environmental Protection Agency's "AVoid Emissions and geneRation Tool" (AVERT), Equivalent US homes and cars removed figures are based on CO_2 emissions displaced and data from the US Environmental Protection Agency and US Energy Information Administration.

[8]

[8] UK Ofgem day ahead baseload average

[9] Before taxes and transaction costs. Based on the MS2 sale reaching financial close on 15 May 2023.

[10] "Six Reasons to be Cheerful About the Climate's Future." The Times. 9 November 2022.

[11] Remaining PPA term from 31 December 2022.

[12] Dividend coverage is calculated based on dividends paid to shareholders during the period.

[13] Before taxes and transaction costs. Based on the MS2 sale reaching financial close on 15 May 2023.

[14] Before taxes and transaction costs. Based on the MS2 sale reaching financial close on 15 May 2023.

[15] Duke Energy Carolinas, Duke Energy Progress and Progress Energy are subsidiaries of Duke Energy Corporation and are separate legal entities which are liable to meet their own financial obligations and as such are subject to separate credit ratings.

[16] Commercial Operation Date.

[17] Represents the Company's MS2 interest as at 31 December 2022.

[18] Capacity-weighted average remaining PPA term as at 31 December 2022.

[19] Represents projects that had reached financial close on the valuation date.

[20] Dividends paid by the Company at 31 December 2022 does not include the 1.52 cents per Ordinary Share dividend declared by the Company for 3Q 2022 on 21 November 2022, paid to shareholders on 6 January 2023.

[21] https://www.whitehouse.gov/briefing-room/statements-releases/2021/11/06/fact-sheet-the-bipartisan-infrastructure-deal/

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