US Solar Fund

US Solar Fund PLC
(Company Registration Number 11761009)

INTERIM REPORT AND FINANCIAL STATEMENTS

for the period from 1 January 2021 to 30 June 2021

**Renewable energy.
Sustainable investments.**

US Solar Fund PLC

INVESTMENT POLICY

US Solar Fund plc (**USF** or **the Company**) is listed on the premium segment of the London Stock Exchange and aims to provide investors with attractive and sustainable dividends with an element of capital growth by investing in a diversified portfolio of solar power assets in North America and other OECD countries in the Americas.

OBJECTIVES

The Company acquires or constructs, owns and operates solar power assets that are expected to have an asset life of at least 30 years and generate stable and uncorrelated cash flows by selling electricity to creditworthy offtakers under long-term power purchase agreements (or **PPAs**).

INVESTMENT MANAGER

USF is managed by New Energy Solar Manager, which was established in 2015 and has committed a total of more than US$1.3 billion to 57 utility-scale solar assets, 55 of which are in the US, totalling 1.2GW_{DC}.

HISTORY OF THE COMPANY

The Company's initial public offering (**IPO**) in April 2019 raised $200 million; the funds were all committed or invested by December 2020 and the solar power assets were fully operational by that date. In May 2021 the Company raised an additional $132 million as part of a 12-month Placing Programme. The majority of the proceeds have been used to repay debt, and the Company is exploring growth opportunities targeting increased dividend cover and NAV accretion.

PORTFOLIO

USF's current portfolio consists of 42 projects across four US states with a combined capacity of 493 megawatts (**MW_{DC}**). Its assets are fully operational, generating 449 gigawatt-hours (**GWh**) over the period. Power offtake agreements are in place for 100% of generation with creditworthy counterparties with an average remaining life of 14.9 years, providing a resilient and uncorrelated income stream.

TARGET RETURN

USF aims to deliver an annual cash-covered dividend of 5.5 cents per share, growing at 1.5 to 2% per annum, for each financial year from and including 2021.


Milford 128 MW_{DC}


Pilot Mountain 7.5 MW_{DC}


Sarah 6.3 MW_{DC}


Cotten 6.8 MW_{DC}


West Hines 15.3 MW_{DC}


Mount Signal 2 200 MW_{DC}

CONTENTS

Merrill 10.5MW_{DC}

1. Highlights

Turkey Hill 13.2MW_{DC}

1. Highlights

Table 1: Highlights for the period

	30 June 2021	31 December 2020	30 June 2020
FINANCIAL			
Net Asset Value (**NAV**)	$313.3m	$194.2m	$192.9m
NAV per share	$0.943	$0.970	$0.964
Ordinary shares outstanding	332.2m	200.2m	200.1m
Share price based on closing price of indicated date	$1.015	$1.075	$0.940
Premium (discount) to NAV	7.6%	10.8%	(2.5%)
Market capitalisation based on closing price of indicated date	$337m	$215m	$188m
Dividends paid[1]	$2.00m (half year)	$4.00m (full year)	$2.00m (half year)
Dividend cover	4.61x (half year)	Not reported	Not reported
Shareholder total return[2]	4.93%	10.13%	(4.67%)
Ongoing charges[3]	1.36%	1.48%	1.50%
Gearing	39.3%	55.0%	62.5%
OPERATIONAL			
Projects[4] in construction	–	–	7
Projects fully operational	42	41	34
Total capacity (ownership stake)	$493MW_{DC}$	$443MW_{DC}$	$443MW_{DC}$
Total electricity generation	449.1GWh (half year)	374GWh (full year)	121.5GWh (half year)
Generation % of budget	-0.9%	2.5%	-4.4%
Weighted average PPA term remaining	14.9 years	15.1 years	15.3 years
Average offtaker credit rating	BBB+	A-	A-
ENVIRONMENTAL[5]			
CO_2 emissions displaced annually	633,000t	618,000t	618,000t
US homes powered	79,000	74,000	74,000
US cars removed from the road	137,000	134,000	134,000

1. Dividends paid does not include the 1.25 US cents per share dividend declared by the company for 1Q 2021 on 20 May 2021, paid to shareholders on 2 July 2021.
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. The ongoing charges ratio is calculated in accordance with the Association of Investment Companies (**AIC**) methodology.
4. Solar Projects (**Projects**) or Solar Assets (**Assets**) are used interchangeably throughout the report.
5. Environmental estimates use the first year of each project's electricity production once operational or acquired by the Investment Manager; and assume that all projects under construction are fully operational.

Milford 127.8MW$_{DC}$

2. Chair's Statement

West Hines 15.3MW$_{DC}$

2. Chair's Statement

I am pleased to present the 2021 Interim Report for US Solar Fund plc for the period ended 30 June 2021. The period was marked by a number of significant achievements for the Company. In addition, the new Biden Administration has given a strong indication of further support for the renewables sector and solar development. The Board believes that the US solar market continues to show very considerable scope for expansion and that USF remains well positioned to invest into this growth. The Board and the Investment Manager have continued to operate successfully and efficiently across three continents, with virtual meetings held regularly on both a formal and informal basis, including holding the AGM online.

This last six-months marked the first period that the Company's entire portfolio of solar power assets was fully operational. As a result, the Company paid its first quarterly dividend in line with the Company's target full year dividend of 5.5 cents per Ordinary Share. Year to date, generation is 0.9% below budget, predominantly due to unscheduled maintenance, intermittent grid outages and the Mount Signal 2 (**MS2**) project in California experiencing almost a full year's curtailment allowances for both the prior and current year periods during the first six months of 2021. Dividend cash cover remains strong at 4.61x for the six months ended 30 June 2021.

In March, USF completed its sixth acquisition, 25% of MS2, bringing the portfolio to 42 fully operating projects in four states totaling 493 MW_{DC}. In May, the Company completed a capital raising exercise with $132 million in gross proceeds, significantly exceeding its $105 million target. On behalf of the Board, I would like to thank existing shareholders for their support and welcome many first-time holders to the register.

Throughout the period, USF shares have traded between $1.00 to $1.09 on the London Stock Exchange. At 30 June 2021, the Company's shares were trading at $1.015 per Ordinary Share. This represents a 7.6% premium to the NAV of $313.3 million or $0.943 per Ordinary Share. Including dividends paid and reinvested during the period, shareholder total return from inception to 30 June is 4.93%.

CAPITAL RAISING AND REFINANCING

We were delighted by the market response to the capital raising in May of $132 million with strong support from existing and new investors.

The main purpose of the capital raising was to refinance the existing debt facilities associated with 177 MW_{DC} portfolio of 22 projects acquired in 2020 (**Heelstone Portfolio**). Shortly after completing the raise, the existing debt facility was repaid with the proceeds of a new debt facility from a new lender and approximately $92 million[6] of equity from the capital raise (**Heelstone Refinancing**). The refinance reduces the effective interest rate for the Heelstone Portfolio from approximately 6.25% to less than 3% per annum and brings fund gearing to approximately 40%, in-line with the long-term target of 50%. The Company is evaluating its strong pipeline of assets for suitable investments, including storage opportunities at existing sites, and the option over a further 25% of MS2, to deploy the additional proceeds raised.

PERFORMANCE

USF's unaudited NAV at 30 June 2021 was $313.3 million or $0.943 per Ordinary Share, a 2.8% decrease from the 31 December 2020 NAV of $0.970 per Ordinary Share and a 2.2% decrease to June 2020 NAV of $0.964 per share. The downward movement was primarily due to a decrease in merchant electricity price forecasts during the period, partially offset by reductions in discount rates.

USF's cash flows during the PPA term are fully contracted and not impacted by changes in merchant electricity price forecasts. However, these forecasts are used to estimate revenue received in the post-PPA period, so they still have an impact on NAV. Pleasingly, since 30 June 2021, we have seen an improvement in merchant pricing forecasts reflecting a reduction in COVID-19 uncertainty and increasingly bullish carbon price assumptions relating to net zero targets. We expect this outlook to be reflected in the next valuation.

The impact of merchant electricity price forecasts was partially offset by favourable reductions to discount rates as the portfolio has transitioned from construction phase to full run-rate operations and by a reduction in leverage resulting from the refinancing of the Heelstone Portfolio. Reductions in discount rates typically occur as a project progresses from construction start to one full year of operations due to lower risks associated with the project. As of June 30, 2021, the portfolio has reached run-rate operations with the exception of our largest asset, Milford. We expect to recognise an incremental reduction in discount rate as the asset reaches a full year of operations during H2 2021.

6. USF used approximately $92m for the Heelstone Refinancing however approximately $7.6m was subsequently released from reserve accounts held by the legacy debt holders resulting in a net use of proceeds of approximately $85m.

PORTFOLIO

In March, the Company acquired a 25% interest in the 200 MW_{DC} MS2 project in California, with an option to acquire a further 25% interest prior to March 2022. This sixth acquisition brings the Company's operating portfolio to 42 solar power projects totaling 493 MW_{DC}. All projects have investment grade PPAs for 100% of electricity generated, and the weighted average remaining PPA of portfolio is 14.9 years. The long-term contracted cash flows of USF's portfolio partially mitigate the impact of power price fluctuations on NAV as the merchant power price forecasts only impact revenue after the PPA terms.

DIVIDEND

The Company declared a dividend of 1.25 cents per Ordinary Share in September 2021 for the quarter ending 30 June 2021, totaling 2.5 cents per Ordinary Share for the six-month period. The Company confirms its target 5.5 cent annual dividend, fully covered by operating cash flows.

It is worth noting that USF's highest power generation, and therefore operating cash flows, are produced in the summer months. Allowing for the time taken for electricity sales to be converted to distributable cash flow at the Company level, the profile of dividend payments throughout the year reflects this seasonality of the Company's underlying cash flows.

OUTLOOK

The US utility-scale solar market continues to experience strong growth. During the first quarter of 2021, the US utility scale solar market installed 3.6GW_{DC} of capacity, representing the largest first quarter of installations to date. This momentum is expected to continue throughout the year with 17.9GW_{DC} of solar expected to be installed over the course of 2021, a 25% increase on the total capacity installed in 2020 (14.3GW_{DC}). Installations have been driven by the increase in decarbonisation targets from a variety of offtakers, a renewed focus on clean energy deployment at the federal level, and the continued expansion of state-level renewable energy targets. This is reflected by a strong opportunity pipeline offering numerous high-quality construction-ready and operational solar opportunities, as well as the potential to install energy storage at existing sites

In late March, the Biden Administration announced the American Jobs Plan, which is focused on creating jobs and upgrading US infrastructure. Approximately $60 billion has been allocated to energy infrastructure with a focus on increasing renewable power connection to the grid. A second and related package includes an extension and expanded direct-pay (cash payment for up to 85% of the tax credit) investment tax credit (**ITC**) and production tax credit for clean energy generation and storage. These have not yet passed through Congress, however, should any of the proposed policies be endorsed, there would be a significant positive impact on the US utility scale solar market.

In April, the parent of the Investment Manager became a signatory to the United Nations sponsored Principles for Responsible Investing (**UN PRI**). We are also reviewing European sustainability and Environmental, Social, and Governance (**ESG**) disclosure frameworks to see how they might best be applied to USF. USF complied with pre-contractual disclosure requirements as part of our recent equity raising to meet the European ESG disclosure obligations for EU domiciled investors and prospective investors. Given the volume of capital from the EU flowing into sustainable funds and the advance of reporting frameworks there, we believe USF would be well-served to be aligned with EU reporting frameworks and are working to implement this.

While many countries globally have moved between reopening and shutting down and vaccination levels in the US and UK increase, the pandemic continues to impact many sectors. However, as we have previously commented, the solar industry in the US has largely been considered critical infrastructure, so COVID-19 continues to have no material impact on USF's on-the-ground operations. Service staff continue to travel to sites to conduct work as needed and the Company continues to operate efficiently and smoothly, despite international travel restrictions. The pandemic has impacted supply chains for many industries, including solar. Supply chain impacts for USF are limited as the current portfolio is fully operational, and spare parts inventories are maintained for sites based on our independent engineers' recommendations at the time of acquisition.

Finally, during the reporting period, the Investment Manager announced that CEO John Martin is stepping down and that Liam Thomas, who is currently CIO, is replacing him. We thank John for his contribution to USF's establishment and initial growth, and we are pleased that Liam is taking over the role given his knowledge of the US market, the portfolio, and his relationships with many shareholders.

GILL NOTT
CHAIR

20 September 2021

Tate 6.5MW_{DC}

3. Investment Manager's Report

Davis Lane 7MW_{DC}

3. Investment Manager's Report

SUMMARY OF THE PERIOD

During the reporting period, the Investment Manager closed its sixth acquisition, a 25% stake in the 200 MW_{DC} Mount Signal 2 project in California, bringing the portfolio to 42 assets across four US states totaling 493MW_{DC}. The portfolio performed close to expectations with generation 0.9% below budget. This was largely driven by curtailment at MS2, where two years of contractual curtailment took place in the first six months of 2021. Budgeted production assumes curtailment is spread evenly over each PPA contract year (periods commence 1 June), so there is expected to be minimal impact for the remainder of 2021.

All cash flows from USF's assets are contracted in the US with investment-grade offtakers for a weighted average of 14.9 years. This was the first six-month period when all assets were fully operating, and USF commenced paying the full target dividend. USF's Q1 2021 dividend was 1.25 cents and Q2 2021, which is announced with this report, is 1.25 cents, totaling 2.5 cents for the period. The payments are in line with the Company's annual target dividend of 5.5 cents per Ordinary Share.

On 13 April, USF announced it was initiating a 12-month Placing Programme with an Initial Issue targeting $105 million. The Initial Issue closed on 7 May significantly oversubscribed, raising gross proceeds of $132 million from existing and new investors. Shortly after the completion of the capital raise, USF used $92 million[7] of equity to successfully refinance, the existing debt facilities associated with a 177 MW_{DC} portfolio of 22 projects acquired in 2020 (the **Heelstone Portfolio**). This refinancing benefits USF by lowering overall gearing to approximately 40% (below the long-term target of 50%), reducing sensitivity to changes in key assumptions including long-term power prices, and enhancing dividend coverage.

COVID-19 had no material impact on USF during the reporting period.

INVESTMENT PORTFOLIO

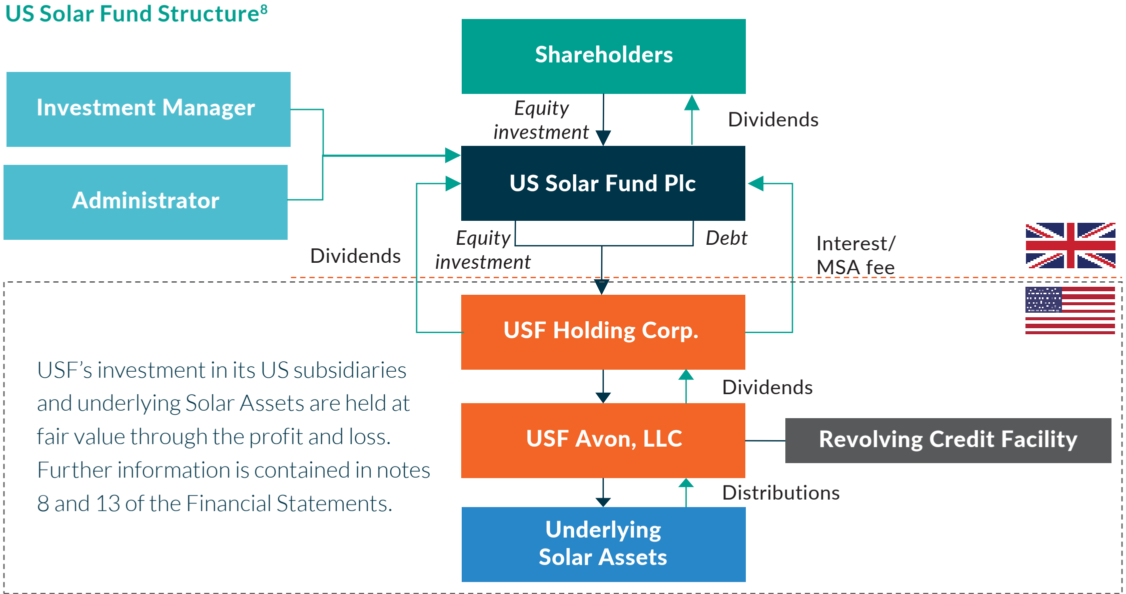
In March 2021, USF announced the financial close of a 25% interest (**Tranche One**) in MS2, a 200MW_{DC} operating solar plant located in the Imperial Valley of Southern California, USF has an option to acquire a further 25% interest (**Tranche Two**) for $22 million subject to a performance-based adjustment mechanism which can adjust the price upwards or downwards by up to $1 million. USF may exercise the Tranche Two option for up to 12 months from Tranche One completion (by March 2022), with Tranche Two completion subject to the same customary third-party consents as Tranche One.

This acquisition increases USF's total portfolio to 493MW_{DC} of fully operational assets diversified across four states. USF's portfolio is fully operational with all production sold to a variety of investment-grade offtakers (S&P rated: BBB to A). The Investment Manager continues to work diligently to assess prospective investment opportunities to add to the portfolio.

US SOLAR FUND STRUCTURE

The following diagram is provided to assist with understanding the financial statements set out in this Interim Report.

Figure 1: US Solar Fund Structure[8]



7. USF used approximately $92m for the Heelstone Refinancing however approximately $7.6m was subsequently released from reserve accounts held by the legacy debt holders resulting in a net use of proceeds of approximately $85m.

8. Underlying solar assets are held by subsidiaries via various structures including trusts and partnerships.

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 30 June 2021, the Company and USF Holding Corp. have available cash of $16.1 million and $10.4 million respectively, for a total balance of $26.5 million which may be used to meet the obligations of USF. At 30 June 2021 an undrawn $25 million revolving credit facility (**RCF**) was in place at USF Avon LLC (a wholly owned subsidiary of USF Holding Corp.), providing further liquidity support. After the end of the reporting period, USF reached agreement on all major commercial terms to increase the size and tenor of the RCF to $40 million and two years.

OPERATING ASSET UPDATE

Table 2: H1 2021 Operating Portfolio Performance by State

State	Number of plants	MW capacity	% of total MW	% of budget MWh	Actual MWh / Budget MWh	MWh weighted performance vs budget
North Carolina	28	168	34%	28%	(7.6%)	(2.1%)
Oregon	10	140	28%	27%	4.5%	1.2%
Utah	1	128	26%	31%	3.6%	1.1%
California[9]	3	57	12%	14%	(7.8%)	(1.1%)
Total	**42**	**493**	100%	**100%**	**(0.9%)**	**(0.9%)**

Construction for all USF projects was completed by the end of 2020, and the period ending 30 June 2021 was the first six-month period during which the portfolio was fully operating. Also during the period, USF completed the acquisition of 25% of MS2, adding 50MW_{DC} of capacity to the portfolio from the start of the second quarter. The portfolio performed well during the reporting period, with actual production of 449GWh (including reimbursed curtailment) which was 0.9% below the budgeted or forecast production of 453GWh. USF measures "Actual" performance against "Budgeted" performance. "Actual" production is the number of GWh generated and sold to the offtaker. "Budget" (also called "Forecasted") is the P50 production forecast for the plant before any adjustment for experienced weather conditions. Budget production is based on a production model and assumptions verified by an independent engineer at the time of acquisition, taking into account the location of the site, design of the plant and equipment used, degradation of equipment over time, planned maintenance outages, and unplanned maintenance and grid outages.

NORTH CAROLINA

In North Carolina, performance was 7.6% below budget, primarily due to unscheduled maintenance and intermittent grid outages. A utility outage at the 6.7 MW_{DC} Tiburon project was experienced in Q2 2021 which has since come back online. The 6.2MW_{DC} Nitro site also remained offline for several months over the period, as a result of an equipment failure, with site remediation completed in Q2 2021. There was also minor unscheduled maintenance at several other sites due to offline site inverters and combiner boxes over the reporting period, which have since been rectified.

OREGON

The Oregon portfolio, comprising 28% of portfolio capacity, performed 4.5% above budget for the reporting period due to higher than budgeted plane of array irradiance experienced, but did experience some utility outages, cable repairs and substation conductor issues. All outages that were experienced over the quarter have been investigated and restored. The cable repairs commenced in March and are expected to be completed in Q3 2021. This work is covered by insurance and the project receives business interruption proceeds until repairs are complete.

UTAH

In Utah, the Company's largest single asset, Milford, which comprises 26% of USF's portfolio capacity by MW_{DC}, continues to show strong performance at 3.6% above budget. Milford has been performing well over the period due to the asset's stronger than budgeted availability factor. As Milford commenced commercial operations in Q4 2020, 30 June 2021 marks Milford's first full half-year of operations.

9. Includes reimbursed curtailment.

CALIFORNIA

Performance in California was 7.8% below budget for the period, largely driven by curtailment[10] at MS2. Under MS2's PPA, the offtaker has the right to curtail MS2 for economic reasons throughout the contract year up to a cap, after which any further curtailment is compensated. The Investment Manager's budget and NAV assumes that the full annual curtailment cap is spread evenly across all 12 months, however, the offtaker exercised almost its entire contractual curtailment allowance for both the prior and current contractual years during the first six months of 2021, which had an outsized impact on performance over the period. Therefore, no further material economic impact is expected during this contract year (ending 31 May 2022), and commensurate outperformance against budget during the next half-year is expected (subject to normal operations).

The two smaller assets in California performed above budget over the reporting period.

Figure 2: Operating Portfolio Performance H1 2021

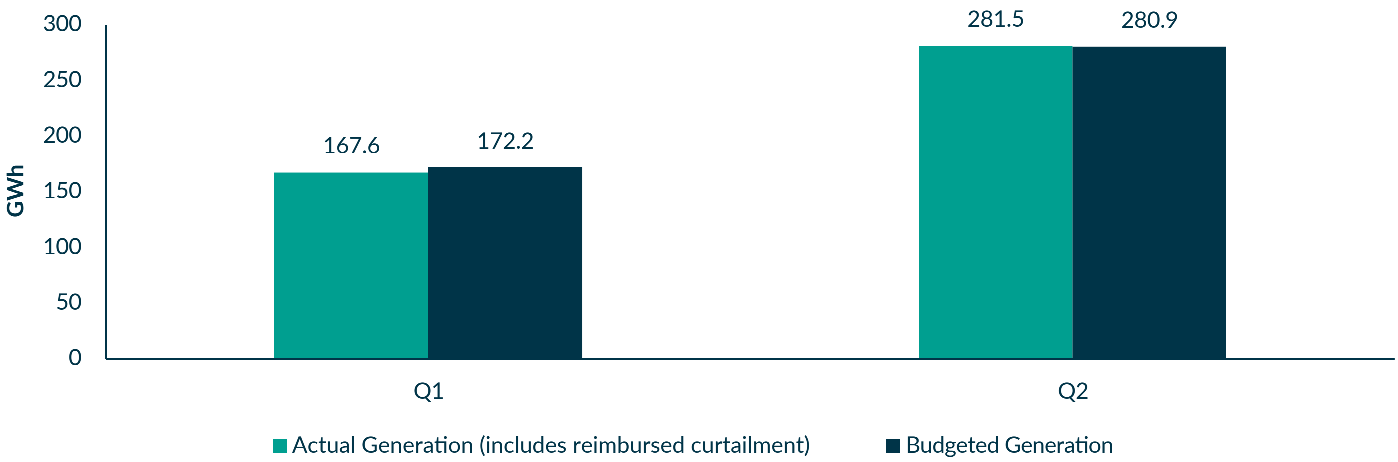
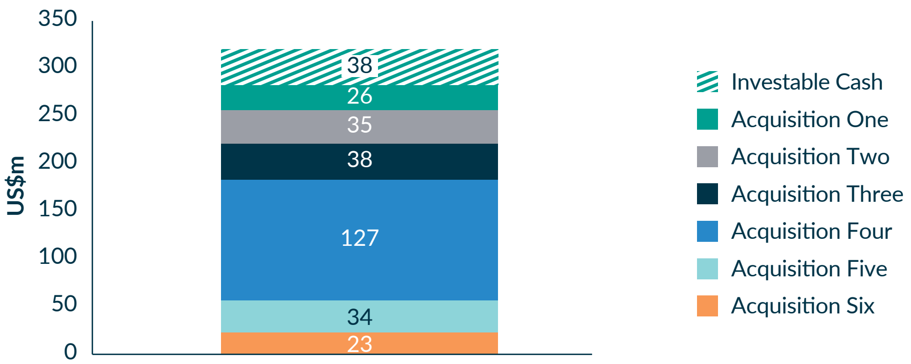


Figure 2 above shows actual and budgeted generation from the assets in the portfolio for the two quarters in the period. The increase in production from Q1 to Q2 is largely attributable to the seasonality of production as we moved into the summer months.

FUNDS COMMITTED

Figure 3: USF Net Equity Invested by Acquisition[11]



Since inception, USF has invested $283 million into the operating portfolio. USF has $38 million of investable cash remaining, which is intended to be used to acquire Tranche Two of MS2 or other accretive investment opportunities should they arise.

CAPITAL RAISE

In May 2021, USF announced it had raised gross proceeds of $132 million in the Initial Issue of its 12-month Placing Programme announced in April 2021.

10. Curtailment is when a plant is directed to reduce generation due to grid constraints or lower than expected electricity demand.

11. Investable cash includes cash balance as at 30 June 2021 and asset distributions to be received by the Company by 30 September 2021.

REFINANCING AND DEBT PAYDOWN

Shortly after the completion of the capital raising and consistent with the use of proceeds contemplated in the Company's Prospectus dated 13 April 2021, USF announced the refinancing of the existing debt facilities associated with the Heelstone Portfolio. The refinancing transaction used approximately $92 million[12] of the $132 million gross proceeds of the Initial Issue along with the proceeds of a new debt facility provided by Fifth Third Bank National Association to repay all of the existing project level debt. The new debt facility has a tenor of seven years but is fully amortised over approximately 17 years, to match the duration of the underlying PPA. Once completed, $7.6 million of restricted cash was released from the legacy debt providers and returned to USF.

The refinancing of these legacy loans reduces the effective interest rate for the Heelstone Portfolio from approximately 6.25% to less than 3% per annum. The base interest rate is fully hedged with fixed interest rate swaps for the full duration of the loan.

This refinancing will benefit USF by lowering overall gearing to approximately 40% (below the long-term target of 50%), reducing sensitivity to changes in key assumptions including long-term power prices, and enhancing dividend coverage.

An additional $7 million of proceeds was used to pay down debt on the Euryalus portfolio. The impact of these transactions is recognised in the movement in fair value of the Company's investment in its US subsidiaries and underlying Solar Assets. Note 13 to the Financial Statements shows the underlying movements on a look through basis for each of USF's Solar Assets.

PIPELINE UPDATE

The pipeline has remained robust since the Company's IPO ranging from US$1.9 billion to US$4.8 billion at any given quarter. As at 30 June 2021, the Investment Manager's pipeline included 2.2GW_{DC} of high-quality assets (including Tranche Two of MS2), with an aggregate value of approximately $2.2 billion in cash equity value and a weighted-average PPA term of 15.2 years.

Throughout the course of the reporting period, the Investment Manager has screened over 7GW_{DC} of projects, with a total cash equity value of over $7 billion. The Investment Manager continues to take a conservative approach to pricing. It also continues to strictly adhere to a process that is consistent with the strategy and return targets of the Company given the pipeline offers numerous high-quality construction-ready and operational investment opportunities, including the potential to install energy storage at existing sites.

EVENTS AFTER THE PERIOD

In August, the Investment Manager announced that John Martin would be stepping down as CEO to take up a position as CEO of Windlab Pty Ltd, a global renewable energy development company. Liam Thomas, previously CIO, was appointed as NESM's new CEO. Liam joined NESM in March 2016 and has overseen the acquisition and construction of utility-scale solar asset portfolios for USF and New Energy Solar, the Australian-listed fund also managed by NESM. Liam has 17 years of experience in the renewable energy, infrastructure, and agribusiness sectors including roles with Origin Energy, Aurizon, and Orica.

Subsequent to period end, USF reached agreement on all commercial terms to increase the size of the undrawn $25 million RCF to a $40 million facility, and extend the tenor for two years. Documentation is expected to be settled and executed in September 2021.

On 20 September 2021, the Company announced a dividend of 1.25 cents per Ordinary Share for the period ending 30 June 2021, bringing total dividends declared for the six-month period to 2.5 cents per Ordinary Share.

CORONAVIRUS

COVID-19 has had limited impact on the Company to date. Since the outbreak, USF has made changes to its work environment to ensure the health and safety of its employees, contractors, and stakeholders. The New York office is staffed on a limited basis with most of the US team working remotely using existing systems. The Sydney office has used staggered access arrangements to enable staff to work from the office while adhering to social distancing guidelines, except when lockdowns are in place.

The Investment Manager works with contractors and other stakeholders to ensure that operational targets are met while also meeting relevant COVID-19 requirements. Essential for economic activity, the generation and provision of electricity in most of the US has not been significantly disrupted by the pandemic. USF's projects have continued to operate and service personnel have been permitted to travel to sites to conduct work as needed. The Investment Manager continues to assess the current and potential impact of the COVID-19 measures implemented by the US federal and state governments on the Company's investment strategy and operations.

12. USF used approximately $92m for the Heelstone Refinancing, however, approximately $7.6m was subsequently released from reserve accounts held by the legacy debt holders resulting in a net use of proceeds of approximately $85m.

INVESTMENT PORTFOLIO

As at 30 June 2021 the Company owned 42 utility-scale solar projects, totaling 493MW_{DC}. All assets in USF's portfolio have achieved commercial operations and are generating revenue for the Company. USF continues to assess new opportunities to add to the Company investment portfolio.

Table 3: Portfolio Overview

Asset	Capacity (MW_{DC})	Location	Acquisition	Acquisition Date	Energy Offtaker[13]	Offtaker Credit Rating	Remaining PPA Length (Years)	COD[14]
Milford	127.8	Utah	One	Aug 19	PacifiCorp	S&P: A	24.4	Nov 20
Mount Signal 2	49.9	California	Six	Mar 21	Southern California Edison	S&P: BBB	18.9	Jan 20
Suntex	15.3	Oregon	Five	Jun 20	Portland General Electric	S&P: BBB+	10.1	Jul 20
West Hines	15.3	Oregon	Five	Jun 20	Portland General Electric	S&P: BBB+	10.1	Jun 20
Alkali	15.1	Oregon	Five	Jun 20	Portland General Electric	S&P: BBB+	10.2	Jun 20
Rock Garden	14.9	Oregon	Five	Jun 20	Portland General Electric	S&P: BBB+	10.2	Jun 20
Chiloquin	14.0	Oregon	Four	Mar 20	PacifiCorp	S&P: A	10.5	Jan 18
Dairy	14.0	Oregon	Four	Mar 20	PacifiCorp	S&P: A	10.3	Mar 18
Tumbleweed	14.0	Oregon	Four	Mar 20	PacifiCorp	S&P: A	10.5	Dec 17
Lakeview	13.7	Oregon	Four	Mar 20	PacifiCorp	S&P: A	10.3	Dec 17
Turkey Hill	13.2	Oregon	Four	Mar 20	PacifiCorp	S&P: A	10.3	Dec 17
Merrill	10.5	Oregon	Four	Mar 20	PacifiCorp	S&P: A	10.3	Jan 18
Lane II	7.5	North Carolina	Two	Dec 19	Duke Energy Progress	S&P: BBB+	12.2	Jul 20
Pilot Mountain	7.5	North Carolina	Two	Dec 19	Duke Energy Carolinas	S&P: BBB+	12.2	Sep 20
Davis Lane	7.0	North Carolina	Four	Mar 20	Virginia Electric & Power	S&P: BBB+	11.5	Dec 17
Gauss	7.0	North Carolina	Four	Mar 20	Virginia Electric & Power	S&P: BBB+	12.1	Oct 18
Jersey	7.0	North Carolina	Four	Mar 20	North Carolina Electric	S&P: A-	6.5	Dec 17
Sonne Two	7.0	North Carolina	Four	Mar 20	Duke Energy Carolinas	S&P: BBB+	10.1	Dec 16
Red Oak	6.9	North Carolina	Four	Mar 20	Duke Energy Progress	S&P: BBB+	10.5	Dec 16
Schell	6.9	North Carolina	Four	Mar 20	Virginia Electric & Power	S&P: BBB+	10.5	Dec 16
Siler 421	6.9	North Carolina	Four	Mar 20	Duke Energy Progress	S&P: BBB+	10.1	Dec 16
Cotten	6.8	North Carolina	Four	Mar 20	Duke Energy Progress	S&P: BBB+	10.4	Nov 16
Tiburon	6.7	North Carolina	Four	Mar 20	Duke Energy Carolinas	S&P: BBB+	10.1	Dec 16
Monroe Moore	6.6	North Carolina	Four	Mar 20	Duke Energy Carolinas	S&P: BBB+	10.1	Dec 16
Four Oaks	6.5	North Carolina	Three	Dec 19	Duke Energy Progress	S&P: BBB+	9.3	Oct 15
Princeton	6.5	North Carolina	Three	Dec 19	Duke Energy Progress	S&P: BBB+	9.3	Oct 15
Tate	6.5	North Carolina	Two	Dec 19	Duke Energy Progress	S&P: BBB+	12.2	Aug 20
Freemont	6.4	North Carolina	Four	Mar 20	Duke Energy Carolinas	S&P: BBB+	10.1	Dec 16
Mariposa	6.4	North Carolina	Four	Mar 20	Duke Energy Carolinas	S&P: BBB+	10.2	Sep 16
S. Robeson	6.3	North Carolina	Three	Jan 20	Progress Energy	S&P: BBB+	6.1	Jul 12
Sarah	6.3	North Carolina	Three	Dec 19	Duke Energy Progress	S&P: BBB+	9.0	Jun 15
Nitro	6.2	North Carolina	Three	Dec 19	Duke Energy Progress	S&P: BBB+	8.4	Jul 15
Sedberry	6.2	North Carolina	Four	Mar 20	Duke Energy Progress	S&P: BBB+	10.1	Dec 16
Willard	6.0	North Carolina	Two	Dec 19	Duke Energy Progress	S&P: BBB+	12.2	Oct 20
Benson	5.7	North Carolina	Two	Dec 19	Duke Energy Progress	S&P: BBB+	12.2	Aug 20
Eagle Solar	5.6	North Carolina	Two	Dec 19	Duke Energy Progress	S&P: BBB+	12.2	Aug 20
Granger	3.9	California	Four	Mar 20	San Diego Gas & Electric	S&P: BBB+	15.2	Sep 16
Valley Center	3.0	California	Four	Mar 20	San Diego Gas & Electric	S&P: BBB+	15.4	Dec 16
County Home	2.6	North Carolina	Four	Mar 20	Duke Energy Carolinas	S&P: BBB+	10.1	Sep 16
Progress 1	2.5	North Carolina	Three	Jan 20	Progress Energy	S&P: BBB+	10.8	Apr 12
Progress 2	2.5	North Carolina	Three	Jan 20	Progress Energy	S&P: BBB+	6.5	Apr 13
Faison	2.3	North Carolina	Three	Dec 19	Duke Energy Progress	S&P: BBB+	8.8	Jun 15
Grand Total	**492.9**						**14.9**[15]	

13. 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.

14. Commercial Operation Date.

15. Capacity-weighted average remaining PPA term as at 30 June 2021.

ACQUISITIONS

As of 30 June 2021, the Company had closed six acquisitions. Acquisitions One and Two completed in 2019, Acquisitions Three, Four and Five were completed in 2020 and Acquisition Six in 2021.

In March 2021, the Company announced it had completed the acquisition of the 25% interest in MS2 with an option to acquire a further 25%. As of 30 June, the total operational portfolio capacity of the portfolio reached 493MW_{DC} as seen in Figure 4.

Figure 4: Portfolio by Stage[16]

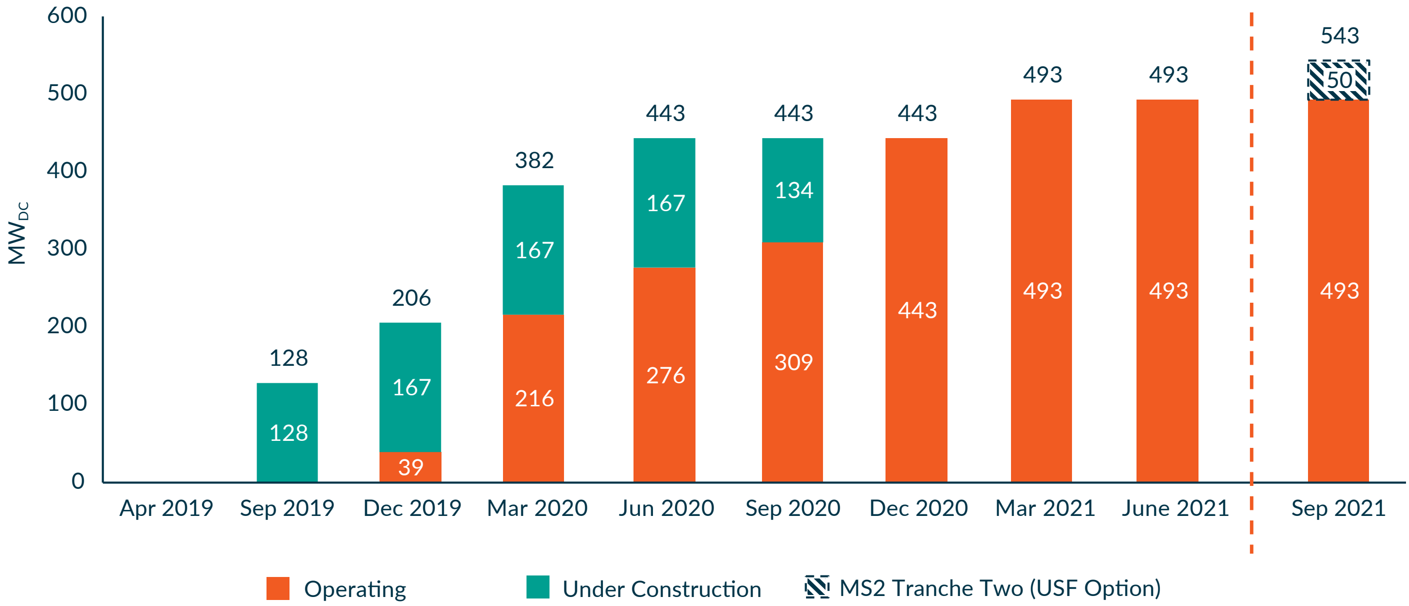


Table 4 shows USF's completed and committed acquisitions and valuation change between 31 December 2020 to 30 June 2021. Approximately US$92 million[17] was invested over the period for the Heelstone Portfolio (Acquisition Four) Debt refinancing, resulting in an Acquisition Four valuation of $116.6 million as at the end of the period. Similarly, approximately US$7 million was used to repay debt on the Euryalus (Acquisition Five) portfolio, resulting in a valuation of $35.2 million as at 30 June 2021. As of the end of the period, the Fair Value of the portfolio acquisitions was $276 million.

Table 4: Portfolio Acquisition Valuation

	Acquisition								
(US$m)	One	Two	Three	Four	Five	Six	UK Cash and WC	UK Cash and WC	Total
31 December 2020	30,043,545	42,575,753	36,070,109	38,278,633	29,890,984	–	18,465,252	(1,164,928)	**194,159,348**
Additions (at cost)	16,542	(5,023,308)	245,318	85,341,800[17]	7,229,184	23,071,034	3,615,541	16,024,908	**130,521,020**
Change in fair value (incl. distributions)	574,898	(1,104,037)	(1,785,837)	(7,025,200)	(1,962,733)	(74,079)	–	–	**(11,376,988)**
30 June 2021	30,634,986	36,448,409	34,529,589	116,595,232	35,157,435	22,996,955	22,080,793	14,859,980	**313,303,380**

A detailed summary of the movement during the period can be found in note 13 to the financial statements.

16. June 2020 operational figure includes Acquisition Five assets which were all mechanically complete by June 2020.

17. USF used approximately $92m for the Heelstone Refinancing, however, approximately $7.6m was subsequently released from reserve accounts held by the legacy debt holders resulting in a net use of proceeds of approximately $85m.

INVESTMENT PERFORMANCE

At 30 June 2021, the Company's shares were trading at $1.015 per Ordinary Share. This represents a 7.6% premium to the NAV of $313.3 million or $0.943 per Ordinary Share. The NAV is defined as the total assets less any liabilities.

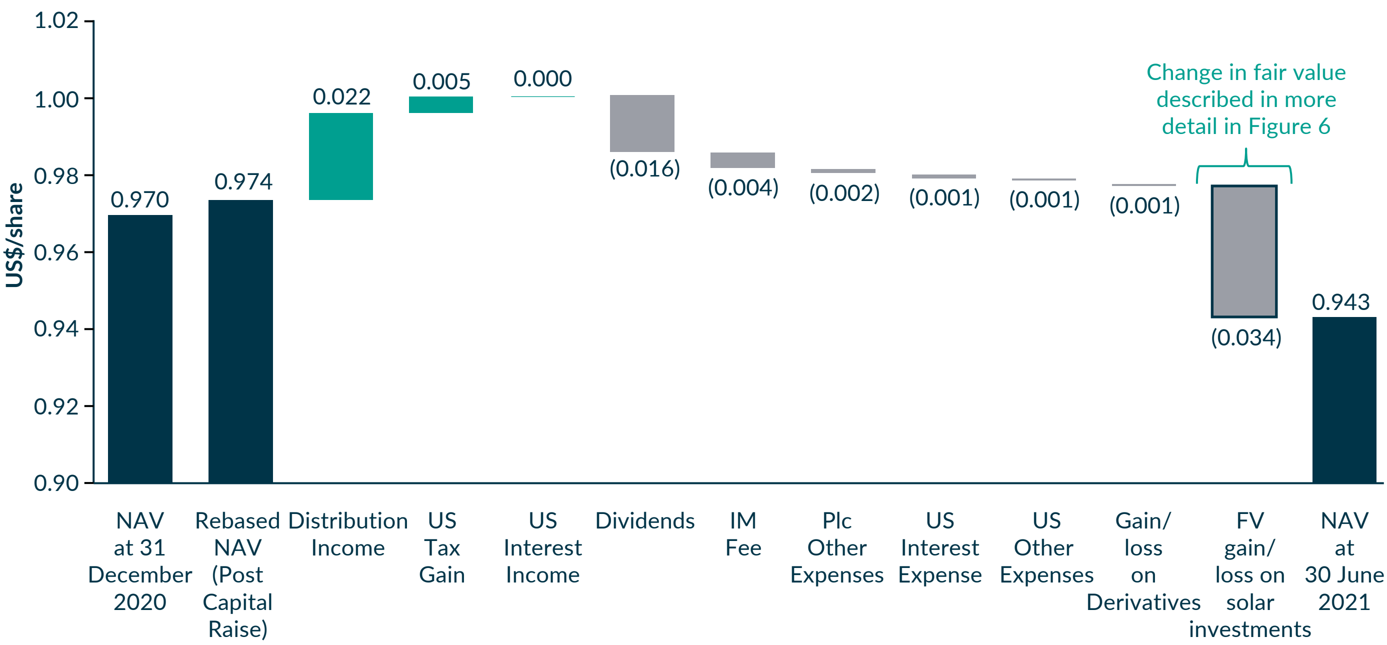
The Company generated a loss after tax of $4,985,055 (0.017 dollars per Ordinary Share) during the period. Intercompany loan interest income of $991,750, foreign exchange gains of $180,245 on funds that were retained in GBP, and MSA fee income of $2,568,123 from management services provided to the Fund's wholly owned US subsidiaries, were offset by a net loss from investments of $6,880,876 and administrative and other expenses of $1,844,297. The net fair value loss on investments arose from negative value impacts from updated merchant curves across the Fund's operating portfolio which offset positive value impacts due to the lower discount rates.

The financial statements of the Company are presented on pages 42 to 45. The Fund's sensitivity to discount rates and power prices is detailed below.

Table 5: Performance Summary

	30 June 2021	31 December 2020	30 June 2020
Number of projects[18]	42	41	41
Capacity of projects	493MW_{DC}	443MW_{DC}	443MW_{DC}
NAV	$313.3m	$194.2m	$192.9m
NAV per share	$0.943	$0.970	$0.964
Ordinary shares issued	332m	200m	200m
Closing share price (USF)	$1.015	$1.075	$0.940
Market capitalisation (based on closing price)	$337m	$215m	$188m
Dividends paid[19]	$2.00m (half year)	$4.00m (full year)	$2.00m (half year)
Share price total return performance	4.93%	10.13%	(4.67%)

Figure 5: NAV Bridge 31 December 2020 to 30 June 2021



18. Represents projects that had reached financial close on the valuation date.
19. Dividends paid does not include the 1.25 US cents per share dividend declared by the company for 1Q 2021 on 20 May 2021, paid to shareholders on 2 July 2021.

Figure 6: Fair Value Bridge of FV Gain on Solar Investments (USF Hold Corp.) 31 December 2020 to 30 June 2021

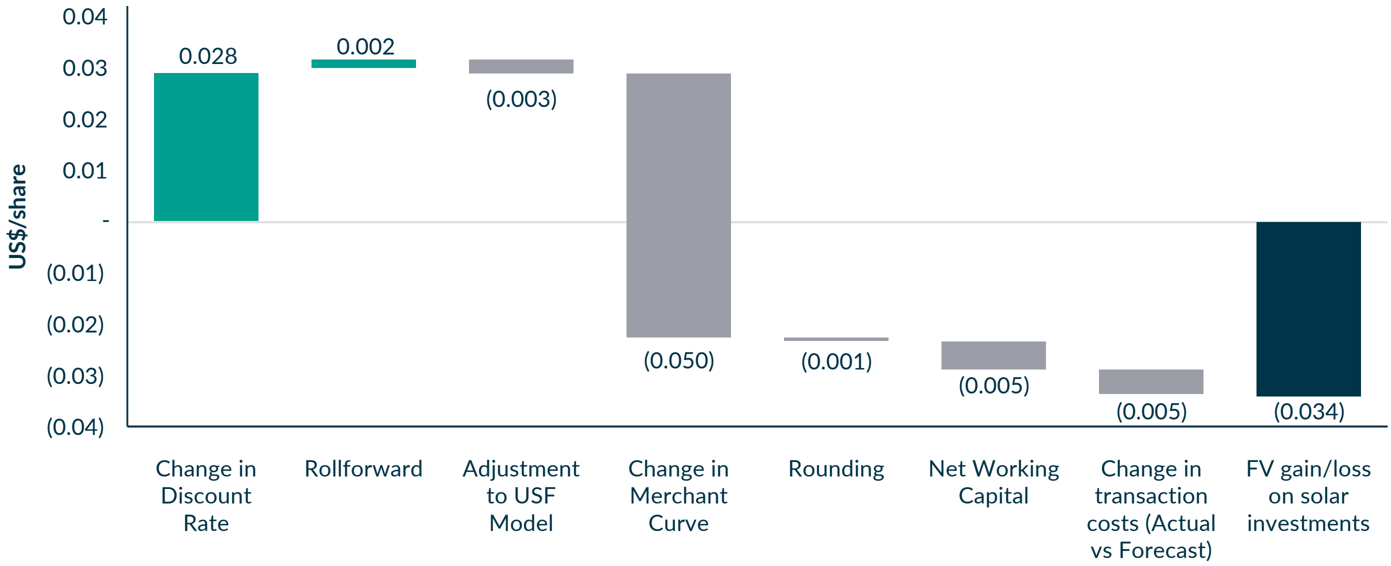


Figure 6 details the 3.4 cents per Ordinary Share movement in the "FV gain on solar investments" category shown in Figure 5. Discount rates were generally revised downwards to reflect current market rates, operational track-record, and capital structure, resulting in an uplift in valuations. The rollforward uplift is a result of bringing forward the valuation date to 30 June 2021, thereby removing cash flows from prior periods and bringing forward future cash flows. The adjustment to USF model reflects the updated valuation method to align with third-party valuation methods. To ensure alignment with these methods, the Investment Manager rounds valuations to the closest $0.5 million, which resulted in a decrease this period. Net working capital adjusts for changes in project level cash, assets, and liabilities. 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. Further details on the change in merchant curve can be found in the Valuation section below.

ONGOING CHARGES

The ongoing charges ratio of the Company is 1.36% of the average NAV for the period ended 30 June 2021. The ratio has been calculated using the AIC recommended methodology. The estimated total cost as laid out in the prospectus was 1.35% based on proceeds of $250 million.

VALUATION

NET ASSET VALUE

The NAV for the period ending 30 June 2021 is $313.3 million.

The valuation of the Solar Assets produced by the Investment Manager is based on valuations by an independent appraiser on a semi-annual basis as at 30 June and 31 December. 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 30 June 2021 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 30 June 2021. 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 to provide 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.

30 JUNE 2021 VALUATION

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 US with significant experience in estimating the fair value of solar and other renewable energy assets. In line with USF policy, 41 of USF's operating assets were externally valued at 30 June 2021 with MS2 held at cost given the transaction closed during the half-year period.

Figure 7: Merchant Electricity Power Price Forecast (Excluding Acquisition Six)

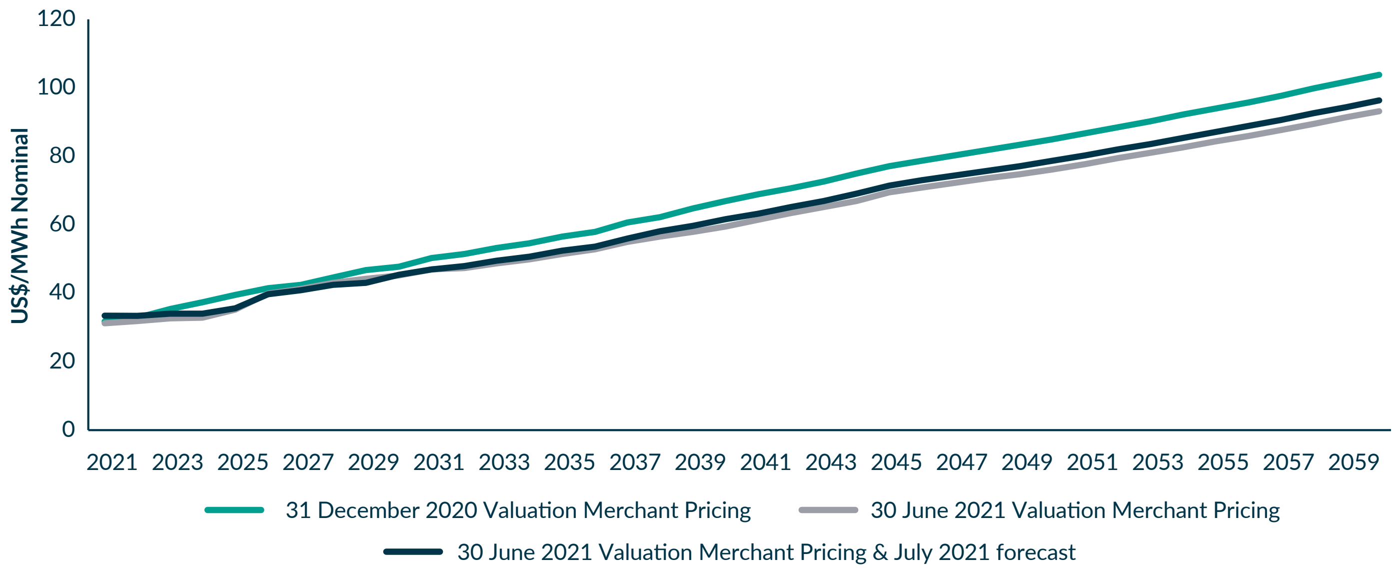
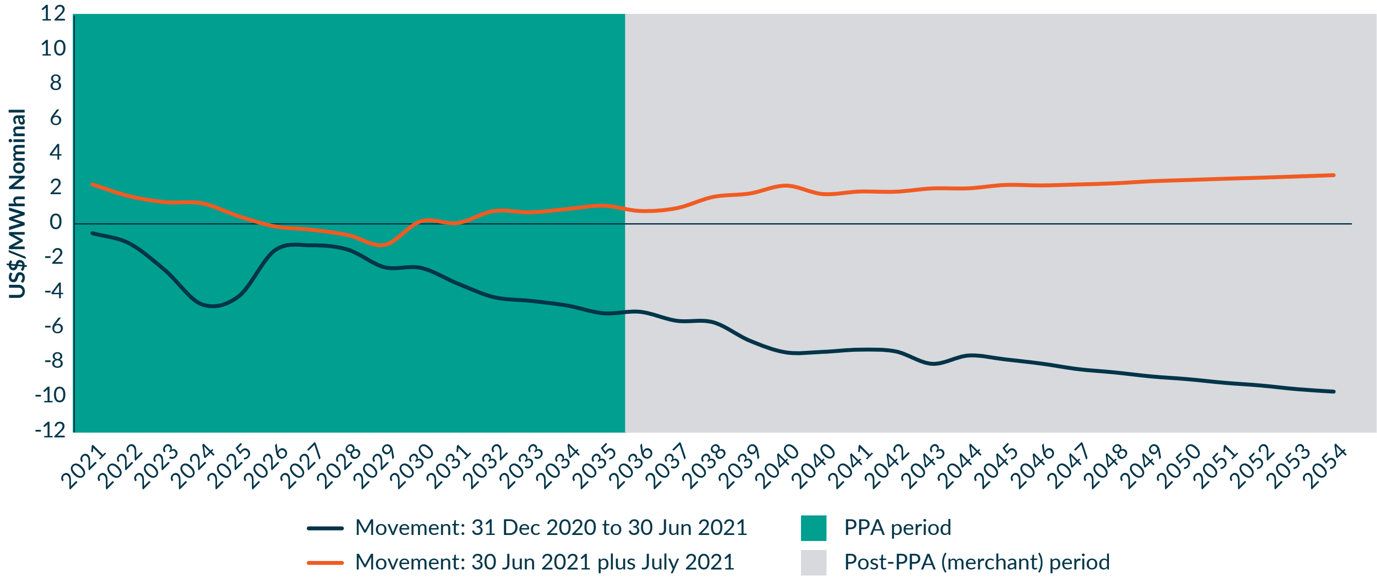


Figure 8: Movement In Portfolio Weighted Average Merchant Pricing (Excluding Acquisition Six)



The Company's contracted cash flows during the PPA period are not impacted by any changes in merchant electricity price forecasts, however, these forecasts are used to estimate revenue received in the post-PPA period. The merchant electricity price forecasts used in the 30 June 2021 valuation declined approximately 10.1% across the portfolio compared with 31 December 2020, reflecting COVID uncertainty at the time these forecasts were released in 2020 and early 2021. This resulted in a reduction of $0.05 per share or 5.1% of NAV, consistent with the NAV sensitivity analysis published in our annual report.

The Company uses the average of the most recent two forecasts (available at the valuation date) from two independent providers (a total of four price forecasts). The most recent merchant electricity price forecast released by one of these providers (after the end of period) is, on average, 14.5% higher than the forecast it will replace in the 31 December 2021 valuations; due to a reduction in COVID-related sentiment and an increasingly bullish outlook for carbon pricing to 2050. The other independent provider will release an updated forecast prior to the 31 December 2021 valuation date.

The impact of merchant electricity price forecasts was partially offset by a gain of $0.028 per share from favourable reductions to discount rates reflecting the portfolio's continued transition from construction phase to full run-rate operations, as well as the reduction in leverage achieved through the refinancing of the Heelstone portfolio. The weighted average pre-tax cost of equity used for levered assets was 7.3% (December 2020: 8.3%), and the weighted average pre-tax weighted average cost of capital (**WACC**) for unlevered assets was 6.5% (December 2020: 6.7%). The largest driver of the reduction in pre-tax cost of equity was the Heelstone Debt Refinancing.

Reductions in discount rates typically occur as a project progresses from construction start to one full year of operations. As of June 30, 2021, the portfolio has reached run-rate operations except for our largest asset, Milford. The Company expects an incremental reduction in discount rate as the asset reaches a full year of operations during H2 2021.

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 30 June 2021, tax equity financing was in place for all projects in the Company's portfolio except for Acquisition Three. 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. As expected at the time of acquisition, US Bancorp fully exited the Acquisition Three tax equity structure during the period.

Table 6 below details the tax equity arrangements for the Company's portfolio.

Table 6: Tax Equity Summary

Solar Asset	Tax Equity Partner	Funding Status
Acquisition One	Wells Fargo	Fully funded and active
Acquisition Two	US Bancorp	Fully funded and active
Acquisition Three	None (previously US Bancorp)	Exited
Acquisition Four	Hartford Insurance Company; Valley National Bank; and US Bancorp	Fully funded and active
Acquisition Five	US Bancorp	Fully funded and active
Acquisition Six	Wells Fargo	Fully funded and active

GEARING

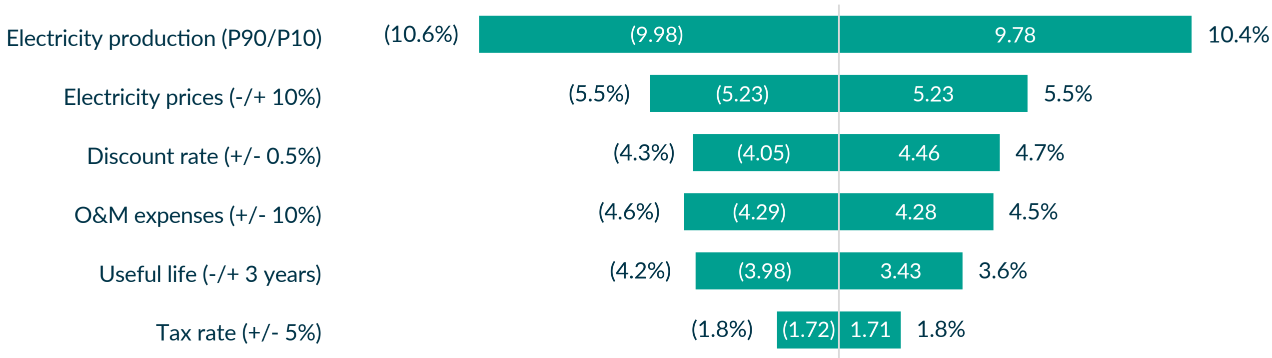
On a look-through basis USF had outstanding debt of $202.5 million as at 30 June 2021, based on the face value of drawn debt. This equates to 39.3% of Gross Asset Value (**GAV**) (calculated as NAV plus outstanding debt).

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 in Figure 9 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.

Figure 9: Sensitivity Analysis (Change in Cents Per Share)[20]



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

Between 1 January 2020 to 31 December 2020, the Company issued 100,038 Ordinary Shares to the Investment Manager at a price of $0.964 per Ordinary Share, representing the amount due in shares to the Investment Manager for the period from 1 January 2020 to 30 June 2020, in accordance with the terms of the investment management agreement between the Company and New Energy Solar Manager Pty Limited.

No management shares were issued during the period. 132,000,000 shares issued under the capital raise were added to the 200,192,361 on issue as at 31 December 2020 for a total of 332,192,361 shares on issue as at 30 June 2021.

INFORMATION ON THE INVESTMENT MANAGER

USF is managed by New Energy Solar Manager Pty Limited, which also manages New Energy Solar (**www.newenergysolar.com.au**). Combined, US Solar Fund and New Energy Solar have committed approximately US$1.3 billion to 57 projects totalling 1.2GW_{DC}.

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 20 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.

20. Assumed asset life is 35 years as per Independent Engineer assessment.

SENIOR MANAGEMENT TEAM

The senior members of the Investment Manager who are responsible for the management of US Solar Fund are set out below. Further information on the Investment Manager team is provided at **www.ussolarfund.co.uk**.

LIAM THOMAS BAgribus (Curtin), MSc (Curtin), MBA (Melbourne)
CHIEF EXECUTIVE OFFICER, NESM

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. 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.

ADAM HAUGHTON BS (Materials Engineering) (UMD), MBA (UT Austin)
CHIEF INVESTMENT OFFICER, NESM

Adam joined the Investment Manager as a Director in July 2018, focusing on due diligence and transaction execution for new fund investments, and succeeded Liam Thomas as CIO in August 2021. Before joining the Investment Manager, Adam was a Vice President at Greentech Capital Advisors, an investment bank focused on mergers and acquisitions and capital raising transactions for companies within the sustainable infrastructure industry. Prior to Greentech, Adam worked in Bank of America Merrill Lynch's Global Industrials Investment Banking Group where he advised on a range of public and private mergers and acquisitions and capital market transactions. Earlier in his career, Adam was a Development Engineer at SunEdison where he was responsible for the development and design of utility-scale and commercial and industrial solar installations in the US.

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

Prior to joining NESM, Warwick was the interim CFO of NESM's 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 1,000 MWs of solar and 2,500 MWs 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.

Alkali 15.1MW_{DC}

4. Environmental, Social and Governance

Turkey Hill 13.2MW_{DC}

4. Environmental, Social and Governance

During the reporting period, the Company and Investment Manager focused on acquiring and operating assets, and in doing so, Environmental, Social and Governance (**ESG**) factors were taken into account.

The Company invests in and sells energy generated by Solar Assets to energy offtakers, directly contributing to renewable energy infrastructure and renewable power generation. As of 30 June 2021, USF's portfolio comprised 42 operational solar plants which are responsible for displacing more than an estimated 633,000 tonnes[21] of CO_2 emissions, equivalent to powering over 79,000 US homes, or removing over 137,000 US cars from the road every year.

Core to the Company's investment and environmental objectives is the intention to build a long-term, sustainable business. Accordingly, the Directors and the Investment Manager are committed to managing USF in line with the core principles of good ESG practices.

Investing in utility-scale solar to provide attractive risk-adjusted returns for investors is, by its very nature, a compelling investment for investors focused on sustainability and ESG. It contributes positively and materially to the world's growing awareness of and momentum to address the impact of human activity on the environment and climate. Importantly, through developing utility-scale solar projects and contracting the PPAs with various offtakers, the Company directly contributes to the share of renewable energy in the global energy mix.

In April 2021, the parent of the Investment Manager became a signatory to the United Nations sponsored Principles for Responsible Investing (**UN PRI**). This Company is also reviewing EU sustainability and ESG disclosure frameworks to see how they might best be applied to USF. USF complied with pre-contractual disclosure requirements as part of our recent equity raising to meet the EU ESG disclosure obligations for EU-domiciled investors and prospective investors, and is considering aligning with EU reporting frameworks in 2022.

ESG DUE DILIGENCE AND ACQUISITION

- Environmental site assessments are completed for all assets during due-diligence and obtain certification that all projects comply with applicable local, state or federal law.
- Physical climate-related risks are considered during the diligence process and routinely throughout operations.
- O&M contractors and facility managers must obtain and maintain all permits required under applicable laws, including environmental regulations for each facility, and operate them accordingly.
- EPC contracts require third parties to conduct themselves and their processes to the highest standard of environmental control and compliance with all applicable laws. Strict controls are implemented to avoid any spill contamination, hazardous substances, trade sanctions in supply chains, and waste containment, among others.
- Prior to construction or investment, each solar asset site has, as part of the EPC contract, an agreed Health and Safety Plan that explicitly outlines health, safety and security measures to be employed and includes various state and federal laws to which all contractors, subcontractors, and site visitors must adhere, as well as injury reporting and investigation and corrective action processes.

ESG PRINCIPLES AT WORK IN USF

Adherence to ESG principles requires USF to consider the broader impact of its activities and to incorporate practices to further the aim of these principles.

Environmental considerations incorporate the impact on both the local environment, as well as global issues like climate change. USF's primary activity is investing in Solar Assets which support renewable energy development and provide a clean energy source to communities . Further, USF's strategy of owning and operating solar power portfolios directly contributes to the displacement of CO_2 emissions and assists states in their transition to becoming low carbon economies, helping to achieve their respective renewable energy targets.

USF's positive environmental impact can be seen in USF's first acquisition, the Milford Solar project in Utah. This project generates over 277,500 megawatt hours of electricity annually. This volume of electricity is equivalent to displacing approximately 235,000 tonnes of CO_2 emissions, powering 31,000 US homes, or removing 51,000 US cars from the road, every year.

The Company will often acquire plants that are not yet operational, and as such require many contractors and employees to construct each project. For example there were over 80 contractors on site for the construction of the 128MW_{DC} Milford solar plant. The Company, through the engagement of its contractors, seeks to create quality jobs in the communities in which it operates. Once operational, the plants provide a smaller number of long-term employment opportunities for members of the communities in which the plants are located.

21 Estimates use the first year of each project's electricity production once operational or acquired by the Investment Manager; and assumes that all projects under construction are fully operational.

The Company is committed to making tangible contributions to the prosperity and economic development of the regions in which it operates. For example, the Company seeks to form open and strong relationships with the landowners on which its assets are located, as well as those near its assets. The Company also partners with educational and research institutions to share insights and data to further advance the solar industry.

These partnerships also help USF to continue to improve its practices around land preservation, a key consideration for the Company during an asset's construction phase and operational life.

Governance considerations require a company to examine its structure, leadership, shareholder rights and internal controls. USF's Board of Directors is independent of the Investment Manager and seeks to implement a system of rules and practices that preserves the integrity and efficiency of its operations. The Board has worked with the Investment Manager and Company Secretary to maintain a framework of governance to meet the interests of stakeholders including shareholders, customers, financiers, government, suppliers and the community. The Company also considers acquisition and asset management principles and practices as they relate to dealing with anti-corruption and labour standards.

USF recognises that these governance considerations are critical to building a successful, long-term business.

SITE-SPECIFIC ESG INITIATIVES DURING OWNERSHIP

As assets are onboarded and in-construction assets become operational, site-specific Key Performance Indicators (**KPIs**) are implemented based on a list of potential measures for each asset. The US is vast and contains many different ecological environments. The initiatives used for each site depend on the local environment as well as the size of the asset. As USF's solar assets range from 2MW_{DC} to 128MW_{DC} different measures are appropriate for different size assets. The list below includes actual measures that have been implemented at various USF sites (as noted in parentheses) and options that are being considered at other sites:

ENVIRONMENTAL

- Minimisation of water usage and monitoring consumption (all sites).
- Planting of local/indigenous grasses, plants or wildflowers (Milford, Benson, Eagle Solar, Lane II, Pilot Mountain, Tate, Willard).
- Implementation of sustainable drainage and flood control measures (Benson, Eagle Solar, Lane II, Pilot Mountain, Tate, Willard, Four Oaks).

SOCIAL

- Attendance at local community and government meetings to maintain community engagement and dialogue.
- Ongoing relationship development with O&M providers, construction contractors, and landowners to encourage local community engagement and contribution (all sites).
- Effective complaint reporting and handling (all sites).
- Engagement with local education institutions to help develop understanding of renewable energy (Alkali, Rock Garden, Suntex, West Hines I).
- Contributions to select local and regional charitable organisations (Granger, Alkali, Rock Garden, Suntex, Pilot Mountain).
- On site, all injuries and incidents must be reported immediately, and reporting is followed by a well-documented investigation process, detailed report, and corrective action (all sites).

GOVERNANCE

- Periodic and regular review of safety statistics and site visits with site service providers to ensure compliance with local and regional laws and the Investment Manager's ESG practices (all sites).
- Annual review of contract compliance (including health and safety plans) with site service providers (all sites).
- Regular review of site permits and obligations to ensure safe and effective operations within the regulatory guidelines (all sites).

SUSTAINABILITY

USF was established to both capitalise on and contribute to the world's increasing awareness of the impact of climate change and the need to better manage the world's resources for present and future generations. The Company is focused on sustainability, primarily as an investor in the solar industry, but also in the way the Company is managed.

ALIGNMENT WITH UNITED NATIONS SUSTAINABLE DEVELOPMENT GOALS (UNSDG)

In 2015, the United Nations (**UN**) developed 17 Sustainable Development Goals (**SDG**) to enable individuals, organisations, corporations, and governments to implement, record and measure their approach to addressing global challenges including poverty, inequality, and climate change.

The Company is aligned with the UNSDG and has selected two core goals to which the Company can most measurably contribute.

	Affordable and Clean Energy	Decent Work and Economic Growth
Relevant Target	**7.2** By 2030, increase substantially the share of renewable energy in the global energy mix.	**8.8** Protect labour rights and promote safe and secure working environments for all workers, including migrant workers, in particular women migrants, and those in precarious employment.
Reporting	Measurement of carbon impact of Solar Assets; development of strategic plans for assets at end of life (e.g. solar panel recycling).	Reporting on health and safety strategic initiatives, planning and incidents at assets under ownership.

UNSDG 7.2

The 42 solar power projects in USF's portfolio have a combined capacity of 493MW_{DC}. This power is generated without producing emissions and importantly, also replaces fossil-fuel generated power, thereby displacing CO_2 emissions. As USF's 42 assets are all operating, they will be responsible for displacing more than an estimated 633,000 tonnes[22] of CO_2, every year, equivalent to powering 79,000 US homes or removing 137,000 US cars from the road each year.

As a sustainably run business, USF is conscious of its obligations to carefully consider and plan for the future disposal of solar panels. Given USF's solar plants are relatively new, with only 8% of capacity (including all acquisitions) being operational for greater than five years and the majority being operational between two and five years, the business has not yet needed to manage the disposal of large quantities of solar panels, due to the assumed solar asset life of 35+ years per project. In any case, USF works with its contractors to ensure that materials and panels are disposed of or where appropriate recycled properly according to any associated regulations.

During construction and operation, the solar panels employed in USF's plants have proven to be robust and rates of damage and waste have been very low. With respect to the bulk of the panels installed at USF's solar power plants, USF intends to establish a solar panel recycling system that can facilitate the recovery of valuable secondary raw materials and promote high levels of reuse. To this end, USF is investigating the recycling programs available in the industry and the approaches of its development and construction partners.

UNSDG 8.8

When an acquired project is yet to be constructed, an Engineering, Procurement and Construction (**EPC**) Agreement must be agreed upon and signed before construction. This agreement contains a comprehensive and systematic Health and Safety Plan that explicitly outlines certain requirements according to each site location and layout of the project. This plan incorporates health, safety and security measures required by various state and federal laws to which all contractors, subcontractors and site visitors must adhere.

A site Health and Safety Committee is established for each project location, comprised of field representatives and management from the EPC contractor once construction commences. These representatives must obtain appropriate construction safety certification (known as "OSHA36") and are responsible for daily safety briefings. The representatives also facilitate weekly "toolbox" meetings, designed to address potential safety concerns on-site, and ensure the implementation of preventive safety measures. USF did not have any assets under construction during the period.

Once a site is operational, and upon appointment of O&M contractors, a Safety and Health Management Plan is implemented. These plans provide personnel working at the site with a framework for addressing safety and health in the workplace with the goal of preventing any fatalities, injuries, illnesses and equipment damage. The approach is based on the principle that nearly all worksite fatalities, injuries and illnesses are preventable. USF currently has 42 operating projects.

The Company and the Investment Manager are also focused on injury reporting and investigation as they allow for review of existing preventive measures, thereby reducing the likelihood of an event occurring. All injuries and incidents must be reported immediately on the project site, followed by an investigation process, detailed report and corrective action.

Over the course of the period to 30 June 2021, there were no recordable injuries or lost-time accident on site.

The Company and Investment Manager continue to monitor and maintain health and safety management policies and take a preventive and proactive approach when dealing with health and safety hazards, rigorously implementing safety practices and improving them where applicable.

22 Estimates use the first year of each project's electricity production once operational or acquired by the Investment Manager; and assume all projects under construction are fully operational.

5. Principal Risks and Uncertainties

Davis Lane 7MW$_{DC}$

Red Oak 6.9MW$_{DC}$

5. Principal Risks 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 matrix that is reviewed 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:

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

Principal risks for the period and their mitigants are summarised in the tables 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.
Political risks	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. Noting the success of the Company's equity raise in April 2021, the impact on the Company's ability to attract capital was minimal. 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 has 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 wholesale electricity price forecasts will reduce 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 almost 15 years for the Company's entire portfolio). 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. Additionally, the Company is evaluating energy storage as a means to reduce exposure to power price and re-contracting risk.
Valuation of assets	The due diligence process that the Investment Manager undertakes in evaluating acquisitions of Solar Assets may not reveal all facts that may be relevant in connection with such investments. 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. The Company has appointed a reputable and 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 proceeds from the April 2021 share placement.
Unable to source suitable Solar Assets	The Company may not be able to source suitable assets in future, which would result in the 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 are fully invested and the recent capital raising proceeds are largely invested. The remaining capital will be put toward growth options (either Tranche Two of MS2 or other opportunities). The Company has also appointed an Investment Manager with a dedicated team of experienced investment and renewable energy professionals focused on sourcing, evaluating and transacting on new investments for the Company, to deploy all available capital.
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.	The base interest rate for all amortising debt is fully hedged for the term of the relevant loan, and for one or more subsequent refinancings. 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.

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 wholesale markets, or payments made to construction entities, maintenance providers and capital investors.	The Investment Management Agreement (**IMA**) provides USF with certain protections through 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.
Default of developer or Engineering, Procurement, Construction (EPC) contractor	The Company may experience a financial loss (realised or unrealised) from a developer or EPC counterparty failing to perform their contractual obligations including warranty obligations which continue after construction is completed.	The Company has a fully operational portfolio, with no Solar Assets currently under construction. Where the Company undertakes construction activity in the future, it appoints experienced and reputable contractors with strong track records and through existing relationships with the Investment Manager. The Company will periodically review the credit ratings and other available financial indicators of counterparties before contracting and adjust risk premiums accordingly. Contractual protections in EPC contracts (milestone-based payments, performance security, liens over assets purchased and installed by the EPC contractor), means the potential impact of EPC contractor default during construction is largely limited to the time and cost of replacing the contractor rather than any persistent loss.
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 conduct sensitivity analysis 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.
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 including COVID-19	Global health concerns often translate to elevated uncertainties in financial markets and have detrimental effects on the global economy. The COVID-19 outbreak 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 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.
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.

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 prospects of the group over a five-year period. 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 key risks facing the Company including, but not limited to, the risks mentioned on pages 26 to 28 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 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 diversification within the Company's portfolio of Solar Assets helps to withstand and mitigate the emerging and principal risks the Company is most 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 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 over a longer period given the inherent uncertainty involved.

It is important to note that the risks associated with investments within the infrastructure sector 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.

SECTION 172

Section 172 of the *Companies Act 2006* recognises that directors are responsible for acting fairly as between members and in a way that they consider, in good faith, is the most likely to promote the success of the Company for the benefit of its Shareholders as a whole. In doing so, they are also required to consider the broader implications of their decisions and operations on other key stakeholders and their impact on the wider community and the environment. Key decisions are those that are either material to the Company or are significant to any of the Company's key stakeholders. The Company's engagement with key stakeholders and the key decisions that were made or approved by the Directors during the year are described below:

SHAREHOLDERS

The Company also relies on Shareholders for continued access to capital to support further growth of the Company.

The Investment Manager liaises with Shareholders through specified reporting of Company performance at set dates in the calendar, as well as ad hoc reporting of major announcements.

In addition, Shareholders have the opportunity to meet the Board at the Annual General Meeting (**AGM**). The Board also endevours to respond to any written queries made by Shareholders during the course of the period, or to meet with major Shareholders if so requested.

In addition to the formal business of the AGM, representatives of the Investment Manager and the Board are available to answer specific questions a Shareholder may have.

LENDERS

The Company also relies on Lenders for continued access to capital to support further growth of the Company, and to refinance existing debt facilities at maturity, or prior to maturity where it is accretive for Shareholders.

The Investment Manager liaises with Lenders through specified reporting of project level performance at set dates in the calendar, as well as ad hoc reporting of major announcements.

SERVICE PROVIDERS

Our service providers are fundamental to the quality of our product and to ensuring that as a business we meet the high standards of conduct that we set ourselves.

The Board meets at least annually to review the performance of the key service providers.

The Board has regular contact with the two main service providers: the Investment Manager and Administrator through quarterly board meetings with the Chair and Audit Chair meeting more regularly.

REGULATORS/GOVERNMENT

The Board regularly considers how it meets regulatory and statutory obligations and follows voluntary and best-practice guidance, including how any governance decisions it makes impact its stakeholders both in the short and long term.

PPA OFFTAKERS

The Offtakers for the Company's projects provide the main source of operating cash inflows to the Company. No Offtaker is a related party of the Board or Investment Manager. The Company is focused on ensuring assets operate in line with weather-adjusted expectations to deliver power to their PPA Offtakers.

LOCAL COMMUNITIES

The local communities, within which the Company's projects are based, provide local support as well as human resources to work on the project sites. The Company works actively with landholders and city councils, to resolve matters including egress and access, erosion, and land management issues.

Lakeview 13.7MW_{DC}

6. Board of Directors

Lakeview 13.7MW_{DC}

6. Board of Directors

The Directors are responsible for the determination of the Company's investment objective and policy and its investment strategy and have overall responsibility for the Company's activities, including the review of investment activity and performance and the supervision and control of the Investment Manager. The Directors have delegated responsibility for managing the assets comprising the portfolio to the Investment Manager. Further information on the Board is provided at **www.ussolarfund.co.uk**.

GILLIAN NOTT

NON-EXECUTIVE CHAIR

Mrs Nott spent the majority of her career working in the energy sector, including positions with BP. In 1994 she became CEO of ProShare, a not-for-profit organisation promoting financial education, savings and investment, and employee share ownership. She was a non-executive Director of the Financial Services Authority from 1998 until 2004. Subsequently she has held numerous board roles, including being a non-executive director of Liverpool Victoria Friendly Society, a leading insurer, and deputy chair of the Association of Investment Companies. Mrs Nott has served as both a non-executive director and chair of a number of venture capital trusts and investment trusts. She is currently chair of JPMorgan Russian Securities plc, Premier Miton Global Renewables Trust plc, PMGR Securities 2025 plc and Gresham House Renewable Energy Venture Capital Trust 1 plc.

JAMIE RICHARDS

NON-EXECUTIVE DIRECTOR

Mr Richards is a Chartered Accountant and has 25 years' experience in fund management, banking and corporate recovery with a focus on the infrastructure and solar sector. Mr Richards previously was a partner, executive committee member and head of infrastructure at Foresight Group having joined in 2000. Between 2007 and 2018 he had overall responsibility from inception for the group's infrastructure and solar business in the UK, Australia, Italy and the US. He oversaw, as a member of the investment committee, more than 100 solar projects representing the group's approximately £1.5 billion solar portfolio and led the IPO of Foresight Solar Fund Limited. Prior to 2007, he led a number of venture capital and private equity transactions in the technology and cleantech sectors representing Foresight Group's funds and was a non-executive director of several companies. Previously, Mr Richards worked at PwC, Citibank and Macquarie, both in London and Sydney. Mr Richards is also a non-executive director of Smart Meter Systems plc and currently acts as alternative chair of the investment committee of Community Owned Renewable Energy LLP, an investment programme targeting UK solar farms for community ownership.

RACHAEL NUTTER

NON-EXECUTIVE DIRECTOR

Ms Nutter has spent over 20 years in the energy sector and the last 15 years in the renewable and clean energy sector. Ms Nutter is Director for Nature Based Solutions (NBS) at ClimateCare, a leading player in the carbon markets. Until August 2020 Ms Nutter worked at Shell, most recently as general manager of NBS business development. Prior to this, she led a global solar business development team in Shell that originated and delivered investments in solar projects and development platforms, having previously led the development of the solar entry strategy for Shell. Ms Nutter also had a role within Shell Ventures. Prior to rejoining Shell in 2012, she worked at CT Investment Partners, Carbon Trust and PA Consulting Group, having started her career as a petroleum engineer with Shell. Ms Nutter is a board member of the Energy Technologies Institute, a UK public-private partnership to accelerate the commercialisation of low carbon technologies.

THOMAS PLAGEMANN

NON-EXECUTIVE DIRECTOR

Mr Plagemann has almost 30 years of experience originating and executing financing and investments in energy and infrastructure assets. Most recently, Mr Plagemann was the chief commercial officer at Vivint Solar where he was responsible for developing Vivint Solar's tax equity, capital markets, market expansion, and fundraising efforts and leading the financing strategy beyond its existing third-party financing structures. During his career, Mr Plagemann has been involved with projects valued in excess of $29 billion and has completed transactions across the balance sheet from debt to equity. Prior to joining Vivint Solar, he was Head of Energy, U.S. Corporate & Investment Banking for Santander Global Banking & Markets. Prior to joining Santander, he was at First Solar as the Global Head of Project Finance and Transaction Execution. Prior to First Solar, Mr. Plagemann was responsible for AIG FP's principal investment strategy in the renewable energy sector. Before joining AIG, he was a managing director with GE Capital's energy investment business, and he started his career as a banker in Deutsche Bank's project finance group. Mr Plagemann received a BA from the University of Minnesota and a master's degree in international affairs with a specialisation in finance from Columbia University.

Milford 127.8MW$_{DC}$

7. Directors' Report

Red Oak 6.9MW$_{DC}$

7. Directors' Report

PRINCIPAL ACTIVITY AND STATUS

US Solar Fund Plc 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 (**US$ or $**) 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.

DIRECTORS

All Directors are non-executive Directors.

The Company maintains £20 million of Directors' and Officers' Liability Insurance cover for the benefit of the Directors, which was in place throughout the period and which continues in effect at the date of this report.

Details of the fees paid to Directors in the period are set out below:

DIRECTOR	ANNUAL FEE (£)	RECEIVED IN PERIOD ENDED 30 JUNE 2021 (£)
Gillian Nott*	60,000	30,000
Jamie Richards**	50,000	25,000
Rachael Nutter	40,000	20,000
Thomas Plagemann	40,000	20,000

*This includes £20,000 per annum in respect of serving as Chair of the Board.
**This includes £10,000 per annum in respect of serving as Chair of the Audit committee.

In accordance with FCA Listing Rules 9.8.6(R)(1), Directors' interest in the shares of the Company (in respect of which transactions are notifiable to the Company under FCA Disclosure and Transparency Rule 3.1.2(R)) as at 30 June 2021 are shown below:

DIRECTOR	NUMBER OF ORDINARY SHARES	PERCENTAGE OF ISSUED SHARE CAPITAL
Gillian Nott	66,000	0.02%
Jamie Richards	65,495	0.02%
Rachael Nutter	39,934	0.01%
Thomas Plagemann	–	0.00%

SIGNIFICANT SHAREHOLDINGS

As at 30 June 2021, the Company is aware of or has received notification in accordance with the Financial Conduct Authority's Disclosure and Transparency Rule 5 of the following interests in 3% or more of USF's shares to which voting rights are attached:

SHAREHOLDER	NUMBER OF ORDINARY SHARES	PERCENTAGE OF ISSUED SHARE CAPITAL
Liontrust Investment Management LLP	35,838,636	10.79%
Sarasin & Partners LLP	33,082,699	9.96%
Baillie Gifford & Co	30,760,000	9.26%
Newton Investment Management Limited	26,519,653	7.98%
CCLA Investment Management	25,267,356	7.61%
Cantor Fitzgerald Ireland Ltd	20,670,338	6.22%
Fidelity Investments	18,214,980	5.48%
Gravis Advisory Ltd	15,505,965	4.67%
Aberdeen Asset Managers Ltd (UK)	14,940,000	4.50%
Privium Fund Management BV	12,130,000	3.65%
Hargreaves Lansdown Asset Management	11,576,568	3.65%
Brooks Macdonald Asset Management	11,413,706	3.48%

GOING CONCERN

The Board has reviewed a set of financial projections of the cash flow and distribution profile of the Company prepared by the Investment Manager. The Board has assessed the prospects of the group over a five-year period given the long-term nature of the underlying assets to support the viability statement and completed a detailed assessment to support the going concern conclusion for the 12 months following the signing of the Interim Report. After assessing these risks, and reviewing the Company's liquidity position, together with forecasts of the Company's future performance under various scenarios, the Board has a reasonable expectation that the Company will continue to meet its obligations as they fall due for at least the next 12 months. As such the Board concluded that it is appropriate to adopt the going concern basis of preparation in preparing these financial statements. For further details on going concern please see Note 2.

POLITICAL CONTRIBUTIONS

The Company made no political contributions during the period.

POST BALANCE SHEET EVENTS

On 20 September 2021, the Company announced a dividend of 1.25 cents per Ordinary Share for the period ending 30 June 2021.

The Company's events after the period ended are discussed in the Investment Manager's Report on page 11.

Signed by order of the Board,

GILL NOTT
CHAIR

20 September 2021

Red Oak 6.9MW_{DC}

8. Directors' Responsibility Statement

Turkey 13.2MW_{DC}

8. Directors' Responsibility Statement

The Directors are responsible for preparing the half-yearly report and financial statements in accordance with applicable regulations.

The Directors confirm that to the best of their knowledge:

- the condensed set of financial statements has been prepared in accordance with IAS 34 "Interim Financial Reporting" and gives a true and fair view of the assets, liabilities, financial position and profit of the Company;
- the interim management report which includes the Chairman's Statement, Report of the Investment Adviser and Statement of Principal Risks and Uncertainties for the remaining six months of the year to 30 June 2021 includes a fair review of the information required by:
  a. DTR 4.2.7R of the Disclosure Guidance and Transparency Rules, being an indication of important events that have occurred during the first six months of the financial year and their impact on the Unaudited Condensed Interim Financial Statements; and a description of the principal risks and uncertainties for the remaining six months of the financial year; and
  b. DTR 4.2.8R of the Disclosure Guidance and Transparency Rules, being related party transactions that have taken place during the first six months of the financial year and that have materially affected the financial position or performance of the Company during that period; and any changes in the related party transactions described in the last annual report that could do so.

Signed by order of the Board,

GILL NOTT
CHAIR

Date: 20 September 2021

9. Independent Review Report


Davis Lane 7MW_{DC}


Red Oak 6.9MW_{DC}

9. Independent Review Report to US Solar Fund plc.

We have been engaged by the company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2021 which comprises the Condensed Statement of Profit and Loss and Other Comprehensive Income, the Condensed Statement of Financial Position, the Condensed Statement of Changes in Equity, the Condensed Statement of Cash Flows and related notes 1 to 17. We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

DIRECTORS' RESPONSIBILITIES

The half-yearly financial report is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the half-yearly financial report in accordance with the Disclosure Guidance and Transparency Rules of the United Kingdom's Financial Conduct Authority.

As disclosed in note 2, the annual financial statements of the company will be prepared in accordance with United Kingdom adopted International Financial Reporting Standards. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with United Kingdom adopted International Accounting Standard 34, "Interim Financial Reporting".

OUR RESPONSIBILITY

Our responsibility is to express to the Company a conclusion on the condensed set of financial statements in the half-yearly financial report based on our review.

SCOPE OF REVIEW

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Financial Reporting Council for use in the United Kingdom. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2021 is not prepared, in all material respects, in accordance with United Kingdom adopted International Accounting Standard 34 and the Disclosure Guidance and Transparency Rules of the United Kingdom's Financial Conduct Authority.

USE OF OUR REPORT

This report is made solely to the company in accordance with International Standard on Review Engagements (UK and Ireland) 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Financial Reporting Council. Our work has been undertaken so that we might state to the company those matters we are required to state to it in an independent review report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company, for our review work, for this report, or for the conclusions we have formed.

Deloitte LLP.

Deloitte LLP
Statutory Auditor
London, UK
20 September 2021

Alkali 15.1MW_{DC}

Financial Statements

Turkey Hill 13.2MW_{DC}

10. Condensed Statement of Profit and Loss and Other Comprehensive Income

FOR THE PERIOD ENDED 30 JUNE 2021

		Six Months Ended 30 June 2021			Six Months Ended 30 June 2020		
	Notes	**Revenue US$**	**Capital US$**	**Total US$**	**Revenue US$**	**Capital US$**	**Total US$**
Net(loss)/gain on investments at fair value through profit and loss	8	–	(6,880,876)	(6,880,876)	–	1,719,385	1,719,385
MSA fee income	8	2,568,123	–	2,568,123	–	–	–
Intercompany loan interest income	8	991,750	–	991,750	–	–	–
Interest income	4	–	–	–	224,699	–	224,699
Total income		**3,559,873**	**(6,880,876)**	**(3,321,003)**	**224,699**	**1,719,385**	**1,944,084**
Expenditure							
Administrative and other expenses	5	(1,844,297)	–	(1,844,297)	(1,491,154)	–	(1,491,154)
Operating (loss)/profit for the period		**1,715,576**	**(6,880,876)**	**(5,165,300)**	**(1,266,455)**	**1,719,385**	**452,930**
Gain on foreign exchange		–	180,245	180,245	–	(671)	(671)
(Loss)/profit before taxation		**1,715,576**	**(6,700,631)**	**(4,985,055)**	**(1,266,455)**	**1,718,714**	**452,259**
Taxation	6	–	–	–	–	–	–
(Loss)/Profit and total comprehensive income for the period		**1,715,576**	**(6,700,631)**	**(4,985,055)**	**(1,266,455)**	**1,718,714**	**452,259**
Earnings per share (basic and diluted) – cents/share	7	0.599	(2.340)	(1.741)	(0.633)	0.859	0.226

All items dealt with in arriving at the result for the period relate to continuing operations.

The Total column of this statement represents Company's profit and loss account, prepared in accordance with International Financial Reporting Standards ("**IFRS**") in conformity with the requirements of the *Companies Act 2006* which comprise standards and interpretations issued by the International Accounting Standards Board ("**IASB**"), and International Accounting Standards and Interpretations approved by the International Financial Reporting Interpretation Committee ("**IFRIC**") that remain in effect. The return on ordinary activities after taxation is the total comprehensive income and therefore no additional statement of other comprehensive income is presented. 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.

The notes on pages 48 to 56 form an integral part of these financial statements.

11. Condensed Statement of Financial Position

AS AT 30 JUNE 2021

	Notes	30 June 2021 US$	31 December 2020 US$
Non-current assets			
Investment held at fair value	8	298,443,400	195,324,276
		298,443,400	**195,324,276**
Current assets			
Trade and other receivables	9	207,846	45,587
Cash and cash equivalents	10	16,111,513	523,170
		16,319,359	**568,757**
Total assets		**314,762,759**	**195,893,033**
Current liabilities			
Trade and other payables	11	1,459,380	732,723
Dividends payable	12	–	1,000,962
		1,459,380	**1,733,685**
Net current assets/(liabilities)		**14,859,979**	**(1,164,928)**
Total net assets		**313,303,379**	**194,159,348**
Shareholders equity			
Share capital		3,321,924	2,001,924
Share premium		128,147,240	184,786
Capital reduction reserve		183,523,153	188,176,521
Capital reserve		(3,429,229)	3,271,402
Retained earnings		1,740,291	524,715
Total shareholders equity		**313,303,379**	**194,159,348**
Net asset value per share	14	0.943	0.970

The notes on pages 48 to 56 form an integral part of these financial statements.

12. Condensed Statement of Changes in Equity

FOR THE PERIOD ENDED 30 JUNE 2021

	Notes	Share Capital US$	Share Premium US$	Capital Reduction Reserve US $	Capital Reserve US$	Retained Earnings US$	Total Equity US$
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		1,320,000	130,680,000	–	–	–	132,000,000
Equity issue costs		–	(2,717,547)	–	–	–	(2,717,547)
Dividends		–	–	(4,653,368)	–	(500,000)	(5,153,368)
Loss & total comprehensive income for the period		–	–	–	(6,700,631)	1,715,576	(4,985,055)
Balance at 30 June 2021		**3,321,924**	**128,147,240**	**183,523,153**	**(3,429,229)**	**1,740,291**	**313,303,379**

FOR THE PERIOD ENDED 30 JUNE 2020

	Notes	Share Capital US$	Share Premium US$	Capital Reduction Reserve US$	Capital Reserve US$	Retained Earnings US$	Total Equity US$
Balance at 1 January 2020		**2,000,923**	**89,350**	**192,179,367**	**319,371**	**(173,291)**	**194,415,720**
Dividends		–	–	(2,000,923)	–	–	(2,000,923)
Profit & total comprehensive income for the period		–	–	–	1,718,714	(1,266,455)	452,259
Balance at 30 June 2020		**2,000,923**	**89,350**	**190,178,444**	**2,038,085**	**(1,439,746)**	**192,867,056**

FOR THE YEAR ENDED 31 DECEMBER 2020

	Notes	Share Capital US$	Share Premium US$	Capital Reduction Reserve US$	Capital Reserve US$	Retained Earnings US$	Total Equity US$
Balance at 1 January 2020		**2,000,923**	**89,350**	**192,179,367**	**319,371**	**(173,291)**	**194,415,720**
Issue of share capital		1,001	95,436	–	–	–	96,437
Dividends		–	–	(4,002,846)	–	–	(4,002,846)
Tax charge		–	–	–	(349,448)	349,448	–
Profit & total comprehensive income for the year		–	–	–	3,301,479	348,558	3,650,037
Balance at 31 December 2020		**2,001,924**	**184,786**	**188,176,521**	**3,271,402**	**524,715**	**194,159,348**

The notes on pages 48 to 56 form an integral part of these financial statements.

13. Condensed Statement of Cash Flows

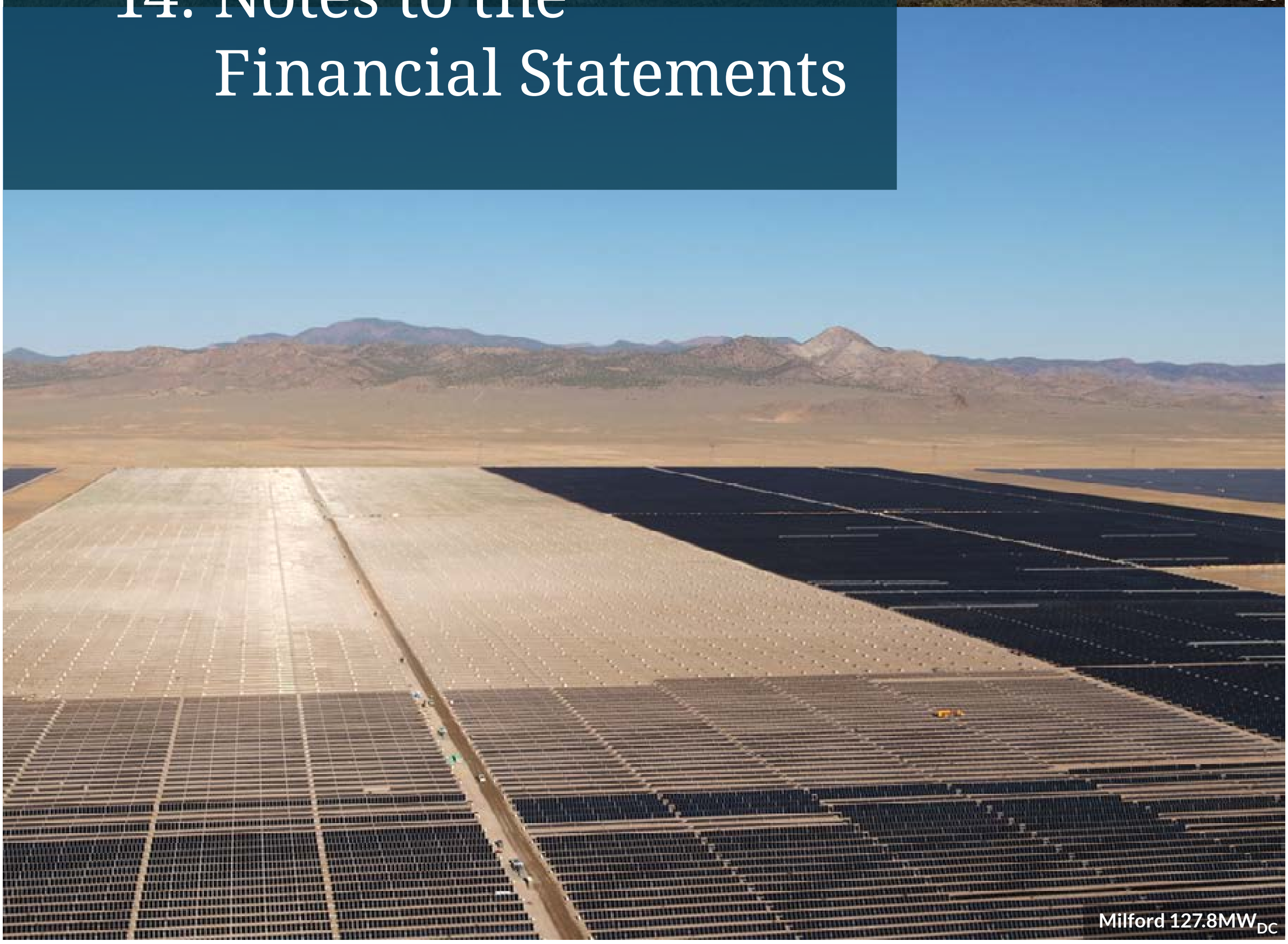
FOR THE PERIOD ENDED 30 JUNE 2021

	Notes	1 January 2021 to 30 June 2021 US$	1 January 2020 to 30 June 2020 US$
Cash flows from operating activities			
(Loss)/profit for the year/period		(4,985,055)	452,259
Adjustments for:			
Net loss/(gain) on investments at fair value through profit and loss	8	3,321,003	(1,719,385)
(Gains)/losses on foreign exchange		(180,245)	671
Operating cash flows before movements in working capital		**(1,844,297)**	**(1,266,455)**
Increase in trade and other receivables		(162,259)	(36,241)
Increase in trade and other payables		726,657	106,430
(Increase)/decrease in interest receivable		–	34,302
Net cash generated/(utilised) in operating activities		**(1,279,900)**	**(1,161,964)**
Cash flows used in investing activities			
MSA fee income received		2,568,123	
Intercompany loan interest received		991,750	
Purchases of investments	8	(110,000,000)	(47,051,332)
Net cash outflow from investing activities		**(106,440,127)**	**(47,051,332)**
Cash flows used in financing activities			
Dividends paid		(6,154,328)	(2,000,923)
Proceeds from issue of Ordinary Shares at a premium		132,000,000	–
Share issue costs		(2,717,547)	–
Net cash inflow/(outflow) from financing activities		**123,128,125**	**(2,000,923)**
Net increase/(decrease) in cash and cash equivalents for the period		15,408,098	(50,214,219)
Effect of foreign exchange rate movements		180,245	(671)
Cash and cash equivalents at the beginning of the period		523,170	76,458,662
Cash and cash equivalents at the end of the period		**16,111,513**	**26,243,772**

The notes on pages 48 to 56 form an integral part of these financial statements.

14. Notes to the Financial Statements

Merrill 10.5MW_{DC}



Milford 127.8MW_{DC}

14. Notes to the Financial Statements

FOR THE PERIOD FROM 1 JANUARY 2021 TO 30 JUNE 2021

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 Condensed Consolidated Interim Financial Statements have been prepared using accounting policies consistent with International Financial Reporting Standards ("**IFRS**") in conformity with the requirements of the *Companies Act 2006* which comprise standards and interpretations issued by the International Accounting Standards Board ("**IASB**"), and International Accounting Standards and Interpretations approved by the International Financial Reporting Interpretation Committee ("**IFRIC**") that remain in effect as well as International Accounting Standard ("**IAS**") 34 'Interim Financial Reporting' 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 October, 2019. The financial statements have been prepared on a historical cost basis except for the investment portfolio at fair value through the profit or loss. The accounting policies, critical judgements, key sources of estimation uncertainty and methods of computation are the same as those applied in the Company's annual financial statements and should be read in conjunction with the Company's annual financial statements as at 31 December 2020.

The information provided in respect of the year ended 31 December 2020 does not constitute statutory accounts as defined in Section 434 of the *Companies Act 2006*. A copy of the statutory accounts for that year has been delivered to the Registrar of Companies. The auditor's report on those accounts was not qualified, did not draw attention to any matters by way of emphasis and did not contain statements under Section 498(2) or (3) of the *Companies Act 2006*.

In terms of the AIC SORP, the Company presents an Income Statement 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. 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 US Dollar 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 annual 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. As noted in the Investment Manager's report on page 11, COVID-19 has had limited impact on the Company to date. The Investment Manager has been closely monitoring well-developed contingency plans in order to mitigate potential impacts. With respect to the longer-term impact of COVID-19, there is a high degree of uncertainty as to the current and future economic impact of the pandemic, and accordingly, the Company's Investment Manager is taking a cautious approach.

The Company generated a loss after tax of $5.0 million which included a fair value loss of $6.9 million and operating cash inflows of $1.7 million for the period. As at 30 June 2021, the company is in a net current asset position of $14.9 million and has available cash of $16.1 million. As of the same date, the Company's subsidiary, USF Holding Corp., has available cash of $10.4 million, which is available to meet the obligations of the Company. The Directors and the Investment Manager have so far 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) had access to a $25 million revolving credit facility with Fifth Third Bank National Association ("**FTB Facility**"). The FTB Facility provides liquidity for capital expenditures, working capital and general corporate purposes. At 30 June 2021 the facility was undrawn.

SEGMENTAL INFORMATION

The Board is of the opinion that the Company is engaged in a single segment business, being the investment in 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.

3. NEW AND REVISED STANDARDS AND INTERPRETATIONS

APPLICATION OF NEW AND REVISED STANDARDS

The accounting policies adopted in the preparation of the Condensed Consolidated Interim Financial Statements are consistent with those followed in the preparation of the Company's Annual Report and Accounts for the year ended 31 December 2020. 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 other standard, interpretation or amendment that has been issued but is not yet effective at 30 June 2021.

NEW AND REVISED STANDARDS IN ISSUE BUT NOT YET EFFECTIVE

- 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.

4. INTEREST INCOME

	1 January 2021 to 30 June 2021 US$	1 January 2020 to 30 June 2020 US$
Bank interest[1]	–	224,699
	–	**224,699**

[1] Zero interest rate on deposits in the current period.

5. ADMINISTRATIVE AND OTHER EXPENSES

	1 January 2021 to 30 June 2021 US$	1 January 2020 to 30 June 2020 US$
Administrative fees	71,659	68,562
Director & officer insurance	29,138	16,339
Directors fees	132,395	125,760
Fees payable to the Company's auditor for the audit of the Company's financial statements	67,210	46,218
Fees payable to the Company's auditor for non-audit services[1]	45,643	22,680
Investment Management expenses	22,495	21,288
Investment Management fees	1,264,117	964,370
Legal and professional fees	38,357	78,885
Regulatory fees	15,311	7,641
Sundry expenses	157,972	139,411
	1,844,297	**1,491,154**

[1] The non-audit services provided related to the review of the initial financial statements as well as an agreed-upon procedures engagement.

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

6. TAXATION

The Company is approved as an Investment Trust Company 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 30 June 2021.

	1 January 2021 to 30 June 2021 US$	1 January 2020 to 30 June 2020 US$
Tax charge in profit or loss:		
– UK corporation tax	–	–

7. EARNINGS PER SHARE

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

	1 January 2021 to 30 June 2021 US$	1 January 2020 to 30 June 2020 US$
Net (loss)/profit attributable to ordinary shareholders	(4,985,055)	452,259
Weighted average number of Ordinary Shares for the period	286,263,594	200,092,323
Earnings per share – Basic and diluted (cents per share)	**1.741**	**0.226**

8. INVESTMENT IN SUBSIDIARY

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

	Opening Equity And Loans US$	Equity Acquisitions during the Year US$	Loans: Principal Advanced during the Year US$	Net Fair Value Movement During the Year US$	Closing Balance: Equity and Loans US$
USF Holding Corp. Delaware, US	195,324,276	110,000,000	–	(6,880,876)	298,443,400

The net fair value movement comprises the following:

	Total US$
Fair value gain on investments	(4,019,534)
Other income/expenditure	698,531
Total fair value movement	**(3,321,003)**
MSA fee – transferred to revenue reserve	(2,568,123)
Intercompany loan interest –transferred to revenue reserve	(991,750)
Net fair value movement	**(6,880,876)**

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. The fair value loss for the period to 30 June 2021 includes an MSA fee of $1,792,322 (period to 30 June 2020: $1,435,679 included within the net fair value movement).

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

	US Solar Fund 30 June 2021 US$	US Solar Fund 31 December 2020 US$
Purchase price of underlying solar asset interests held (i)	491,429,988	434,066,094
Cash or cash equivalents	15,531,738	14,250,138
Fair value of third-party loan funding provided (ii)	(202,472,429)	(250,455,652)
Fair value of interest rate swaps on 3rd party loan funding provided (ii)	(10,286,611)	(3,202,369)
Deferred tax asset	2,337,772	660,356
Other net liabilities	1,902,942	5,709
Investment balance	**298,443,400**	**195,324,276**

(i) The balance recorded at 30 June 2021 relates to the Company's purchase price of the Acquisition One, Acquisition Two, Acquisition Three, Acquisition Four, Acquisition Five and Acquisition Six portfolio solar asset plants.

(ii) Fair value of 3rd party loan funding provided and the fair value of interest rate swaps at 30 June 2021 was $212,759,040 (December 2020: $253,658,021), comprised of the following:

Issuing Bank	Loan Type	Held By	Facility Size US$(M)	Drawn Face Value US$(M)	Drawn Fair Value US$(M)
Fifth Third Bank, National Association	Revolving Credit Facility	USF Avon, LLC	25.00	–	–
Zions Bancorporation, N.A.	Term Loan	USF Bristol Class B Member, LLC (Acquisition One – Milford) (i)	24.06	24.06	23.91
KeyBank National Association	Term Loan	USF Bristol Class B Member, LLC (Acquisition One – Milford) (i)	24.06	24.06	24.03
Fifth Third Bank, National Association	Term Loan	Heelstone Energy Holdings, LLC (Acquisition Four – Heelstone) (ii)	69.44	69.44	70.82
Fifth Third Bank, National Association	Term Loan	SC Oregon 2, LLC (Acquisition Five – Dorset) (iii)	34.34	34.34	33.54
Multiple Lenders	Term Loan	NES Hercules Class B Member, LLC (Acquisition Six – MS2) (iv)	50.58	50.58	60.46
Multiple Lenders	Revolving Loan Facility	NES Hercules Class B Member, LLC (Acquisition Six – MS2) (iv)	2.13	–	–
Total			**229.61**	**202.48**	**212.76**

(i) 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 30 June 2021, the drawn fair value of the loan includes mark-to-market revaluation of associated interest rate swaps of $0.18 million.

(ii) 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 30 June 2021 of $(1.38) million, included in the drawn fair value of the loan.

(iii) SC Oregon 2, LLC, entered into a term loan agreement with Fifth Third Bank, National Association in September 2020. The term loan has a mini-perm 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 30 June 2021 of $0.80 million, included in the drawn fair value of the loan.

(iv) USF owns a 25% interest in the NES Hercules Class B Member, LLC therefore only 25% of the facility sizes, drawn face values and drawn fair values have been recorded.

NES Hercules Class B Member LLC, the Acquisition Six borrower, holds a $202.3 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. As at 30 June 2021, the term loan was fully drawn. The loan matures on 31 January 2028 and is secured by the assets of NES Hercules Class B Member LLC with collateral pledges of various material project documents. As at 30 June 2021, the drawn fair value of the loan includes mark-to-market revaluation of associated interest rate swaps of $(39.54) 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 30 June 2021, the revolving loan was undrawn. The revolving loan matures on 31 January 2028.

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 $17.0 million LC expiring in March 2022 and a $7.9 million LC expiring in March 2025.

9. TRADE AND OTHER RECEIVABLES

	30 June 2021 US$	31 December 2020 US$
Prepayments	134,681	25,020
VAT receivable	73,165	20,567
	207,846	**45,587**

10. CASH AND CASH EQUIVALENTS

	30 June 2021 US$	31 December 2020 US$
Cash at bank	16,111,513	523,170
	16,111,513	**523,170**

11. TRADE AND OTHER PAYABLES

	30 June 2021 US$	31 December 2020 US$
Creditors and operating accruals	529,133	194,705
Investment management fee accrual	930,244	538,018
	1,459,377	**732,723**

12. DIVIDENDS PAYABLE

During the period, the Company declared dividends totalling $5,153,368 (30 June 2020: $2,000,923) of which $5,153,368 (30 June 2020: $1,000,461) has been paid as at 30 June 2021. The Company declared a dividend of 0.5 cents per share, totalling $1,000,962 for the period ending 31 December 2020 which was paid by the Company on 12 April 2021. The Company declared a dividend of 1.25 cents per share, totalling $4,152,405 for the period ending 31 March 2021. The dividend was paid by the Company on 30 June 2021 and received by shareholders on 2 July 2021.

13. FAIR VALUE MEASUREMENT

The following table analyses within the fair value hierarchy the Company's assets measured at fair value at 30 June 2021. The fair value hierarchy to be applied under IFRS13 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.

	Level 1 US$	Level 2 US$	Level 3 US$
Investment in subsidiary	–	–	298,443,400

The following table analyses within the fair value hierarchy the Company's assets measured at fair value at 31 December 2020:

	Level 1 US$	Level 2 US$	Level 3 US$
Investment in subsidiary	–	–	195,324,276

The investment at fair value through profit or loss is a 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 period.

	30 June 2021 US$	31 December 2020 US$
Opening balance	195,324,276	119,472,416
Add: purchases during the year	110,000,000	72,551,332
Less: MSA fee paid	(2,568,123)	(3,000,000)
Less: Intercompany loan interest	(991,750)	–
Total fair value movement through the profit or loss	(3,321,003)	6,300,528
Closing balance	**298,443,400**	**195,324,276**

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, operating assets held for the whole of the half year ending 30 June 2021 have been valued by an external valuation expert.

Underlying investments in solar projects, which remained in construction as at 30 June 2021 or were operating projects purchased within 6 months of 30 June 2021, have been valued at purchase price including acquisition costs as no significant changes to key underlying economic considerations have arisen. The Investment Manager and Directors believe that this represents a reasonable approximation of the fair value of these investments as at 30 June 2021. There has been no change in the valuation methodology during the period. A summary of the movement during the period is included in the table below:

	Acquisition						US Cash and Working Capital Balances	
US$	**One**	**Two**	**Three**	**Four**	**Five**	**Six**		**Total**
31 December 2020	30,043,545	42,575,753	36,070,109	38,278,633	29,890,984	-	18,465,252	**195,324,276**
Additions from USF proceeds (at cost)	-	-	-	83,518,880	7,223,687	12,700,000	6,557,433	**110,000,000**
Additions from/(to) US holding co's (at cost)	16,542	(5,023,308)[1]	245,317	1,822,919	5,498	10,371,034	(2,941,890)	**4,496,112**
Change in fair value	1,616,344	1,817	(927,351)	(5,111,866)	475,602	(74,079)	-	**(4,019,534)**
Project distributions to US holding co's	(1,041,445)	(1,105,853)	(858,486)	(1,913,334)	(2,438,336)	-	-	**(7,357,455)**
30 June 2021	**30,634,986**	**36,448,409**	**34,529,589**	**116,595,232**	**35,157,435**	**22,996,955**	**22,080,793**	**298,443,400**

[1] USF received a return of capital on Acquisition Two during the period, following the receipt of tax equity funding.

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.

	Change In Input	Capital Reduction Reserve (US$M)	Total Shareholders Equity (US$ Cents)
Discount rate	+0.5%	-13.44	-4.05
	-0.5%	+14.81	+4.46
Electricity production (change from P50)	P90	-33.16	-9.98
	P10	+32.49	+9.78
Merchant Period Electricity Prices	-10%	-17.38	-5.23
	+10%	+17.38	+5.23
Operating expenses	+10%	-14.26	-4.29
	-10%	+14.21	+4.28
Operating life	- 3 years	-13.22	-3.98
	+ 3 years	+11.40	+3.43
Tax rate	+5%	-5.70	-1.72
	-5%	+5.69	+1.71

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 30 June 2021. A range of + / - 0.5% 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 30 June 2021, the weighted average pre-tax cost of equity used for levered assets was 7.3% (December 2020: 8.3%), and the weighted average pre-tax weighted average cost of capital (WACC) for unlevered assets was 6.5% (December 2020: 6.7%). The largest driver of the reduction in pre-tax cost of equity was the Heelstone Debt Refinancing.

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 1-year P50 generation estimate, implying that it is 7.5% lower than the P50 generation estimate).

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

23 Cashflows due to the Company after payment of operating expenses, principal and interest on external debt, and cash distributions to tax equity or minority investors (as applicable).

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. 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 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 the asset site and the independent engineer's assessment of the asset's useful life. The Company's maximum useful life assumption is 35 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 Ordinary Share.

14. NET ASSET VALUE PER ORDINARY 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 Ordinary Share are identical.

	30 June 2021 US$	**31 December 2020 US$**
Net assets per Statement of Financial Position	313,303,379	194,159,348
Ordinary Shares in issue as at 30 June	332,192,361	200,192,361
NAV per Ordinary Share – Basic and diluted	**0.943**	**0.970**

15. 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 £40,000 per annum. In addition to this, Gillian Nott receives £20,000 per annum in respect of serving as Chair of the Board and Jamie Richards receives £10,000 per annum in respect of serving as Chair of the Audit committee.

Total Directors' fees of $132,395 were incurred in respect of the period (30 June 2020: $125,760) with none being outstanding and payable at the period end.

SUBSIDIARY

The Company previously issued loans totalling $43 million to its subsidiary USF Holding Corp. The principal portions of the loans are repayable in seven 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 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 NAV 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 percent 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.

A management fee of $1,264,117 was incurred during the period (30 June 2020: $964,370), of which $930,244 remained payable at 30 June 2021 (30 June 2020: $525,301).

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 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.

No debt arrangement fees and no asset construction services fees were paid during the period.

16. CAPITAL COMMITMENTS

The Company had no contingencies and no other significant capital commitments at the reporting date.

17. POST-BALANCE SHEET EVENTS

Subsequent to period end, USF reached agreement on all major commercial terms to increase the size of the undrawn $25 million RCF to a $40 million facility, and extend the tenor for two years. Documentation is expected to be settled and executed in September 2021.

On 20 September 2021, the Company announced a dividend of 1.25 cents per Ordinary Share for the period ending 30 June 2021, bringing total dividends declared for the six-month period to 2.5 cents per Ordinary Share.

Davis Lane $7MW_{DC}$

15. Directors and Advisers

Red Oak $6.9MW_{DC}$

15. Directors and Advisers

DIRECTORS

Gillian Nott
Jamie Richards
Rachael Nutter
Thomas Plagemann

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