



FORESIGHT SOLAR FUND LIMITED

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CONSOLIDATED REPORT  
AND FINANCIAL STATEMENTS

FOR THE PERIOD  
13 AUGUST 2013 TO 31 DECEMBER 2014



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# Financial Highlights

## For the period 13 August 2013 to 31 December 2014

- Foresight Solar Fund Limited (“the Company”) is a listed renewable infrastructure company investing in ground based, operational solar power plants, predominantly in the UK.
- The Company raised proceeds of £150 million through an initial public offering (“IPO”) of shares on the main market of the London Stock Exchange in October 2013, and a further £60.1 million through an Initial Placing and Offer for Subscription in October 2014.
- Net Asset Value (“NAV”) per ordinary share of 100.9 pence at 31 December 2014, compared to 98.0 pence at IPO, a 3% increase.
- The first interim dividend of 3.0 pence per share was paid on 30 September 2014. The second interim dividend of 3.0 pence per share was approved on 2 March 2015 and will be paid on 27 March 2015, bringing the full period dividend to 6.0 pence.
- The Directors have approved an increase in the frequency of dividend payments from semi-annually to quarterly.
- The Company’s 231MW, ten asset UK solar portfolio is fully operational following the recent grid connection and financial completion of the UK’s largest operating solar project, the 46MW Landmead asset in Oxfordshire.
- The Company now owns and manages the largest operating UK solar portfolio in its listed peer group, including four of the seven largest operational UK solar plants.
- The Company’s portfolio of ten assets were all connected prior to the 31 March 2015 cut-off when the 1.4 Renewable Obligation Certificate (“ROC”) regime ends for projects greater than 5MWs. As the entire portfolio is already operational, the assets are each generating income for the benefit of the Company.
- The Company maintains a low risk approach to the sector by seeking to avoid blind pool, development and construction risk in its acquisition of solar assets. This deliberate strategy minimises the exposure of its investments to changes in regulation such as the accelerated introduction of a cliff-edge deadline in March 2015 for ROC projects greater than 5MW.
- Performance of the assets since their acquisition is in-line with the expectations of the Investment Manager.
- Financial completion of the tenth portfolio asset, Kencot, (which has a binding agreement in place for its acquisition) is expected in the first quarter of 2015.
- The financial completion of the Kencot asset will utilise the remainder of the Company’s existing £100m acquisition facility.
- The Company has announced the second placing of new Ordinary Shares under the Placing Programme announced on 25 September 2014 in accordance with the Prospectus.

## Key Metrics

	As at 31 December 2014
Share Price	104.25 pence
Number of Shares	208 million
Market Capitalisation	£216.84 million
Dividends for the Period	£4.50 million
Dividends for the Period per Share	3.0 pence
NAV	£209.80 million
NAV per Share	100.90 pence
Total Return*	7.25%

\* Based on Share price in period since IPO.

# Corporate Summary, Investment Objective and Dividends

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## Corporate Summary

Foresight Solar Fund Limited is a closed-ended company with an indefinite life and was incorporated in Jersey under the Companies Law (Jersey) 1991, as amended, on 13 August 2013, with registered number 113721.

The Company has a single class of 208,000,000 Ordinary Shares in issue of nil par value which are listed on the premium segment of the Official List and traded on the London Stock Exchange's Main Market.

The Company's shareholders include a substantial number of institutional investors.

## Investment Objective

The Company seeks to provide investors with a sustainable and Retail Price Index ("RPI") linked dividend together with the potential for capital growth over the long-term through investment in a diversified portfolio of predominantly UK ground based solar assets.

Investments outside the UK, and assets which are still under construction when acquired, will be limited to 25 per cent. of the gross asset value of the Company, calculated at the time of investment.

The Company is managed by an experienced team from Foresight Group, an independent infrastructure and private equity investment management firm, overseen by a strong, experienced and majority independent Board.

## Dividends

The Company continues to target a 6.0 pence annual dividend per Ordinary Share which is expected to increase in line with inflation, together with a target unlevered Internal Rate of Return ("IRR") of between 7-8%, net of all fees and expenses.

The first interim dividend of 3.0 pence per Ordinary Share for the period under review was declared on 19 August 2014 and was paid on 30 September 2014. The second interim dividend of 3.0 pence per Ordinary share was approved on 2 March 2015 and will be paid on 27 March 2015.

The Directors have approved an increase in the frequency of dividend payments from semi-annually to quarterly. These are expected to be paid in respect of the 3 months to 31 March, 30 June, 30 September and 31 December. The payment of dividends will remain subject to market conditions and the Company's performance, financial position and financial outlook.

# Chairman's Statement

## For the period 13 August 2013 to 31 December 2014

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**“The Board and Foresight Group CI Limited, the Investment Manager, believe that strong progress has been made in establishing the Company’s position on the UK listed market as a leading dedicated solar renewable infrastructure company. This position is expected to strengthen further once the exchanged contract to acquire the Kencot plant completes. This continued growth in scale gives us confidence in achieving the original objectives of the Company.”**

**Alexander Ohlsson**, *Chairman*

### Results

I am pleased to be able to report strong progress in the formation of the Company’s portfolio of solar investments, both before and following the period end, which is more fully described in the Investment Manager’s Report. The Placing and Offer for Subscription pursuant to the Prospectus published by Foresight Solar Fund Limited on 20 September 2013 proved attractive to investors with £150,000,000 having been raised at the time the ordinary shares listed on 29 October 2013. A further Placing and Offer for Subscription pursuant to the Prospectus published by Foresight Solar Fund Limited on 25 September 2014 raised a further £60.1 million in October 2014. The Company announced on 19 February 2015 that a further issue of shares under this placing programme was due to take place during March 2015.

The NAV per Ordinary Share increased to 100.9 pence at 31 December 2014 from 98.0 pence per Ordinary Share at launch on 29 October 2013 (excluding the 3.0 pence per Ordinary Share dividend paid on 30 September 2014). The performance of the underlying portfolio is more fully described in the Investment Manager’s Report.

### Dividend Policy

As noted in the Company’s Prospectuses published on 20 September 2013 and 25 September 2014 and subject to market conditions, the Company’s performance, financial position and financial outlook, it is the Directors’ intention to pay a sustainable and RPI-linked level of dividend income to Shareholders. Whilst not forming part of its Investment Policy, the Company targeted the payment of an initial annual dividend of 6.0 pence per Share from the year commencing 1 January 2014. Given the nature of the Company’s income streams, the Directors anticipate being able to increase the dividend in line with Inflation in the year commencing 1 January 2015.

The first interim dividend of 3.0 pence per Ordinary Share was paid on 30 September 2014. The dividend had a record date of 29 August 2014 and an ex-dividend date of 27 August 2014.

I am pleased to announce that, as targeted in the Prospectus, the second interim dividend of 3.0 pence per Ordinary Share will be paid on 27 March 2015. The dividend will have a record date of 13 March 2015 and an ex-dividend date of 12 March 2015.

As previously announced and following discussions with the Company’s advisers, the Directors will increase the frequency of dividend payments from semi-annually to quarterly commencing with the quarterly payment to 31 March 2015 being made in Q2 2015.

The target dividend should not be taken as an indication of the Company’s expected future performance or results.

### Share Issues

During the period from incorporation on 13 August 2013 to 31 December 2014, the Board allotted 150,000,000 Ordinary Shares at 100.0 pence per share in October 2013 and 58,000,000 Ordinary Shares at 103.7 pence per share in October 2014.

### Valuation Policy

Investments held by the Company have been valued in accordance with IAS 39 and IFRS 13, using Discounted Cash Flow (“DCF”) Principles. The portfolio valuations are prepared by Foresight Group, reviewed and approved by the Board quarterly and subject to audit as a minimum annually.

## Chairman's Statement (continued)

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### Annual General Meeting

The Annual General Meeting ("AGM") was held on 4 February 2015 due to a requirement to hold the first AGM within 18 months of incorporation at which all of the resolutions proposed were duly passed. A separate General Meeting to approve the Annual Report and Accounts and the Directors' Remuneration Report and Policy will be held in due course.

### Outlook

The Board and Foresight Group is encouraged that all of the £210 million of equity raised to date as well as the £100 million acquisition facility, secured through Royal Bank of Canada ("RBC"), Royal Bank of Scotland ("RBS") and Santander, will have been fully invested following the financial completion of the Kencot asset, expected in Q1 2015.

Although the UK Government has confirmed changes to the Renewable Obligations ("RO") incentives from March 2015, the Board and Investment Manager both believe that a combination of the investments made to date and the pipeline of potential opportunities currently being considered, together with the associated benefits of scale, will continue to provide attractive returns to shareholders over the longer term.

**Alexander Ohlsson**

*Chairman*

2 March 2015

## Investment Summary

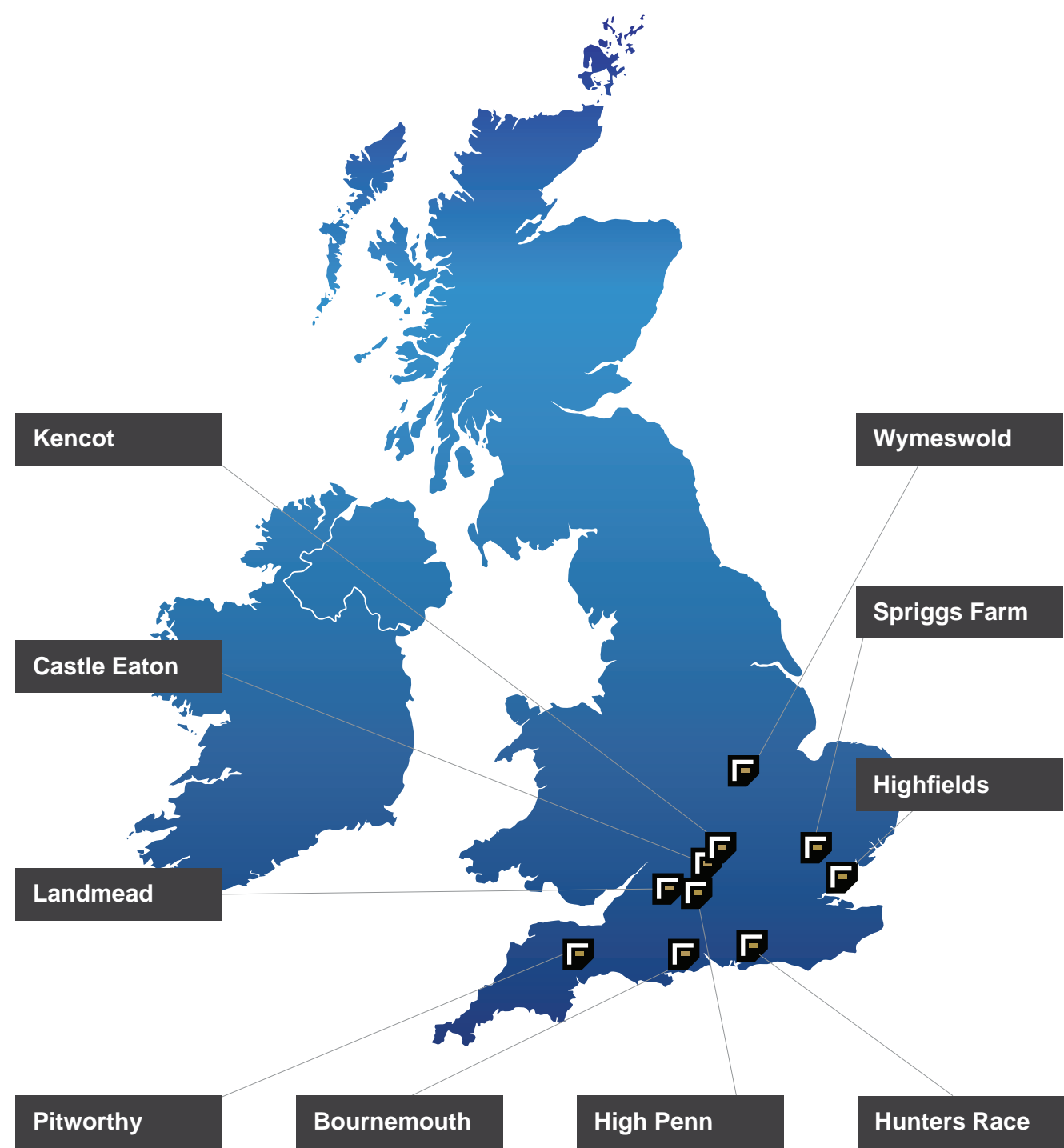
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Asset	Location	Status	MW	ROCs	Acquisition Date	Solar Panels	Technology	Construction Counterparty	Power Purchase Agreement ("PPA") Counterparty
<b>Wymeswold</b>	Leicestershire	Operational and accredited	32	2.0	November 2013	134,000	Polycrystalline	Lark Energy	Total
<b>Castle Eaton</b>	Wiltshire	Operational and accredited	18	1.6	June 2014	60,000	Polycrystalline	SunEdison	SmartestEnergy
<b>Highfields</b>	Essex	Operational and accredited	12	1.6	June 2014	40,000	Polycrystalline	SunEdison	SmartestEnergy
<b>High Penn</b>	Wiltshire	Operational and accredited	10	1.6	June 2014	34,000	Polycrystalline	SunEdison	SmartestEnergy
<b>Pitworthy</b>	North Devon	Operational and accredited	16	1.4	June 2014	49,000	Polycrystalline	SunEdison	SmartestEnergy
<b>Hunters Race</b>	West Sussex	Operational and accredited	11	1.4	September 2014	41,000	Polycrystalline	Hareon Solar	Statkraft
<b>Spriggs Farm</b>	Essex	Operational and accredited	12	1.6	November 2014	50,000	Polycrystalline	Bester Generation	Statkraft
<b>Bournemouth</b>	Dorset	Operational and accredited	37	1.4	December 2014	146,000	Polycrystalline	Goldbeck	Total
<b>Landmead</b>	Oxfordshire	Operational and accredited	46	1.4	December 2014	483,000	Thin film	Belectric	NEAS
<b>Kencot</b>	Oxfordshire	Accredited and awaiting completion	37	1.4	Q1 2015	144,000	Polycrystalline	Conergy	Statkraft
<b>Total</b>			<b>231</b>						





# Company Assets


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Asset 1: Wymeswold		
Capacity	32.2MW	
Tilted irradiance (kWh/m2/yr)	1,117	
Location	Wymeswold Airfield, Loughborough	
Grid Connection Date	March 2013	
ROCs per MWh	2.0	
EPC/O&M Contractor	Lark Energy (replaced SAG in April 2014)	
PPA	15-year PPA with TOTAL	

Asset 2: Castle Eaton		
Capacity	17.8MW	
Tilted irradiance (kWh/m2/yr)	1,122	
Location	Cirencester, Gloucestershire	
Grid Connection Date	March 2014	
ROCs per MWh	1.6	
EPC/O&M Contractor	SunEdison	
PPA	18-month PPA with SmartestEnergy	

Asset 3: Highfields		
Capacity	12.2MW	
Tilted irradiance (kWh/m2/yr)	1,144	
Location	Kelvedon, Essex	
Grid Connection Date	March 2014	
ROCs per MWh	1.6	
EPC/O&M Contractor	SunEdison	
PPA	18-month PPA with SmartestEnergy	

## Company Assets (continued)

### Asset 4: High Penn


<b>Capacity</b>	9.6MW
<b>Tilted irradiance (kWh/m2/yr)</b>	1,143
<b>Location</b>	Calne, Wiltshire
<b>Grid Connection Date</b>	March 2014
<b>ROCs per MWh</b>	1.6
<b>EPC/O&amp;M Contractor</b>	SunEdison
<b>PPA</b>	18-month PPA with SmartestEnergy





### Asset 5: Spriggs Farm

<b>Capacity</b>	12.0MW
<b>Tilted irradiance (kWh/m2/yr)</b>	1,203
<b>Location</b>	Thaxted, Essex
<b>Grid Connection Date</b>	March 2014
<b>ROCs per MWh</b>	1.6
<b>EPC/O&amp;M Contractor</b>	Bester Generacion
<b>PPA</b>	18-month PPA with Statkraft



Asset 6: Pitworthy		
Capacity	15.6 MW	
Tilted irradiance (kWh/m2/yr)	1,158	
Location	Holsworthy, Devon	
Grid Connection Date	April 2014	
ROCs per MWh	1.4	
EPC/O&M Contractor	SunEdison	
PPA	18-month PPA with SmartestEnergy	

Asset 7: Hunters Race		
Capacity	10.4MW	
Tilted irradiance (kWh/m2/yr)	1,240	
Location	Lavant, West Sussex	
Grid Connection Date	July 2014	
ROCs per MWh	1.4	
EPC/O&M Contractor	Hareon	
PPA	18-month PPA with Statkraft	

Asset 8: Kencot		
Capacity	37.2 MW	
Tilted irradiance (kWh/m2/yr)	1,166	
Location	Kencot, Oxfordshire	
Grid Connection Date	September 2014	
ROCs per MWh	1.4	
EPC/O&M Contractor	Conergy	
PPA	18-month PPA with Statkraft	



## Company Assets (continued)

### Asset 9: Bournemouth

<b>Capacity</b>	37.2 MW
<b>Tilted irradiance (kWh/m2/yr)</b>	1,264
<b>Location</b>	Bournemouth, Dorset
<b>Grid Connection Date</b>	September 2014
<b>ROCs per MWh</b>	1.4
<b>EPC/O&amp;M Contractor</b>	Goldbeck
<b>PPA</b>	18-month PPA with Total



### Asset 10: Landmead

<b>Capacity</b>	46 MW
<b>Tilted irradiance (kWh/m2/yr)</b>	1,110
<b>Location</b>	Landmead
<b>Grid Connection Date</b>	December 2014
<b>ROCs per MWh</b>	1.4
<b>EPC/O&amp;M Contractor</b>	Belectric GmbH
<b>PPA</b>	3 months rolling with NEAS



# Investment Manager's Report

## For the period 13 August 2013 to 31 December 2014

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### Foresight Group - The Investment Manager

Foresight Group is a privately owned leading infrastructure and private equity Investment Manager. Foresight Group manages nine separate dedicated Solar Funds valued at c.£1 billion totalling over 456MW of existing operational capacity. The Solar team has been active since 2007 and consists of 26 investment professionals.

Foresight Group manages assets of over £1.3 billion, raised from pension funds and other institutional investors, UK and international private and high net-worth individuals and family offices.

Foresight's head office is located in The Shard at London Bridge with further offices in Guernsey, Nottingham, Rome and San Francisco.

### The Company

The Company's IPO on 24 October 2013 raised £150 million, creating the largest dedicated solar investment company listed in the UK at the time. In October 2014 a further 58 million shares were issued raising gross proceeds of £60.1 million increasing the shares issued by the Company to 208 million.

On 19 May 2014, the Company entered into a £100 million debt acquisition facility. This facility has been partially drawn to fund the acquisition of the Bournemouth asset. A further draw down will be made to fund the acquisition of the Kencot asset on financial completion which will utilise the remainder of the facility.

The acquisition of Kencot asset will not be recognised in the financial statements until financial completion has been reached. The Company has the contractual right to all revenue generated from the asset since the start of its operations in September 2014 but the vendor has entered into sale agreements contingent on certain conditions being met. It is the prudent policy of the Company not to recognise acquisition or revenue generation of assets until financial completion has been achieved.

### Investment Portfolio

The Investment Manager believes the portfolio of assets has been wholly acquired at attractive pricing and offer manufacturer and geographical diversification across the UK for the portfolio.

Crucially, the portfolio has been designed to deliver the target return profile without taking unnecessary risk. This is defined as the avoidance of construction risk which, in itself, can be managed depending on the balance sheet strength of the construction contractor. More difficult to manage is the risk of failing to meet the 31 March ROC subsidy deadline which in 2015 is a cliff-edge deadline given the acceleration of the Contracts for Difference ("CfD") mechanism for projects greater than 5MWs after this date.

Foresight Group have deliberately set out to execute a low risk strategy of avoiding construction and subsidy risk and have negotiated these terms accordingly with large and experienced contractors. This avoids unnecessary risk exposure for shareholders.

### Portfolio Performance

Operational performance of the assets to date is in line with expectations, with total portfolio electricity production of 86.1 Gigawatt Hours ("GWh") for the period. As the Wymeswold asset is the only asset that has been under our operational management for a significant proportion of the period, providing details of operational performance across the whole portfolio would be less directly relevant for the Company at this time.

Foresight Group's in-house technical team continue to focus on increasing operational efficiencies across the portfolio. We do not expect any short-term fluctuations in power generation to affect the medium to long-term forecasts.

# Investment Manager's Report (continued)

## Investment Performance

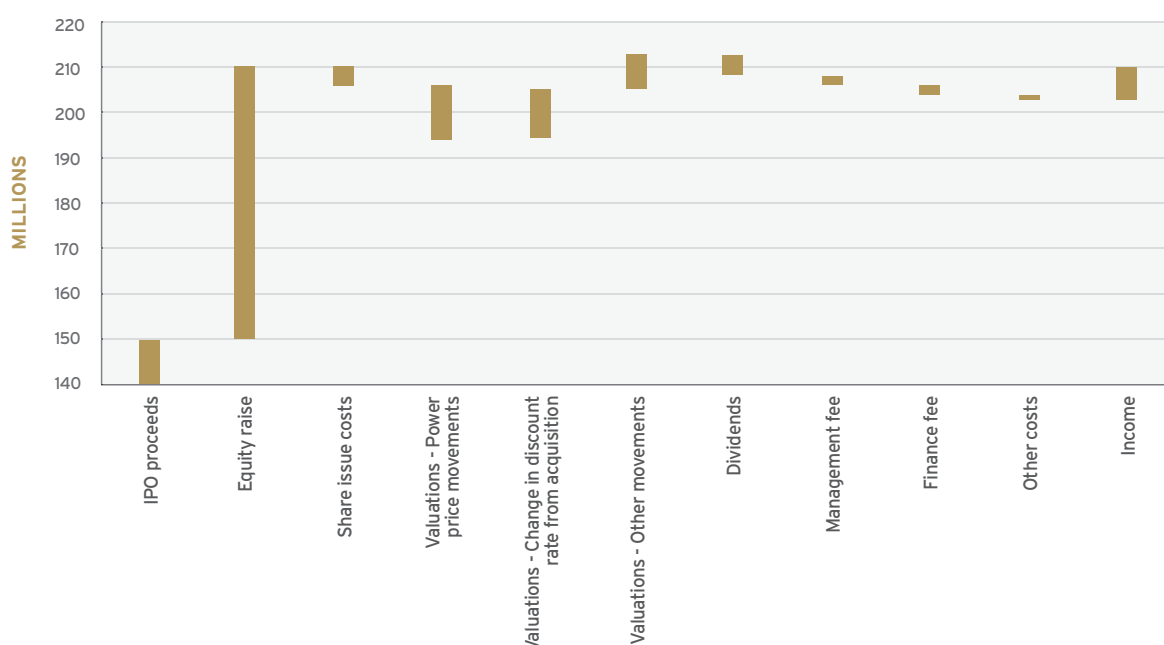
The NAV at launch was 98.0 pence per share. The NAV per share as at 31 December 2014 had grown to 100.9 pence, with an interim dividend of 3.0 pence per share paid in September 2014.

A breakdown in the movement of the NAV is shown in the table below.

	(£m)
IPO Proceeds	150.0
Equity Raise	60.2
Share Issue Costs	(3.9)
Valuation: Power Price Movements	(11.6)
Valuation: Discount Rate Adjustment	10.8
Valuation: Other Movements	7.1
Dividends	(4.5)
Management Fee	(1.9)
Finance Fee	(2.5)
Other Costs	(1.1)
Income	7.2

The changes in portfolio valuation have been mainly driven by the following factors:

- **Power Price** – Power prices during the period were lower than expected and our long-term power price forecasts have also been reduced. This has led to an absolute reduction in NAV, excluding all other factors. The Company uses a blended average of the most recent forward power curve forecasts from a number of providers in our NAV calculations and believe the recent changes have now been appropriately reflected. It should also be noted that our forecasts continue to assume an increase in power prices in real terms over the medium to long-term.
- **Discount Rate** – During the period, the Company reduced its average discount rate applied to future cashflows by 0.2% to 7.8%, which has had a positive impact on NAV. We believe this reduction has brought the Company in line with the UK listed solar peer group, and more accurately reflects the risk profile of the assets that have been acquired.
- **Other** – During the period, the Company saw a reduction in operational costs through the renewal of long-term contractual arrangements. This had a positive impact on NAV.



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## Valuation of the Portfolio

The Investment Manager is responsible for providing fair market valuations of the Group's assets to the Directors. The Directors review and approve these valuations following appropriate challenge and examination. Valuations are undertaken quarterly.

The current portfolio consists of non-market traded investments and valuations are based on a DCF methodology. This methodology adheres to both IAS 39 and IFRS 13 accounting standards.

It is the policy of the Investment Manager to value with reference to DCF immediately following acquisition. This is partly due to the long periods between agreeing an acquisition price and financial completion of the acquisition. Quite often this delay incorporates construction as well as time spent applying for, and achieving, ROC accreditation upon which the Company's acquisition of assets is usually contingent upon. Revenues generally accrue for the benefit of the purchaser, revenues accrued do not form part of the DCF calculation when making a fair and proper valuation until financial completion has been achieved.

A broad range of assumptions are used in our valuation models. These assumptions are based on long-term forecasts and are not affected by short-term fluctuations in inputs, be it economic or technical.

## Valuation Sensitivities

Where possible, assumptions are based on observable market and technical data. In many cases, such as the forward power price, we make use of professional advisors to provide reliable and evidenced information while often applying a more prudent approach to that of than our information providers. We have set out the inputs we have ascertained would have a material effect upon the NAV below. All sensitivities are calculated independently of each other.

## Discount Rate

The weighted average discount rate used is 7.8%. The Directors do not expect to see a significant change in the discount rates applied within the Solar Infrastructure sector. Therefore a variance of +/- 0.5% is considered reasonable.

	<b>+0.5%</b>	<b>+0.25%</b>	<b>Base</b>	<b>-0.25%</b>	<b>-0.5%</b>
<b>Directors' valuation</b>	239.17	244.11	249.19	254.48	259.94
<b>NAV per share (pence)</b>	96.1	98.4	100.9	103.4	106.0

## Energy Yield

Base case assumptions are based on P50 forecasts (50 per cent probability of exceedance) produced by market experts. P10 (10 per cent probability of exceedance) and P90 (90 per cent probability of exceedance) variances are given to offer comparison across the industry. Energy yield is a function of solar irradiance and technical performance.

	<b>P90 (10 year)</b>	<b>Base</b>	<b>P10 (10 year)</b>
<b>Directors' valuation</b>	225.79	249.19	269.94
<b>NAV per share (pence)</b>	89.60	100.9	110.9

## Power Price

DCF models assume power prices that are consistent with the Power Purchase Agreements ("PPA") currently in place. At the PPA end date, the model reverts to the power price forecast.

The power price forecasts are updated quarterly and based on power price forecasts from leading independent sources. The Investment Manager adjusts where more conservative assumptions are considered appropriate and applies expected PPA sales discounts. The forecast assumes an average annual increase in power prices in real terms of approximately 1.9%.



## Investment Manager's Report (continued)

The Company's NAV sensitivity to power price movements is lessened due to the fact that assets representing c.40% of the portfolio's operational capacity benefit from fixed price arrangements under the terms of their Power Purchase Agreements ("PPAs").

	<b>-20.0%</b>	<b>-10.0%</b>	<b>Base</b>	<b>+10%</b>	<b>+20%</b>
<b>Directors' valuation</b>	222.46	236.01	249.19	261.39	272.82
<b>NAV per share (pence)</b>	88.0	94.5	100.9	106.8	112.2

### Inflation

A variable of 1.0% is considered reasonable given historic fluctuations. We assume inflation will remain constant at 2.5%.

	<b>-1.0%</b>	<b>-0.5%</b>	<b>Base</b>	<b>+0.5%</b>	<b>+1.0%</b>
<b>Directors' valuation</b>	230.17	239.46	249.19	258.80	268.44
<b>NAV per share (pence)</b>	91.7	96.2	100.9	105.5	110.1

### Operating Costs (investment level)

Operating costs include operating and maintenance ("O&M"), insurance and lease costs. Base case costs are based on current commercial agreements. We would not expect these costs to fluctuate widely over the life of the assets and are comfortable that the base case is prudent. A variance of +/- 5.0% is considered reasonable, a variable of 10.0% is shown for information purposes.

	<b>-10%</b>	<b>-5%</b>	<b>Base</b>	<b>+5%</b>	<b>+10%</b>
<b>Directors' valuation</b>	243.39	246.31	249.19	252.03	254.75
<b>NAV per share (pence)</b>	98.1	99.5	100.9	102.2	103.6

### Financial Results

The Company has prepared financial statements for the period from incorporation to 31 December 2014. No meaningful activities took place between incorporation and IPO. The period represents the first full accounting period of the Company.

As at 31 December 2014, the NAV of the Company was £209.8 million or 100.9 pence per Ordinary share issued. Profit before tax for the period was £8.1 million and earnings per share were 5.90 pence.

The Directors have satisfied themselves with the valuation methodology including the underlying assumptions used and have approved the portfolio valuation. Since inception, the Company has confirmed its intent to deliver its target dividend of 6.0 pence per Ordinary Share in respect of its first financial period. Strong underlying asset performance and attractive pricing gives the Directors comfort that target distribution levels will be met whilst maintaining capital in real terms.

### Ongoing Charges

The ongoing charges ratio for the period under review is 1.57 per cent. This has been calculated using methodology as typically recommended by the AIC.

### Financing

The proposed acquisition facility outlined in the IPO Prospectus reached financial close within the period for a total of £100 million provided equally by RBC, RBS and Santander. This facility has been partly drawn to fund the acquisition of the Bournemouth asset. A further draw will be made to fund the acquisition of the Kencot asset on financial completion which will utilise the remainder of the facility. It is expected that the facility will be repaid through a combination of excess dividend cover, further equity issuance and/or refinancing with a long-term debt facility.

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We expect the facility to be extended up to £140 million in Q1 2015, with the full facility to be provided equally by RBS and Santander.

The Articles provide that gearing, calculated as borrowings as a percentage of the Company's Gross Asset Value will not exceed 50% at the time of drawdown. It is the Board's current intention that gearing, calculated as borrowings as a percentage of the Company's Gross Asset Value, will not exceed 40 per cent. at the time of drawdown. We would expect long term debt may be introduced at an investment level over the medium to long-term.

#### Alternative Investment Fund Management Directive ("AIFMD")

The AIFMD, which was implemented across the EU on 22 July 2013 with the transition period ending 22 July 2014, aims to harmonise the regulation of Alternative Investment Fund Managers ("AIFMs") and imposes obligations on managers who manage or distribute Alternative Investment Funds ("AIFs") in the EU or who market shares in such funds to EU investors.

Both the Company and the Investment Manager are located outside the EEA but the Company's marketing activities in the UK are subject to regulation under the AIFMD.

#### Risk Management

Reliance is placed on the internal systems and controls of external service providers such as the Administrator and the Investment Manager in order to effectively manage risk across the portfolio. The identification, quantification and management of risk are central to the role of the Investment Manager who, for this purpose, categorises risk per the below. Operational risks at investment level are deemed key risks due to the impact of operational performance on the fair value of the investments.

<b>Day-to-Day Risk Management</b>	Monitoring performance of contractors
	Promoting safe, compliant and reliable operating environments
	Monitoring levels of solar irradiation
	Review of insurances
	Review of land and property, including lease negotiation
	Environmental reviews, including health and safety concerns
	Review of technology (including suppliers, warranties and quality)
<b>Business and Strategic Risk Management</b>	Integration of risk management into key business processes such as acquisition identification, performance management, resource allocation
	Monitoring economic factors including power prices, interest rates and inflation
	Monitoring political factors including tax and energy subsidy legislation
	Monitoring financial and technical reporting accuracy and timeliness
<b>Corporate Oversight and Governance</b>	The Board provide oversight to identify and mitigate significant risks. The Board are responsible for monitoring the Company's reliance on professional advisors
	Monitoring potential conflicts of interest
	Monitoring performance against financial objectives

# Investment Manager's Report (continued)

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## Outlook

Financial completion of the Kencot asset is expected to take place before the end of March 2015 and will be funded using the remainder of the acquisition facility. The asset was connected to the grid in September 2014 and received accreditation at the 1.4 ROC rate in December 2014. Under the terms of the share purchase agreement agreed with RWE, the cash flows generated by the asset since the time of connection are being accrued at a project level for the benefit of the Company.

The March 2015 1.4 ROC branding deadline for assets over 5MW has so far driven large amounts of activity this year in terms of new capacity being installed, with total UK solar capacity expected to reach approximately 7GW by the end of the Quarter. This scale of UK installed solar capacity has created an active market in large-scale secondary assets, and as such we are reviewing a number of secondary opportunities.

Following the March 2015 deadline, the ROC regime for assets over 5MW will be replaced by the Contracts for Difference ("CfD") mechanism. The results of the first CfD auction were released on 26 February 2015 with five Solar PV projects being awarded contracts. We had expected a limited number of solar projects to compete in this first auction as developers focussed on the completion of ROC projects before the 31st March 2015 deadline. Moving forward we expect to see more large scale projects entering the auction process following the end of the ROC subsidy for assets over 5MW and as installation costs in the UK solar sector continue to decrease. This should lead to solar becoming cost competitive with onshore wind in the short term, allowing for an increase in CfD allocation in the next auction rounds. We continue to work closely with developers to ensure that we are well placed to take advantage of potential CfD projects in the future.

We also expect large portfolios of up to 5MW 1.3 ROC assets to deliver significant pipeline volume going forward and have identified a strong, near-term pipeline of such assets for connection from 1 April 2015.

The Company expects to benefit from the pipeline of projects outlined above through the refinancing of the existing acquisition facility alongside further equity issuances.

From 1 January 2015 the Directors will increase the frequency of dividend payments from semi-annually to quarterly. The payment of dividends will remain subject to market conditions and the Company's performance, financial position and financial outlook.

## **Foresight Group CI Limited**

Investment Manager  
2 March 2015

# Corporate Governance Report

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The Board has considered the principles and recommendations of the AIC Code of Corporate Governance (AIC Code) by reference to the AIC Corporate Governance Guide for investment Companies (AIC Guide). The AIC Code, as explained by the AIC Guide, addresses all the principles set out in the UK Corporate Governance Code, as well as setting out additional principles and recommendations on issues that are of specific relevance to the Company.

The Board considers that reporting against the principles and recommendations of the AIC Code, and by reference to the AIC Guide (which incorporates the UK Corporate Governance Code), will provide better information to shareholders. The Company has complied with the recommendations of the AIC Code and the relevant provisions of the UK Corporate Governance Code, except as set out below.

The UK Corporate Governance Code includes provisions relating to:

- The role of the Chief Executive
- Executive Directors' remuneration
- The need for an internal audit function

For the reasons set out in the AIC Guide, and as explained in the UK Corporate Governance Code, the Board does not consider these provisions to be relevant to the position of the Company, being an externally managed investment company. In particular, all of the Company's day-to-day management and administrative functions are outsourced to third parties. As a result, the Company has no Executive Directors, employees or internal operations. The Company has therefore not reported further in respect of these provisions.

## The Board

The Company has a Board of three Non-Executive Directors, two of whom are considered to be independent. Peter Dicks is considered non-independent under the listing rules by virtue of being a Director of other Foresight Venture Capital Trusts ("VCTs") which are also managed by Foresight Group.

Peter Dicks is a Director of Foresight VCT plc, Foresight 2 VCT plc, Foresight 3 VCT plc and Foresight 4 VCT plc. Due to the different investment focus of the Company the Board believes there to be no conflict between the roles Mr Dicks performs. Where conflicts of interest do arise between the different funds, the common Director would seek to act fairly and equitably between different groups of shareholders. If a conflict were to occur then decisions would be taken by the independent Directors.

## Division of Responsibilities

The Board is responsible to shareholders for the proper management of the Company and Board meetings are held on at least a quarterly basis with further ad hoc meetings scheduled as required. In the period under review 16 Board meetings were held. The Board has formally adopted a schedule of matters for which its approval is required, thus maintaining full and effective control over appropriate strategic, financial, operational and compliance issues. A Management Agreement between the Company and the Manager sets out the matters over which the Manager has authority, including monitoring and managing the existing investment portfolio and the limits above which Board approval must be sought. All other matters are reserved for the approval by the Board of Directors.

Individual Directors may, at the expense of the Company, seek independent professional advice on any matter that concerns them in the furtherance of their duties. In view of its Non-Executive nature and the requirements of the Articles of Association that Directors retire by rotation at the third Annual General Meeting after the AGM at which they were elected, the Board considers that it is not appropriate for the Directors to be appointed for a specific term as recommended by the AIC Code.

Full details of duties and obligations are provided at the time of appointment and are supplemented by further details as requirements change. There is no formal induction programme for the Directors as recommended by the AIC Code.

The Board has access to the officers of the Company Secretary who also attend Board Meetings. Representatives of the Manager attend all formal Board Meetings although the Directors may meet without the Manager being present. Informal meetings with the Manager are also held between Board Meetings as required. The Company Secretary

## Corporate Governance Report (continued)

provides full information on the Company's assets, liabilities and other relevant information to the Board in advance of each Board Meeting. Attendance by Directors at Board and Committee meetings is detailed in the table below.

	Board	Management Engagement & Remuneration	Audit
Alex Ohlsson	15/16	1/1	2/2
Peter Dicks	15/16	1/1	2/2
Christopher Ambler	16/16	1/1	2/2

In the light of the responsibilities retained by the Board and its Committees and of the responsibilities delegated to Foresight Group CI Limited, JTC (Jersey) Limited and its legal advisors, the Company has not appointed a Chief Executive Officer, Deputy Chairman or a Senior Independent Non-Executive Director as recommended by the AIC Code. As such, the provisions of the UK Corporate Governance Code which relate to the division of responsibilities between a Chairman and a Chief Executive Officer are not considered applicable to the Company.

### Investment Manager

As an experienced multi-fund asset manager, Foresight Group has in place established policies and procedures designed to address conflicts of interest in allocating investments among its respective investment funds.

Foresight Group is fully familiar with, and has extensive experience in allocating investments, ensuring fair treatment for all investors and managing conflicts of interest should these arise. Foresight Group is keen to ensure such fair treatment for all investors. Under the rules and regulations of the Guernsey Financial Services Commission ("GFSC"), Foresight Group is also legally obliged to treat its investors fairly and handle such conflicts in an open and transparent manner and such processes are audited on an annual basis.

In terms of allocation, Foresight Group adheres to a formal written policy for allocating new investments which are overseen by the Group's Investment Committee and signed off by the CIO. Each available funding opportunity is allocated pro-rata to the net amounts raised by each Foresight Group managed fund with a sector and asset class investment strategy matching the proposed investment. Where the allocation would result in any Foresight Group managed fund having insufficient liquidity or excessive portfolio concentration, or would fail to reach a deployment deadline set by regulation or contract, the allocation is revised accordingly.

Foresight Group's allocation policy is reviewed from time-to-time by the independent Board of Directors of each of the Foresight Group funds and has been operated successfully for many years. All investments are allocated on pari passu terms. Foresight Group seek to ensure that the interests of all clients are appropriately protected and that investments are allocated and executed fairly.

After a full evaluation of the performance of the Investment Manager, including review of assets purchased by the Company and the results of ongoing portfolio management, it is the opinion of the Directors that the continuing appointment of the Investment Manager on the terms currently agreed is in the interests of the shareholders.

### Board Committees

The Board has adopted formal terms of reference, which are available to view by writing to the Company Secretary at the registered office, for two standing committees which make recommendations to the Board in specific areas.

The Audit Committee comprises Christopher Ambler (Chairman), Alexander Ohlsson and Peter Dicks, all of whom are considered to have sufficient financial experience to discharge the role. The Committee meets at least twice a year to, amongst other things, consider the following:

- Monitor the integrity of the financial statements of the Company and approve the accounts;
- Review the Company's internal control and risk management systems;
- Make recommendations to the Board in relation to the appointment of the external auditors;

- 
- Review and monitor the external Auditors' independence; and
  - Implement and review the Company's policy on the engagement of the external Auditors to supply non-audit services.

KPMG LLP has completed the Company's external audit for the period and has not performed any non-audit services during the year. Ernst & Young LLP prepares all necessary tax returns following sign off of the annual accounts.

The Management Engagement & Remuneration Committee, which has responsibility for reviewing the remuneration of the Directors, comprises Alexander Ohlsson (Chairman), Peter Dicks and Christopher Ambler and meets at least annually to consider the levels of remuneration of the Directors, specifically reflecting the time commitment and responsibilities of the role. The Management Engagement & Remuneration Committee also undertakes external comparisons and reviews to ensure that the levels of remuneration paid are in line with industry standards. The Management Engagement & Remuneration Committee also reviews the appointment and terms of engagement of the Manager.

The Board believes that, as a whole, it has an appropriate balance of skills, experience and knowledge. The Board also believes that diversity of experience and approach, including gender diversity, amongst Board members is important and it is the Company's policy to give careful consideration to issues of Board balance and diversity when making new appointments.

Copies of the terms of reference of each of the Company's committees can be obtained from the Company Secretary upon request.

### **Board Evaluation**

The Board undertakes an annual evaluation of its own performance and that of its Committees through an initial evaluation questionnaire. The Chairman then discusses the results with the Board and its Committees and will take appropriate action to address any issues arising from the process. The first evaluation will take place in 2015.

### **Relations with Shareholders**

The Company communicates with shareholders and solicits their views when it is considered appropriate to do so. Individual shareholders are welcomed to the Annual General Meeting where they have the opportunity to ask questions of the Directors, including the Chairman, as well as the Chairman of the Audit, Remuneration and the Management Engagement & Remuneration Committee. From time to time, the Board may also seek feedback through shareholder questionnaires and through open invitations for shareholders to meet the Investment Manager.

### **Internal Control**

The Directors of the Company have overall responsibility for the Company's system of internal controls and the review of their effectiveness. The internal controls system is designed to manage, rather than eliminate, the risks of failure to achieve the Company's business objectives. The system is designed to meet the particular needs of the Company and the risks to which it is exposed and by its nature can provide reasonable but not absolute assurance against misstatement or loss.

The Board's appointment of JTC (Jersey) Limited as accountant and administrator has delegated the financial administration of the Company. There is an established system of financial controls in place, to ensure that proper accounting records are maintained and that financial information for use within the business and for reporting to shareholders is accurate and reliable and that the Company's assets are safeguarded.

Directors have access to the advice and services of the Company Secretary, who is responsible to the Board for ensuring that Board procedures and applicable rules and regulations are complied with.

Pursuant to the terms of its appointment, Foresight Group invests the Company's assets in infrastructure investments and have physical custody of documents of title relating to the equity investments involved.

The Investment Manager confirms that there is a continuous process for identifying, evaluating and managing the significant risks faced by the Company. This has been in place for the period under review and up to the date of approval of the Annual Report and financial statements, and is regularly reviewed by the Board and accords with the guidance. The process is overseen by the Investment Manager and uses a risk-based approach to internal control

## Corporate Governance Report (continued)

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whereby a test matrix is created that identifies the key functions carried out by the Investment Manager and other service providers, the individual activities undertaken within those functions, the risks associated with each activity and the controls employed to minimise those risks. A residual risk rating is then applied. The Board is provided with reports highlighting all material changes to the risk ratings and confirms the action that has or is being taken. This process covers consideration of the key business, operational, compliance and financial risks facing the Company and includes consideration of the risks associated with the Company's arrangements with professional advisors.

The Audit Committee has carried out a review of the effectiveness of the system of internal control, together with a review of the operational and compliance controls and risk management. The Audit Committee has reported its conclusions to the Board which was satisfied with the outcome of the review.

The Board monitors the investment performance of the Company in comparison to its objective at each Board meeting. The Board also reviews the Company's activities since the last Board meeting to ensure that the Investment Manager adheres to the agreed investment policy and approved investment guidelines and, if necessary, approves changes to such policy and guidelines.

The Board has reviewed the need for an internal audit function. It has decided that the systems and procedures employed by the Investment Manager, the Audit Committee and other third party advisers provide sufficient assurance that a sound system of internal control to safeguard shareholders' investment and the Company's assets, is maintained. In addition, the Company's financial statements are audited by external Auditors and thus an internal audit function specific to the Company is considered unnecessary.

### Directors' Professional Development

Full details of duties and obligations are provided at the time of appointment and are supplemented by further details as requirements change, although there is no formal induction programme for the Directors as recommended by the AIC Code. Directors are also provided with key information on the Company's policies, regulatory and statutory requirements and internal controls on a regular basis. Changes affecting Directors' responsibilities are advised to the Board as they arise. Directors also participate in industry seminars.

### Bribery Act 2010

The Company is committed to carrying out business fairly, honestly and openly. The Investment Manager has established policies and procedures to prevent bribery within its organisation.



# Directors Remuneration Report

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## Introduction

The Board has prepared this report in line with the AIC code. An ordinary resolution to approve this report will be put to the members at the forthcoming Annual General Meeting.

The law requires the Company's Auditor, KPMG LLP, to audit certain of the disclosures provided. Where disclosures have been audited, they are indicated as such. The Auditor's opinion is included in the 'Independent Auditor's Report.'

## Annual Statement from the Chairman of the Management Engagement & Remuneration Committee.

The Board, which is profiled below, consists solely of Non-Executive Directors and considers at least annually the level of the Board's fees.

## Consideration by the Directors of matters relating to Directors' Remuneration

The Management Engagement & Remuneration Committee comprises three Directors: Alexander Ohlsson (Chairman), Christopher Ambler and Peter Dicks. The Committee has responsibility for reviewing the remuneration of the Directors, specifically reflecting the time commitment and responsibilities of the role, and meets at least annually. The Committee also undertakes external comparisons and reviews to ensure that the levels of remuneration paid are broadly in line with industry standards and members have access to independent advice where they consider it appropriate.

During the year neither the Board nor the Committee has been provided with external advice or services by any person, but has received industry comparison information from management in respect of the Directors' remuneration. The remuneration policy set by the Board is described below. Individual remuneration packages are determined by the Remuneration Committee within the framework of this policy. The Directors are not involved in deciding their own individual remuneration.

## Remuneration Policy

The Board's policy is that the remuneration of Non-Executive Directors should reflect time spent and the responsibilities borne by the Directors for the Company's affairs and should be sufficient to enable candidates of high calibre to be recruited. The levels of Directors' fees paid by the Company for the period ended 31 December 2014 were agreed during the year. It is considered appropriate that no aspect of Directors' remuneration should be performance related in light of the Directors' Non-Executive status.

The Company's policy is to pay the Directors quarterly in arrears, to the Directors personally (or to a third party if requested by any Director). Mr Ohlsson's remuneration is paid to Carey Olsen Corporate Services Jersey Limited. None of the Directors has a service contract but, under letters of appointment dated 16th August 2013 may resign at any time by mutual consent. No Compensation is payable to Directors leaving office. As the Directors are not appointed for a fixed length of time there is no unexpired term to their appointment but, as noted above, the Directors will retire by rotation every year. It is the intention of the Board that the above remuneration policy will, subject to shareholder approval, come into effect immediately following the next Annual General Meeting of the Company and will continue for the financial year ended 31 December 2015 and subsequent years. Shareholders' views in respect of Directors' remuneration are communicated at the Company's Annual General Meeting and are taken into account in formulating the Directors' remuneration policy.

## Details of Individual Emoluments and Compensation

The emoluments in respect of qualifying services of each person who served as a Director during the period and those forecast for the year ahead are shown below. No Director has waived or agreed to waive any emoluments from the Company in the period under review. No other remuneration was paid or payable by the Company during the current period nor were any expenses claimed by or paid to them other than for expenses incurred wholly, necessarily and exclusively in furtherance of their duties as Directors of the Company. The Company's Articles of Association do not set an annual limit on the level of Directors' fees but fees must be considered within the wider Remuneration Policy noted above. Directors' liability insurance is held by the Company in respect of the Directors.

## Directors Remuneration Report (continued)

	<b>Anticipated Directors' fees for the year ended 31 December 2015</b>	<b>Anticipated one off fees paid for additional services in relation to the issuance of new equity during the year ended 31 December 2015</b>	<b>Audited Directors' fees for the period from 16th August 2013 to 31 December 2014</b>
<b>Alexander Ohlsson (Chairman)</b>	£60,000	£10,000	£75,796
<b>Christopher Ambler</b>	£45,000	£10,000	£55,122
<b>Peter Dicks</b>	£35,000	£10,000	£41,342

The Directors are not eligible for pension benefits, share options or long-term incentive schemes.

### Directors' Interests

Directors who had interests in the shares of the Company as at 31 December 2014 are shown below. There were no changes in the interests shown as at 2 March 2015. The Directors do not have any options over shares.

	<b>Ordinary shares of nil par value held at 31 December 2014</b>
<b>Alexander Ohlsson</b>	25,000 <sup>1</sup>
<b>Christopher Ambler</b>	Nil
<b>Peter Dicks</b>	51,433

<sup>1</sup> Includes 25,000 shares legally and beneficially owned by a personal pension company.

### Approval of Report

The Board will propose a resolution in the forthcoming AGM that the remuneration of the Directors will remain at the levels shown above for the year to 31 December 2015.

# Audit Committee Report

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The Audit Committee is chaired by Christopher Ambler and comprises the full Board. The Committee operates within clearly defined terms of reference. The terms of reference were reviewed during the period under review and were deemed appropriate.

Meetings are scheduled to coincide with the reporting cycle of the Company and the committee has met twice in the period under review. The function of the Committee is to ensure that the Company maintains the highest standards of integrity, financial reporting, internal and risk management systems and corporate governance and maintains an effective relationship with the Company's Auditors. None of the members of the Audit Committee has any involvement in the preparation of the financial statements of the Company.

The Audit Committee is charged with maintaining an open relationship with the Company's Auditors. The Chairman of the Audit Committee keeps in regular contact with the Auditors throughout the audit process and the Auditors attend the Audit Committee meeting at which the annual and interim accounts are considered. The Committee reports directly to the Board which retains the ultimate responsibility for the financial statements of the Company.

## Significant issues Considered

The Audit Committee has identified and considered the following key areas of risk in relation to the business activities and financial statements of the company:

- Valuation and existence of unquoted investments. This issue was discussed with the Investment Manager and the Auditor at the conclusion of the audit of the financial statements, as explained below:

### Valuation and Existence of Unquoted Investments

The most significant risk in the annual accounts is that of the valuation of unquoted investments. There is an inherent risk of the Investment Manager unfairly valuing investments due to the Investment Managers fee being linked directly to the Net Asset Value of the Company.

During the valuation process the Board and Audit Committee and the Investment Manager follow the valuation methodologies for unlisted investments as set out in the International Private Equity and Venture Capital Valuation guidelines and appropriate industry valuation benchmarks. These valuation policies are set out in Note 3 of the accounts. These were then further reviewed by the Audit Committee. The Investment Manager confirmed to the Audit Committee that the investment valuations had been calculated consistently throughout the period and in accordance with published industry guidelines, taking account of the latest available information about investee companies and current market data. Furthermore, the Investment Manager held discussions regarding the investment valuations with the Auditors.

The Investment Manager has agreed the valuation assumptions with the Audit Committee.

Key assumptions used in the valuation forecasts are detail in note 17 of the financial statements. The Investment Manager has provided sensitivities around those assumptions which are detailed in note 17.

The Investment Manager and Auditors confirmed to the Audit Committee that they were not aware of any material misstatements. Having reviewed the reports received from the Investment Manager and Auditors, the Audit Committee is satisfied that the key areas of risk and judgement have been addressed appropriately in the financial statements and that the significant assumptions used in determining the value of assets and liabilities have been properly appraised and are sufficiently robust. The Audit Committee considers that KPMG LLP has carried out its duties as Auditor in a diligent and professional manner.

During the year, the Audit Committee assessed the effectiveness of the current external audit process by assessing and discussing specific audit documentation presented to it in accordance with guidance issued by the Auditing Practices Board. The audit partner is rotated every five years ensuring that objectivity and independence is not impaired. This is the first period end that both KPMG LLP and the audit partner has been in place for. No tender for the audit of the Company has been undertaken since this date. As part of its review of the continuing appointment of the Auditors, the Audit Committee considers the need to put the audit out to tender, its fees and independence from the Investment Manager along with any matters raised during each audit.

The Audit Committee considered the performance of the Auditor during the year and agreed that KPMG LLP continued to provide a high level of service and maintained a good knowledge of the market, making sure audit quality continued to be maintained.

# Statement of Directors' Responsibilities

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The Directors of the Company have accepted responsibility for the preparation of these non-statutory accounts for the period ended 31 December 2014 which are intended by them to give a true and fair view of the state of affairs of the Company and of the profit or loss for that period. They have decided to prepare the non-statutory accounts in accordance with International Financial Reporting Standards as adopted by the European Union ("EU").

In preparing these non-statutory accounts, the Directors have:

- Selected suitable accounting policies and applied them consistently;
- Made judgements and estimates that are reasonable and prudent;
- Stated whether they have been prepared in accordance with IFRS as adopted by the EU; and
- Prepared the non-statutory accounts on the going concern basis as they believe that the Company will continue in business.

The Directors have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

For and on behalf of the Board

**Alexander Ohlsson**

*Chairman*

2 March 2015

# Directors

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The Directors, who are Non-Executive and, other than Mr Dicks, independent of the Investment Manager, are responsible for the determination of the investment policy of the Company, have overall responsibility for the Company's activities including its investment activities and for reviewing the performance of the Company's portfolio. The Directors are as follows:

## Alexander Ohlsson (Chairman)

Mr Ohlsson is Managing Partner for the law firm Carey Olsen in Jersey. He is recognised as a leading expert in corporate and finance law in Jersey and is regularly instructed by leading global law firms and financial institutions. He is the independent chairman of the States of Jersey's Audit Committee and an Advisory Board member of Jersey Finance, Jersey's promotional body. He is also a member of the Financial and Commercial Law Sub-Committee of the Jersey Law Society which reviews as well as initiates proposals for legislative changes. He was educated at Victoria College Jersey and at Queens' College, Cambridge, where he obtained an MA (Hons) in Law. He has also been an Advocate of the Royal Court of Jersey since 1995.

Mr Ohlsson was appointed as a non-executive Director and Chairman on 16 August 2013.

## Christopher Ambler

Mr Ambler has been the Chief Executive of Jersey Electricity plc since 1 October 2008. He previously held various senior positions in the global industrial, energy and materials sectors working for major corporations, such as ICI/Zeneca, the BOC Group and Centrica/British Gas as well as in strategic consulting roles. Mr Ambler is a Chartered Engineer and a Member of the Institution of Mechanical Engineers. He holds a first class Honours Degree from Queens' College Cambridge and an MBA from INSEAD.

Mr Ambler was appointed as a non-executive Director on 16 August 2013.

## Peter Dicks

Mr Dicks is currently a Director of a number of quoted and unquoted companies. In addition, he was the Chairman of Foresight VCT plc and Foresight 2 VCT plc from their launch in 1997 and 2004 respectively until 2009 and since then he has continued to serve on both of these boards. He is also on the Board of Foresight 3 VCT plc, Foresight 4 VCT plc, Graphite Enterprise Trust plc and Mears Group plc. He is also Chairman of Unicorn AIM VCT plc and Private Equity Investor plc.

Mr Dicks was appointed as a non-executive Director on 16 August 2013.

# Environmental and Social Governance

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## Environmental

The Company invests in solar farms. The environmental benefits received through the production of renewable energy are widely publicised.

Further to the obvious environmental advantages of large scale renewable energy, each investment is closely scrutinised for localised environmental impact. Where improvements can be made the Company will work with planning and local authorities to minimise visual and auditory impact of sites.

## Biodiversity Assessments

During the period, the Investment Manager appointed Kent Wildlife to explore the feasibility of maximising the biodiversity and wildlife potential for all of its UK solar assets. The initial phase of the initiative has involved undertaking site visits involving a walkover survey and preliminary desktop ecological study. The results have been used to prepare scoping reports which identify existing features of wildlife importance and assess the opportunities for biodiversity enhancements that each site offers.

These initial reports will be used for the preparation of a series of site specific biodiversity enhancement and management plan to secure long-term gains for wildlife. These assessments are still in progress across the portfolio.

## Social

Wymeswold Solar Farm was invited by the Solar Trade Association to open its operations to visitors from local homes, schools, businesses and community groups on 4 July 2014 as part of the nationwide Solar Independence day event. The event formed part of an educational push to communicate the benefits of solar and the need for more stable policy support.

An educational visit to Hunters Race Solar Farm by a local college in Chichester has been planned for March 2015 and we continue to actively seek similar opportunities for the other assets within the portfolio.

The Investment Manager appointed a health and safety consultant to review all portfolio assets to ensure they not only meet, but outclass, industry and legal standards. Desktop assessments and site visits of the solar assets are underway.

Foresight Group is a signatory to the United Nations-supported Principles for Responsible Investment ("UNPRI"). The UNPRI is a global, collaborative network of investors established in 2006.

## Independent Auditor's Report and Accounts

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# Independent Auditor's Report to the Members of Foresight Solar Fund Limited only

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## Independent Auditor's Report

### Opinions and conclusions arising from our audit

#### 1 Our opinion on the Group Financial Statements is unmodified

We have audited the Group Financial Statements of Foresight Solar Fund Limited for the period from 13 August 2013 (date of incorporation) to 31 December 2014 which comprise the Consolidated Statement of Comprehensive Income, the Consolidated Statement of Financial Position, the Consolidated Statement of Changes in Equity, the Consolidated Statement of Cash Flows and the related notes on pages 30 to 52. In our opinion, the Group Financial Statements:

- give a true and fair view of the Group's affairs as at 31 December 2014, and of its profit for the period then ended;
- have been properly prepared in accordance with International Financial Reporting Standards as adopted by the European Union; and
- have been properly prepared in accordance with the Companies (Jersey) Law 1991.

#### 2 Our assessment of risks of material misstatement

In arriving at our audit opinion above on the financial statements the risk of material misstatement that had the greatest effect on our audit was as follows:

##### **Valuation of Unquoted Investments: £249.19m**

Refer to page 22 (Audit Committee Report), note 2 (accounting policy) and pages 43 to 47 (Financial Statements).

The risks: 94% of the Group's total assets (by value) is held in investments where no quoted market price is available. Unquoted investments are measured at fair value which is established in accordance with the International Private Equity and Venture Capital Valuation Guidelines by using discounted cash flow measurements. There is a significant risk over the valuation of these investments and this is the key judgemental area that our audit focused on.

Our response: Our procedures included:

- Documenting and assessing the design and implementation of the investment valuation processes and controls in place.
- Challenging the Investment Manager on key judgements affecting the investee company valuations in the context of observed industry best practice and the provisions of the International private Equity and Venture Capital Valuation Guidelines. In particular, we challenged the appropriateness of the valuation basis selected as well as underlying assumptions, such as energy yield, power price, costs and inflation rates which produce the cash flow projections and the appropriate discount factors. We compared key underlying financial data inputs to external sources and management information as applicable. We challenged the assumptions around the sustainability of earnings based on the plans of the investee companies and whether these are achievable, and we obtained an understanding of existing and prospective investee company cash flows to understand whether borrowings can be serviced or refinancing may be required. Our work included consideration of events which incurred subsequent to the year end up until the date of this audit report.
- Attending the year end Audit Committee meeting where we assessed the effectiveness of the Audit Committee's challenge and approval of unlisted investment valuations; and
- Consideration of the appropriateness, in accordance with relevant accounting standards, of the disclosures in Note 17 in respect of unquoted investments and the effect of changing one or more inputs to reasonably possible alternative valuation assumptions.

#### 3 Our application of materiality and an overview of the scope of our audit

The materiality for the Financial Statements as a whole was set at £5.29 million. This was determined using a benchmark of Total Assets (of which it represents 2%). Total Assets which is primarily composed of the Company's capital and revenue performance and, as such, we consider it to be one of the principal considerations for members of the Company in assessing the financial performance of the Company.

In addition, we applied a materiality of £0.57 million to income from investments for which we believe misstatements of lesser amounts than materiality as a whole could be reasonably expected to influence the economic decisions of the members of the Company taken on the basis of the Financial Statements.

We report to the Audit Committee any corrected and uncorrected identified misstatements exceeding £265,000, in addition to other audit misstatements that warrant reporting on qualitative grounds.

The Group audit team performed the audit of the Group as if it was a single aggregated set of financial information. The audit was performed using the materiality level set out above and covered 100% of total Group revenue,

# Independent Auditor's Report to the Members of Foresight Solar Fund Limited only (continued)

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Group profit before tax and total Group assets, and was performed at Foresight Group, the Shard, 32 London Bridge Street, London, SE1 9SG.

## **4 We have nothing to report in respect of the matters on which we are required to report by exception**

Under ISAs (UK and Ireland) we are required to report to you if, based on the knowledge we acquired during our audit, we have identified other information in the annual report that contains a material inconsistency with either that knowledge or the financial statements, a material misstatement of fact, or that is otherwise misleading.

In particular, we are required to report to you if:

- we have identified material inconsistencies between the knowledge we acquired during our audit and the Directors' statement that they consider that the annual report and financial statements taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's performance, business model and strategy; or
- the Audit Committee Report does not appropriately address matters communicated by us to the audit committee.

Under the Companies (Jersey) Law 1991 we are required to report to you if, in our opinion:

- proper accounting records have not been kept by the Company; or
- the Company's accounts are not in agreement with the accounting records; or
- we have not received all the information and explanations we require for our audit.

Under the Listing Rules we are required to review the part of the Corporate Governance Statement on page 17 relating to the Company's compliance with the ten provisions of the 2012 UK Corporate Governance Code specified for our review.

We have nothing to report in respect of the above responsibilities.

## **Respective responsibilities of Directors and auditor**

As explained more fully in the Directors' Responsibilities Statement set out on page 24, the Directors are responsible for the preparation of Group financial statements which give a true and fair view. Our responsibility is to audit, and express an opinion on, the Group financial statements in accordance with applicable law and international Standards of Auditing (UK and Ireland). Those standards require us to comply with the UK Ethical Standards for Auditors.

## **Scope of an audit of financial statements performed in accordance with ISAs (UK and Ireland)**

A description of the scope of an audit of financial statements is provided on our website at [www.kpmg.com/uk/auditscopeukco2014](http://www.kpmg.com/uk/auditscopeukco2014). This report is made subject to important explanations regarding our responsibilities, as published on that website, which are incorporated into this report as if set out in full and should be read to provide an understanding of the purpose of this report, the work we have undertaken and the basis of our opinions.

## **The purpose of our audit work and to whom we owe our responsibilities**

This report is made solely to the Company's members, as a body, in accordance with Article 113A of the Companies (Jersey) Law 1991. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's 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 and the Company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

## **Jatin Patel (Senior Statutory Auditor)**

for and on behalf of KPMG LLP

*Chartered Accountants and Recognised Auditor*

15 Canada Square

London

E14 5GL

2 March 2015

# Consolidated Statement of Comprehensive Income

For the period 13 August 2013 to 31 December 2014

	Notes	Period 13 August 2013 to 31 December 2014 £
<b>Continuing operations</b>		
<b>Revenue</b>		
Interest revenue	4	7,206,401
Gains on investments at fair value through profit or loss	16	6,353,929
<b>Total revenue</b>		<b>13,560,330</b>
<b>Expenditure</b>		
Finance costs	5	(2,473,614)
Management fees	6	(1,920,972)
Administration and accountancy expenses	7	(147,922)
Launch costs	8	(339,044)
Directors' fees	9	(172,260)
Other expenses	10	(399,295)
<b>Total expenditure</b>		<b>(5,453,107)</b>
<b>Profit before tax for the period</b>		<b>8,107,223</b>
Taxation	11	-
<b>Profit and total comprehensive income for the period.</b>		<b>8,107,223</b>
<b>Earnings per Ordinary Share (pence per share)</b>	12	<b>5.90</b>

All items above arise from continuing operations, there have been no discontinuing operations during the period.

This is the the first period since incorporation and as such no comparative figures are provided.

The accompanying notes on pages 34 to 52 form an integral part of these Consolidated Financial Statements.

# Consolidated Statement of Financial Position

As at 31 December 2014

	Notes	31 December 2014 £
<b>Assets</b>		
<b>Non-current assets</b>		
Investments held at fair value through profit or loss	16	<u>249,190,000</u>
<b>Total non-current assets</b>		<b>249,190,000</b>
<b>Current assets</b>		
Trade and other receivables	13	<u>8,636,531</u>
Cash and cash equivalents	14	<u>6,768,491</u>
<b>Total current assets</b>		<b>15,405,022</b>
<b>Total assets</b>		<b><u>264,595,022</u></b>
<b>Equity</b>		
Retained earnings		<u>3,607,223</u>
Stated capital	18	<u>206,225,694</u>
<b>Total equity</b>		<b><u>209,832,917</u></b>
<b>Liabilities</b>		
<b>Non-current liabilities</b>		
Long-term borrowings	21	<u>48,105,000</u>
<b>Total non-current liabilities</b>		<b>48,105,000</b>
<b>Current liabilities</b>		
Trade and other payables	15	<u>6,657,105</u>
<b>Total current liabilities</b>		<b>6,657,105</b>
<b>Total liabilities</b>		<b><u>54,762,105</u></b>
<b>Total Equity and Liabilities</b>		<b><u>264,595,022</u></b>
<b>Net Asset Value (“NAV”) per Ordinary Share (£)</b>	19	<b>1.01</b>

The Consolidated Financial Statements on pages 30 to 33 were approved by the Board of Directors and signed on its behalf on 2 March 2015 by:

**Christopher Ambler**

*Director*

This is the the first period since incorporation and as such no comparative figures are provided.

The accompanying notes on pages 34 to 52 form an integral part of these Consolidated Financial Statements.

# Consolidated Statement of Changes in Equity

For the period 13 August 2013 to 31 December 2014

	Notes	Stated Capital £	Retained Earnings £	Total £
<b>Balance as at 13 August 2013</b>		-	-	-
Total comprehensive income for the period:				
Profit for the period		-	8,107,223	8,107,223
Transactions with owners, recognised directly in equity:				
Dividends paid in the period		-	(4,500,000)	(4,500,000)
Issue of Ordinary Shares	18	210,146,000	-	210,146,000
Capitalised issue costs	18	(3,920,306)	-	(3,920,306)
<b>Balance as at 31 December 2014</b>		<b>206,225,694</b>	<b>3,607,223</b>	<b>209,832,917</b>

This is the the first period since incorporation and as such no comparative figures are provided.

The accompanying notes on pages 34 to 52 form an integral part of these Consolidated Financial Statements.

# Consolidated Statement of Cash Flows

For the period 13 August 2013 to 31 December 2014

	Period 13 August 2013 to 31 December 2014 £
<b>Profit for the period after tax from continuing operations</b>	<b>8,107,223</b>
Adjustments for:	
Unrealised gains on investments	(6,353,929)
Investment income	(7,189,815)
Finance costs	2,473,614
Operating cash flows before movements in working capital	(2,962,907)
Decrease in trade and other receivables	(23,676)
Increase in trade and other payables	643,860
Net receipts from investments	153,748
Investment income	2,728,661
<b>Net cash outflow from operating activities</b>	<b>539,686</b>
<b>Investing activities</b>	
Advances for future investments	(154,892)
Acquisition of investments	(241,276,325)
<b>Net cash outflow from investing activities</b>	<b>(241,431,217)</b>
<b>Financing activities</b>	
Dividends paid	(4,500,000)
Finance costs paid	(2,141,001)
Bank facility drawn down	50,205,000
Repayment of bank facility drawn down	(2,100,000)
Net excess launch costs paid	(29,671)
Capitalised issue costs paid	(3,920,306)
Proceeds from issues of shares	210,146,000
<b>Net cash inflow from financing activities</b>	<b>247,660,022</b>
<b>Net increase in cash and cash equivalents</b>	<b>6,768,491</b>
Cash and cash equivalents at beginning of period	-
Effects of foreign exchange rates	-
<b>Cash and cash equivalents at end of period</b>	<b>6,768,491</b>

This is the the first period since incorporation and as such no comparative figures are provided.

The accompanying notes on pages 34 to 52 form an integral part of these Consolidated Financial Statements.

# Notes to the Consolidated Financial Statements

For the period 13 August 2013 to 31 December 2014

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## 1 Company Information

Foresight Solar Fund Limited (the “Company”) is a closed-ended company with an indefinite life and was incorporated in Jersey under the Companies Law (Jersey) 1991, as amended, on 13 August 2013, with registered number 113721. The address of the registered office is: Elizabeth House, 9 Castle Street, St Helier, Jersey, JE2 3RT.

The Company has one investment, Foresight Solar (UK Hold Co) Limited (“UK Hold Co”). UK Hold Co invests in further holding companies (the “SPVs”) which then invest in the underlying investments.

The principal activity of the Company and UK Hold Co (together “the Group”) is investing in operational UK ground based solar power plants.

## 2 Summary of significant accounting policies

The principal accounting policies applied in the preparation of these Consolidated Financial Statements (the “Financial Statements”) are set out below.

### 2.1 Basis of preparation

The Financial Statements of the Group have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union (“IFRS”) which comprise standards and interpretations issued by the International Accounting Standards Board (“IASB”), and International Accounting Standards and Standing Interpretations approved by the International Financial Reporting Interpretation Committee that remain in effect and to the extent they have been adopted by the European Union. The Financial Statements have been prepared on the historical cost convention as modified for the measurement of certain financial instruments at fair value through profit or loss and in accordance with the provisions of the Companies (Jersey) Law 1991.

The preparation of Financial Statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group’s accounting policies. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgments about the carrying value of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates and underlying assumptions are reviewed on an ongoing basis. Judgements made by management in the application of IFRS that have a significant effect on the Financial Statements and estimates with a significant risk of material adjustment in the next year are disclosed in note 3.

### 2.2 Comparative information

There are no comparative figures within these Financial Statements as there is no comparable period as defined in IAS 1 paragraph 38 given the Group was created on 13 August 2013.

### 2.3 Going concern

The Directors have considered the Group’s cash flow projections for a period of no less than twelve months from the date of approval of these consolidated Financial Statements together with the Group’s borrowing facilities. These projections show that the Group will be able to meet its liabilities as they fall due.

The Directors have therefore prepared the Financial Statements on a going concern basis.

### 2.4 Changes in accounting policies and disclosures

#### Application of new and revised International Financial Reporting Standards (“IFRSs”)

As this is the Group’s first period of preparing Financial Statements there are no new/revised standards relevant to the Group which have been adopted in the preparation of these Financial Statements given that there are no comparative amounts as stated in note 2.2 above.



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## 2 Summary of significant accounting policies (continued)

### 2.4 Changes in accounting policies and disclosures (continued)

#### **New and revised IFRSs in issue but not yet effective**

The Group has chosen to early adopt the following amendment in the preparation of the Financial Statements which has a material impact on the Group.

- 'Investment Entities' (Amendments to IFRS 10, IFRS 12 and IAS 27) (effective for accounting periods commencing on or after 1 January 2013, EU endorsement from 1 January 2014). An exemption from consolidation of subsidiaries is now provided under the amended IFRS 10 'Consolidated Financial Statements' for entities which meet the definition of an 'investment entity'. Instead, investments in particular subsidiaries are measured at fair value through profit or loss in accordance with IFRS 9 'Financial Instruments' or IAS 39 'Financial Instruments: Recognition and Measurement'. See note 2.5 for further details.
- At the date of authorisation of these Financial Statements, the following standards and interpretations, which have not been applied in these Financial Statements, were in issue but not yet effective:
- IFRS 9, 'Financial Instruments – Classification and Measurement'. There is currently no mandatory effective date, however the IASB has tentatively proposed that this will be effective for accounting periods commencing on or after 1 January 2018 (EU endorsement is outstanding).

#### **New and revised IFRSs in issue but not yet effective (continued)**

- Amendment to IAS 32 'Offsetting Financial Assets and Financial Liabilities'. This amendment is effective for accounting periods commencing on or after 1 January 2014.
- Amendments to IFRS 7 and IFRS 9 'Mandatory Effective Date and Transition Disclosures'. These amendments are effective for accounting periods commencing on or after 1 January 2015.

These standards and interpretations will be adopted when they become effective.

The Directors are currently assessing the impact of these standards and interpretations on the Financial Statements and anticipate that the adoption of the majority of these standards and interpretations in future periods will not have a material impact on the Financial Statements or results of the Company.

### 2.5 Consolidation

#### ***Subsidiaries***

All subsidiaries are entities over which the Group has control. The Group controls an entity when the Group is exposed to, or has the rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

As discussed in note 1, the Company has one investment, a 100% controlling interest in UK Hold Co. UK Hold Co itself invests in holding companies (the SPVs) which then invest in the underlying investments.

The Group has elected to early adopt the 'Investment Entities' amendment to IFRS 10 "Consolidated Financial Statements" which relieves an entity that meets the definition of an 'investment entity' of the obligation to produce a consolidated set of financial statements. As a result, the Group does not consolidate the SPVs but carries them at fair value through profit or loss.

The defined criteria of an 'investment entity' are as follows:

- It holds more than one investment;
- It has more than one investor;
- It has investors that are not related parties to the entity; and
- It has ownership interests in the form of equity or similar interests.

However, the absence of one or more of these characteristics does not prevent the entity from qualifying as an 'investment entity', provided all other characteristics are met and the entity otherwise meets the definition of an 'investment entity':

- It obtain funds from one or more investors for the purpose of providing those investor(s) with professional investment management services;
- It commits to its investor(s) that its business purpose is to invest funds solely for returns from capital appreciation, investment income or both; and

# Notes to the Consolidated Financial Statements (continued)

## 2 Summary of significant accounting policies (continued)

### 2.5 Consolidation (continued)

- It measures and evaluates the performance of substantially all of its investments on a fair value basis

The Company has consolidated its holding in UK Hold Co for the purposes of these Consolidated Financial Statements as UK Hold Co provides investment related services to the Company and is viewed as being simply an extension of the investment entity's investing activities. The Company does not meet all the defined criteria of an 'investment entity' as the Company only has one investment. However, Management deem that the Company is nevertheless an 'investment entity' as the remaining requirements have been met and, through UK Hold Co, there is a diverse investment portfolio which will fill the criteria of having more than one investment.

UK Hold Co does not meet all the defined criteria of an 'investment entity' as it is 100% owned by the Company. However, Management deem that UK Hold Co is nevertheless an 'investment entity' as the remaining requirements have been met and the Company that holds 100% of the share capital has a number of investors.

Therefore, the Group meets the requirements of an 'investment entity'. The Group accounts for its subsidiaries at fair value through profit or loss in accordance with IAS 39 "Financial Statements: Recognition and Measurement". The financial assets at fair value through profit or loss carried in the Consolidated Statement of Financial Position represent the Group's investments in the SPVs as described above. See note 16 for more detail on the investments held at fair value through profit or loss.

Details of the undertakings which the Company held as at 31 December 2014 are listed below:

Name	Direct or indirect holding	Country of incorporation	Principal activity	Proportion of shares and voting rights held
Foresight Solar (UK Hold Co) Limited	Direct	United Kingdom	Holding Company	100%
FS Wymeswold Limited	Indirect	United Kingdom	SPV	100%
FS Castle Eaton Limited	Indirect	United Kingdom	SPV	100%
FS Pitworthy Limited	Indirect	United Kingdom	SPV	100%
FS Highfields Limited	Indirect	United Kingdom	SPV	100%
FS High Penn Limited	Indirect	United Kingdom	SPV	100%
FS Hunter's Race Limited	Indirect	United Kingdom	SPV	100%
FS Spriggs Limited	Indirect	United Kingdom	SPV	100%
FS Bournemouth Limited	Indirect	United Kingdom	SPV	100%
FS Landmead Limited	Indirect	United Kingdom	SPV	100%
Wymeswold Solar Farm Limited ("Wymeswold Solar")	Indirect	United Kingdom	Investment	100%
Castle Eaton Solar Farm Limited ("Castle Eaton Solar")	Indirect	United Kingdom	Investment	100%
Pitworthy Solar Farm Limited ("Pitworthy Solar")	Indirect	United Kingdom	Investment	100%
Highfields Solar Farm Limited ("Highfields Solar")	Indirect	United Kingdom	Investment	100%
High Penn Solar Farm Limited ("High Penn Solar")	Indirect	United Kingdom	Investment	100%
Hunter's Race Solar Farm Limited ("Hunter's Race Solar")	Indirect	United Kingdom	Investment	100%
Spriggs Solar Farm Limited ("Spriggs Solar")	Indirect	United Kingdom	Investment	100%
Bournemouth Solar Farm Limited ("Bournemouth Solar")	Indirect	United Kingdom	Investment	100%
Landmead Solar Farm Limited ("Landmead Solar")	Indirect	United Kingdom	Investment	100%

The direct subsidiary (UK Hold Co) is included in these Consolidated Financial Statements; the indirect subsidiaries are held at fair value through profit or loss as the Group meets the definition of an 'investment entity' under IFRS 10.

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## **2 Summary of significant accounting policies (continued)**

### **2.6 Segment reporting**

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of Directors, as a whole. For management purposes, the Group is organised into one main operating segment. All of the Group's income derives from the United Kingdom and Jersey. All of the Group's non-current assets are located in the United Kingdom.

### **2.7 Income**

Income comprises interest income (bank interest and loan interest) and dividend income. Interest income is recognised when it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably. Loan interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Dividend income is recognised on the date that the related investments are marked ex-dividend. Dividends receivable on equity shares where no ex-dividend date is quoted are brought into account when the Company's right to receive payment is established.

### **2.8 Expenses**

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

The Group's management and administration fees, finance costs and all other expenses are charged through the Consolidated Statement of Comprehensive Income.

Acquisition costs of assets are capitalised on purchase of assets.

Costs directly relating to the issue of Ordinary Shares are charged to the Group's stated capital reserve.

### **2.9 Taxation**

The Company is currently registered in Jersey. The Company is taxed at 0% which is the general rate of corporate tax in Jersey.

UK Hold Co is a UK registered company and as such is subject to corporation tax at the small profits rate of 20%.

Current tax arising in jurisdictions other than Jersey is based on taxable profit for the period and is calculated using tax rates that have been enacted or substantially enacted.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the Consolidated Statement of Comprehensive Income because it excludes items of income and expense that are taxable or deductible in other periods or that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted by the year-end date.

Deferred tax is the tax arising on differences on the carrying amounts of assets and liabilities in the Financial Statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the near future.

# Notes to the Consolidated Financial Statements (continued)

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## 2 Summary of significant accounting policies (continued)

### 2.9 Taxation (continued)

The carrying amount of deferred tax assets is reviewed at each year end date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised. Deferred tax is charged or credited in the consolidated statement of comprehensive income, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

### 2.10 Foreign currency translation

#### *(a) Functional and presentational currency*

The Directors consider the Group's functional currency to be Pounds Sterling ("GBP") as this is the currency in which the majority of the Group's assets and liabilities and significant transactions are denominated. The Directors have selected GBP as the Group's presentation currency.

#### *(b) Transactions and balances*

Transactions in currencies other than GBP are recorded at the rates of exchange prevailing on the dates of the transactions. At each year-end date, monetary assets and liabilities that are denominated in foreign currencies are revalued at the rates prevailing at the year-end date. Non-monetary assets and liabilities carried at fair value which are denominated in foreign currencies are revalued at the rates prevailing at the date when the fair value was determined. Gains and losses arising on revaluation are recognised in the Consolidated Statement of Comprehensive Income.

### 2.11 Financial assets

#### 2.11.1 Classification

The Group classifies its financial assets in the following categories: at fair value through profit or loss; and loans and receivables. The classification depends on the nature and purpose for which the financial assets and is determined at the time of initial recognition by Management.

#### *(a) Financial assets at fair value through profit or loss*

Financial assets at fair value through profit or loss comprise the investments made in the SPVs. Assets in this category are classified as current assets if they are expected to be settled within 12 months, otherwise they are classified as non-current.

#### *(b) Loans and receivables*

These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They comprise trade and other receivables and cash and cash equivalents.

#### 2.11.2 Recognition and measurement

Purchases and sales of financial assets are recognised on the trade-date (the date on which the Group commits to purchase or sell the asset). Investments are initially recognised at fair value, being the consideration given. It is the policy of the Investment Manager to value with reference to discounted cash flows immediately following acquisition. Investments treated as 'financial assets at fair value through profit or loss' are subsequently measured at fair value. Loans and receivables are initially recognised at fair value plus transaction costs that are directly attributable to the acquisition, and subsequently carried at amortised cost using the effective interest rate method, less provision for impairment. The effect of discounting on these financial assets is not considered to be material. Financial assets (in whole or in part) are derecognised either:

- when the Group has transferred substantially all the risks and rewards of ownership; or
- when it has neither transferred nor retained substantially all the risks and rewards and when it no longer has control over the assets or a portion of the asset; or
- when the contractual right to receive cash flow has expired.

Fair value is defined as the amount for which an asset could be exchanged between knowledgeable willing parties in an arm's length transaction. The Directors base the fair value of the investments based on information received from the Investment Manager. The Investment Manager's assessment of fair value of investments is determined in accordance with IAS 39 and IFRS 13, using unlevered Discounted Cash Flow principles (unless a more appropriate methodology is applied).

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## 2 Summary of significant accounting policies (continued)

### 2.11 Financial assets (continued)

Gains or losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are presented in the Consolidated Statement of Comprehensive Income within 'gains/(losses) on investments at fair value through profit or loss' in the period in which they arise. Dividend income from financial assets at fair value through profit or loss is recognised in the Consolidated Statement of Comprehensive Income as part of other income when the Group's right to receive payments is established.

### 2.12 Financial liabilities

Financial liabilities consist of trade and other payables and bank loans. The classification of financial liabilities at initial recognition depends on the purpose for which the financial liability was issued and its characteristics. All financial liabilities are initially recognised at fair value net of transaction costs incurred. All purchases of financial liabilities are recorded on trade date, being the date on which the Group becomes party to the contractual requirements of the financial liability. Unless otherwise indicated the carrying amounts of the Group's financial liabilities approximate to their fair values.

The Group's financial liabilities only consist of only financial liabilities measure at amortised cost.

#### 2.12.1 Financial liabilities measured at amortised cost

These include trade payables and other short-term monetary liabilities, which are initially recognised at fair value and subsequently carried at amortised cost using the effective interest rate method.

#### 2.12.2 Derecognition of financial liabilities

A financial liability (in whole or in part) is derecognised when the Group has extinguished its contractual obligations, it expires or is cancelled. Any gain or loss on derecognition is taken to the Consolidated Statement of Comprehensive Income.

#### 2.12.3 Bank borrowings

Interest-bearing bank loans and overdrafts are recorded at the proceeds received, net of direct issue costs. Finance charges, including premiums payable on settlement or redemption and direct issue costs, are accounted for on an accruals basis in the Consolidated Statement of Comprehensive Income using the effective interest rate method and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise.

### 2.13 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the Statement of Financial Position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

### 2.14 Impairment of financial assets

#### *Assets carried at amortised cost*

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'Loss Event') and that Loss Event (or Events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that a debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

For loans and receivables category, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the Statement of Comprehensive Income. If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Group may measure impairment on the basis of an instrument's fair value using an observable market price.

# Notes to the Consolidated Financial Statements (continued)

## 2 Summary of significant accounting policies (continued)

### 2.14 Impairment of financial assets (continued)

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in a debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the Consolidated Statement of Comprehensive Income.

### 2.15 Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits and other short-term highly liquid investments with an original maturity of three months or less that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

### 2.16 Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

### 2.17 Stated Capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new ordinary shares are shown in equity as a deduction, net of tax, from the proceeds. Ordinary shares have a nil par value.

### 2.18 Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's Financial Statements in the period in which the dividends are approved and are paid from the revenue reserve.

## 3 Critical accounting estimates and assumptions

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. Revisions to accounting estimates are recognised in the year in which the estimate is revised if the revision only affects that year, or in the year of the revision and future years if the revision affects both current and future years. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

### 3.1 Fair value of investments

The fair value of the investments is determined by using valuation techniques. The Directors base the fair value of the investments based on information received from the Investment Manager. The Investment Manager's assessment of fair value of investments is determined in accordance with the International Private Equity and Venture Capital ("IPEVC") Valuation Guidelines, using unlevered Discounted Cash Flow principles (unless a more appropriate methodology is applied). As described more fully on pages 40 and 44, valuations such as these entail assumptions about solar irradiance, power prices, technological performance, discount rate, operating costs and inflation over a 25 year period. It is in the opinion of the Investment Manager that the IPEVC valuation methodology used in deriving a fair value is not materially different from the fair value requirements of IAS 39.

## 4 Interest revenue

	Period 13 August 2013 to 31 December 2014 £
Loan interest receivable	6,673,317
Other interest receivable	47,260
Bank interest receivable	485,824
	<u>7,206,401</u>

## 5 Finance costs

	Period 13 August 2013 to 31 December 2014 £
Credit facility agreement arrangement fees (see note 21)	2,005,866
Credit facility agreement commitment fees (see note 21)	331,773
Interest on credit facility drawn down (see note 21)	58,499
Other finance costs	77,476
	<b>2,473,614</b>

## 6 Management fees

The Investment Manager of the Group, Foresight Group CI Limited, receives an annual fee of 1% of the Net Asset Value ("NAV") of the Group. This is payable quarterly in arrears and is calculated based on the published quarterly NAV. For the period 13 August 2013 to 31 December 2014, the Investment Manager was entitled to a management fee of £1,920,972 of which £500,230 was outstanding as at 31 December 2014.

## 7 Administration and accountancy fees

Under an Administration Agreement, the Administrator of the Company, JTC (Jersey) Limited, is entitled to receive a minimum annual administration fee of £80,000 payable quarterly in arrears. From December 2014 this increased to a minimum of £100,000 per annum resulting from an increase in stated capital. This minimum fee also includes accountancy fees. For the period 13 August 2013 to 31 December 2014, the Administrator was entitled to total administration and accountancy fees of £147,922 of which £nil was outstanding as at 31 December 2014.

## 8 Launch costs

	Period 13 August 2013 to 31 December 2014 £
Administration fees	23,257
Legal and professional fees	440,342
Other fees	377
Listing fees	88,712
Excess launch costs paid by Foresight Group CI Limited (see explanation below)	(213,644)
	<b>339,044</b>

In line with the Prospectus, the total launch costs to be borne by the Shareholders of the Company were capped at 2% of the launch proceeds of £150,000,000 (i.e. £3,000,000) with any excess launch costs being reimbursed to the Company from Foresight Group CI Limited. Of this £3,000,000, £2,660,956 was attributed to issue costs and therefore offset against the share proceeds in the stated capital reserve.

## 9 Directors' fees

Remuneration of the Directors of the Group is currently paid at a total rate of £125,000 per annum. All of the Directors are Non-Executive Directors.

Remuneration of Directors due for the period 13 August 2013 to 31 December 2014 were as follows:

	Company £	UK Hold Co £	Group £
Peter Dicks	41,342	-	41,342
Alexander Ohlsson	75,796	-	75,796
Christopher Ambler	55,122	-	55,122
	<b>172,260</b>	<b>-</b>	<b>172,260</b>



# Notes to the Consolidated Financial Statements (continued)

## 10 Other expenses

	Period 13 August 2013 to 31 December 2014 £
Bank charges	290
Annual fees	111,038
Listing fees	10,600
Legal and professional fees	277,367
	<b>399,295</b>

Included in legal and professional fees, are audit fees of £32,000 payable to KPMG LLP for the period (£13,000 for the non-statutory audit for the period from 13 August 2013 to 30 June 2014; and £19,000 for the statutory audit for the period from 13 August 2013 to 31 December 2014). As at the period end, £19,000 was outstanding.

## 11 Taxation

The Company is currently registered in Jersey and is subject to the Jersey standard tax rate of 0%.

Tax arises in the United Kingdom in respect of UK Hold Co for which it is subject to the small profits tax rate currently at 20%.

The tax on the Group's profit before tax differs from the theoretical amount that would arise using the weighted average tax rate applicable to profits of the consolidated entities of 21.92% as follows:

	Period 13 August 2013 to 31 December 2014 £
<b>Profit before tax for the period</b>	<b>8,107,223</b>
Expected tax charge at 21.92%	<b>1,777,401</b>
Effects of:	
Lower Tax Rate in Jersey	<b>(1,305,213)</b>
Expenses not deductible for tax purposes	<b>919,124</b>
Unrealised gains not taxable	<b>(1,393,015)</b>
Losses not recognised	<b>1,703</b>
<b>Tax charge for the period</b>	<b>-</b>

The Group has tax losses which arose in the UK of £8,000 that are available indefinitely for offsetting against future taxable profits of the company in which the losses arose. Deferred tax assets have not been recognised in respect of these losses as they may not be used to offset taxable profits elsewhere in the Group and there is no evidence of recoverability in the near future.

The temporary differences associated with unrealised gains on investments in subsidiaries, for which a deferred tax liability has not been recognised, aggregate to £1,271,000.

No taxes would be payable on the unremitted earnings of the Group's subsidiaries.

## 12 Earnings per Ordinary share – basic and diluted

The basic and diluted profits per Ordinary Share for the Company are based on the profit for the period of £8,107,223 and on 137,367,589 Ordinary Shares, being the weighted average number of shares in issue during the period.

**13 Trade and other receivables**

	<b>31 December 2014 £</b>
Accrued income	4,461,154
Prepaid expenses	23,676
Advances for future investments	154,892
Other receivables	29,671
Amounts receivable from Pitworthy Solar	730,240
Amounts receivable from Bournemouth Solar	252,692
Amounts receivable from Landmead Solar	2,984,206
	<u><u>8,636,531</u></u>

**14 Cash and cash equivalents**

	<b>31 December 2014 £</b>
Cash at bank	<u><u>6,768,491</u></u>

**15 Trade and other payables**

	<b>31 December 2014 £</b>
Accrued investment costs	1,559,746
Accrued expenses	976,473
Amounts payable to Castle Eaton Solar	839,872
Amounts payable to Highfields Solar	563,420
Amounts payable to High Penn Solar	29,736
Amounts payable to Pitworthy Solar	665,223
Amounts payable to Hunter's Race Solar	2,022,635
	<u><u>6,657,105</u></u>

**16 Investments held at fair value through profit or loss**

	<b>Cost as at 13 August 2013 £</b>	<b>Additions - equity £</b>	<b>Additions - shareholder loans £</b>	<b>Cost as at 31 December 2014 £</b>	<b>Unrealised gain/(loss) £</b>	<b>Fair value as at 31 December 2014 £</b>
Wymeswold Solar	-	12,804,828	32,240,897	45,045,725	3,684,275	48,730,000
Castle Eaton Solar	-	2,039,214	20,468,644	22,507,858	192,142	22,700,000
Pitworthy Solar	-	1,834,895	17,436,812	19,271,707	243,293	19,515,000
Highfields Solar	-	1,265,913	14,137,400	15,403,313	246,687	15,650,000
High Penn Solar	-	1,051,596	11,571,705	12,623,301	(123,301)	12,500,000
Hunter's Race Solar	-	1,915,090	11,120,983	13,036,073	(26,073)	13,010,000
Spriggs Solar	-	2,075,661	12,545,719	14,621,380	698,620	15,320,000
Bournemouth Solar	-	6,674,542	41,236,379	47,910,921	249,079	48,160,000
Landmead Solar	-	10,000	52,405,793	52,415,793	1,189,207	53,605,000
	<u><u>-</u></u>	<u><u>29,671,739</u></u>	<u><u>213,164,332</u></u>	<u><u>242,836,071</u></u>	<u><u>6,353,929</u></u>	<u><u>249,190,000</u></u>

# Notes to the Consolidated Financial Statements (continued)

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## 17 Fair value of assets and liabilities

### Fair value hierarchy

IFRS 13 “Fair Value Measurement” requires disclosures relating to fair value measurements using a three-level fair value hierarchy. The level within which the fair value measurement is categorised in its entirety is determined on the basis of the lowest level input that is significant to the fair value measurement. Assessing the significance of a particular input requires judgement, considering factors specific to the asset or liability. The following table shows investments recognised at fair value, categorised between those whose fair value is based on:

- (a) Level 1 – Quoted (unadjusted) market prices in active markets for identical assets or liabilities;
- (b) Level 2 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable; and
- (c) Level 3 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

All investments held at fair value through profit or loss are classified as level 3 within the fair value hierarchy.

### Valuation process for Level 3 valuations

Valuations are the responsibility of the Board of Directors.

The Investment Manager is responsible for submitting fair market valuations of Group assets to the Directors. The Directors review and approve these valuations following appropriate challenge and examination. Valuations are carried out quarterly.

The current portfolio consists of non-market traded investments and valuations are based on a discounted cash flow methodology.

The Investment manager’s assessment of fair value of investments is determined in accordance with the International Private Equity and Venture Capital Valuation Guidelines (“IPEVVCV”), using unlevered Discounted Cash Flow principles. It is in the opinion of the Investment Manager and Directors that the IPEVVCV methodology used in deriving a fair value is not materially different from the fair value requirements of IFRS 13.

### Sensitivity analysis to significant changes in unobservable inputs within Level hierarchy

The Groups’ investments are valued with reference to the discounted value of future cash flows. The Directors consider the valuation methodology used, including the key assumptions and discount rate applied, to be appropriate. The Board review, at least annually, the valuation inputs and where possible, make use of observable market data to ensure valuations reflect the fair value of the investments.

A broad range of assumptions are used in the valuation models. These assumptions are based on long-term forecasts and are not affected by short term fluctuations in inputs, be it economic or technical.

The significant unobservable inputs used in the fair value measurement categorised within Level 3 of the fair value hierarchy together with a quantitative sensitivity analysis as at 31 December 2014 are as shown below:

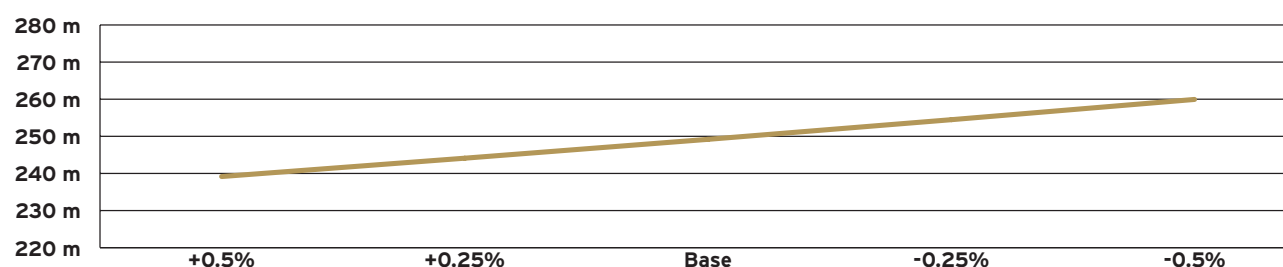
The Discounted Cash Flow (“DCF”) valuations of the solar assets form the majority of the NAV calculation. The Directors consider the following assumptions to be significant inputs to the DCF calculation.

## 17 Fair value of assets and liabilities (continued)

### Discount rate

The weighted average discount rate used is 7.8%. The Directors do not expect to see a significant change in the discount rates applied within the Solar Infrastructure sector. Therefore a variance of +/- 0.5% is considered reasonable.

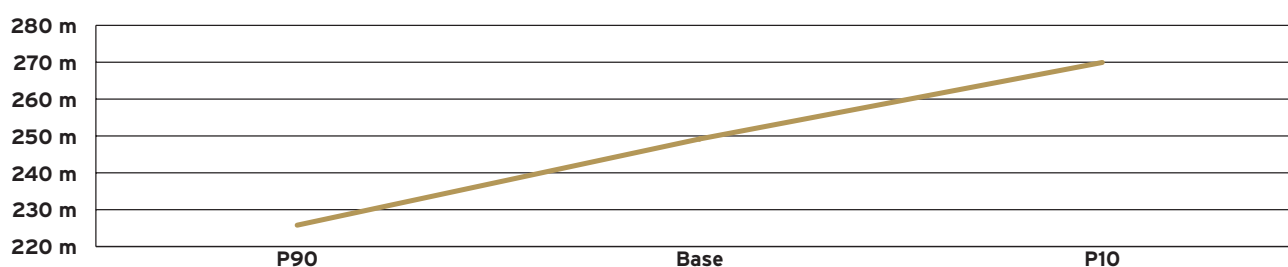
	<b>+0.5%</b>	<b>+0.25%</b>	<b>Base</b>	<b>-0.25%</b>	<b>-0.5%</b>
<b>Directors' valuation</b>	239.17	244.11	249.19	254.48	259.94
<b>NAV per share (pence)</b>	96.1	98.4	100.9	103.4	106.0



### Energy Yield

Base case assumptions are based on P50 forecasts (50 per cent probability of exceedance) produced by market experts. P10 (10 per cent probability of exceedance) and P90 (90 per cent probability of exceedance) variances are given to offer comparison across the industry. Energy yield is a function of solar irradiance and technical performance.

	<b>P90 (10 year)</b>	<b>Base</b>	<b>P10 (10 year)</b>
<b>Directors' valuation</b>	225.79	249.19	269.94
<b>NAV per share (pence)</b>	89.6	100.9	110.9



## Notes to the Consolidated Financial Statements (continued)

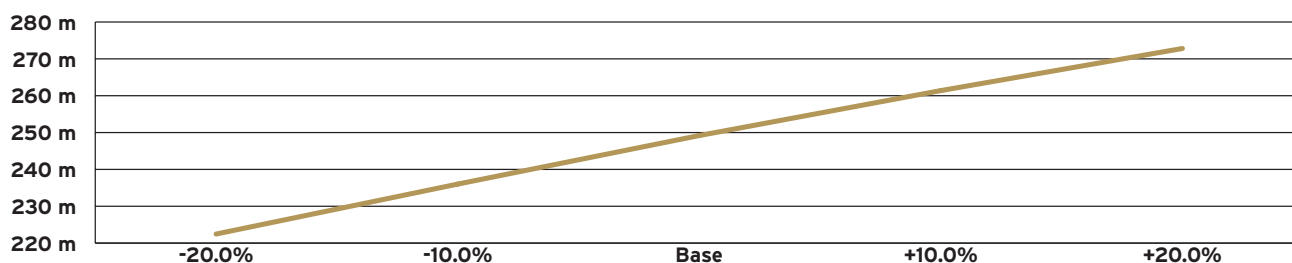
### 17 Fair value of assets and liabilities (continued)

#### Power price

DCF models assume power prices that are consistent with the Power Purchase Agreements ("PPA") currently in place. At the PPA end date, the model reverts to the power price forecast.

The power price forecasts are updated quarterly and based on power price forecasts from leading independent sources. The Investment Manager adjusts where more conservative assumptions are considered appropriate and applies expected PPA sales discounts. The forecast assumes an average annual increase in power prices in real terms of approximately 1.9%.

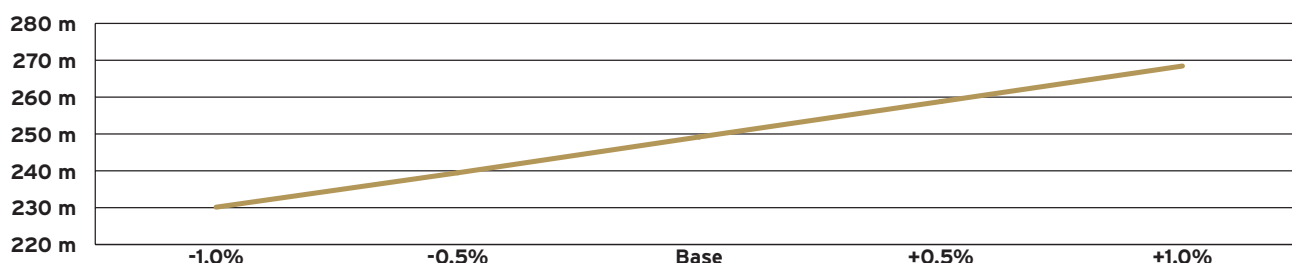
	-20.0%	-10.0%	Base	+10%	+20%
<b>Directors' valuation</b>	222.46	236.01	249.19	261.39	272.82
<b>NAV per share (pence)</b>	88.0	94.5	100.9	106.8	112.2



#### Inflation

A variable of 1.0% is considered reasonable given historic fluctuations. We assume inflation will remain constant at 2.5%.

	-1.0%	-0.5%	Base	+0.5%	+1.0%
<b>Directors' valuation</b>	230.17	239.46	249.19	258.80	268.44
<b>NAV per share (pence)</b>	91.7	96.2	100.9	105.5	110.1

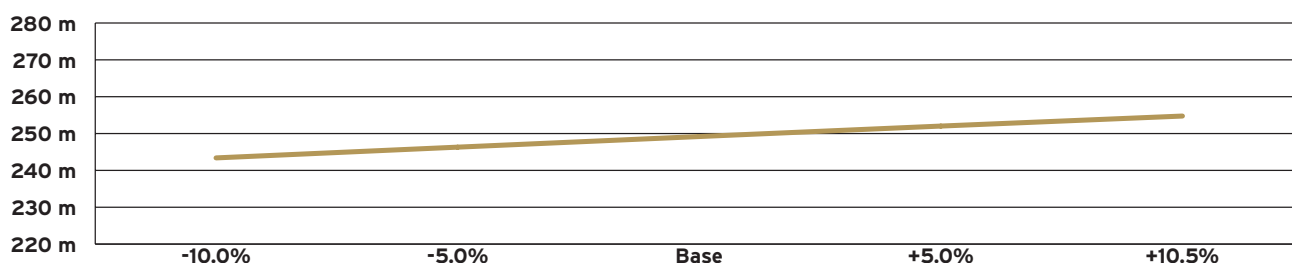


## 17 Fair value of assets and liabilities (continued)

### Operating costs (investment level)

Operating costs include operating and maintenance ("O&M"), insurance and lease costs. Base case costs are based on current commercial agreements. We would not expect these costs to fluctuate widely over the life of the assets and are comfortable that the base case is prudent. A variance of +/- 5.0% is considered reasonable, a variable of 10.0% is shown for information purposes.

	-10%	-5%	Base	+5%	+10%
<b>Directors' valuation</b>	243.39	246.31	249.19	252.03	254.75
<b>NAV per share (pence)</b>	98.1	99.5	100.9	102.2	103.6



### Level 3 reconciliation

The following table shows a reconciliation of all movements in the fair value of investments categorised within Level 3 between the beginning and the end of the reporting period:

	Total £
Balance at 13 August 2013	-
Total gains and (losses) in Consolidated Statement of Comprehensive Income:	
- realised	-
- unrealised from fair value adjustments	6,353,929
Purchases at cost	242,836,071
Sales - proceeds	-
Balance at 31 December 2014	<b>249,190,000</b>

### Assets and liabilities not carried at fair value but for which fair value is disclosed

The following table analyses within the fair value hierarchy the Group's assets and liabilities not measured at fair value at 31 December 2014 but for which fair value is disclosed:

	Level 1 £	Level 2 £	Level 3 £	Total £
<b>Assets</b>				
Trade and other receivables	-	8,636,531	-	8,636,531
Cash and cash equivalents	6,768,491	-	-	6,768,491
<b>Total assets</b>	<b>6,768,491</b>	<b>8,636,531</b>	<b>-</b>	<b>15,405,022</b>
<b>Liabilities</b>				
Trade and other payables	-	6,657,105	-	6,657,105
Long-term borrowings	-	48,105,000	-	48,105,000
<b>Total Liabilities</b>	<b>-</b>	<b>54,762,105</b>	<b>-</b>	<b>54,762,105</b>

# Notes to the Consolidated Financial Statements (continued)

## 18 Stated Capital

The stated capital of the Company consists solely of Ordinary Shares of nil par value. At any General Meeting of the Company each Shareholder will have, on a show of hands, one vote and on a poll one vote in respect of each Ordinary Share held. Stated capital is the net proceeds received from the issue of Ordinary Shares (net of issue costs capitalised).

### Ordinary Shares

	31 December 2014 Shares	31 December 2014 £
Opening balance	-	-
Issued during the period	208,000,000	-
Redeemed during the period	-	-
Closing balance	<u>208,000,000</u>	<u>-</u>
<b>Stated capital</b>		<b>31 December 2014 £</b>
Opening balance		-
Proceeds from share issue		210,146,000
less: issue costs capitalised		<u>(3,920,306)</u>
Closing balance		<u>206,225,694</u>

## 19 NAV per Ordinary Share

The Net Asset Value ("NAV") per redeemable Ordinary Share for the Company is based on the Net Asset Value at the reporting date of £209,832,917 and on 208,000,000 redeemable Ordinary Shares, being the number of Ordinary Shares in issue at the end of the period.

## 20 Financial instruments and risk profile

The Group holds cash and liquid resources as well as having receivables and payables that arise directly from its operations. The Group's investment activities expose it to various types of risk associated with solar power. The main risks arising from the Group's financial instruments are market risk, liquidity risk, credit risk and interest rate risk. The Directors regularly review and agree policies for managing each of these risks and these are summarised below:

### 20.1 Market risk

#### (a) Foreign exchange risk

Foreign currency risk, as defined in IFRS 7, arises as the values of recognised monetary assets and monetary liabilities denominated in other currencies fluctuate due to changes in foreign exchange rates. As the Group operates only within the United Kingdom and Jersey, the Directors have concluded that the Group is not exposed to foreign exchange risk.

#### (b) Price risk

Price risk is the risk that the fair value or cash flows of a financial instrument will fluctuate due to changes in market prices.

### 20.2 Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due as a result of the maturity of assets and liabilities not matching. An unmatched position potentially enhances profitability, but can also increase the risk of losses. Liquidity could be impaired by an inability to access secured and/or unsecured sources of financing to meet financial commitments. The Board monitors the Group's liquidity requirements to ensure there is sufficient cash to meet the Group's operating needs.



## 20 Financial instruments and risk profile (continued)

### Contractual Maturity Analysis (including estimated interest payments)

	Carrying amount £	Contractual Total £	Less than 6 months £	6 to 12 months £	Greater than 12 months £
<b>Financial Assets</b>					
Investments	249,190,000	249,190,000	-	-	249,190,000
Trade and other receivables	4,669,393	4,669,393	4,669,393	-	-
Cash and cash equivalents	6,768,491	6,768,491	6,768,491	-	-
<b>Total financial assets</b>	<b>260,627,884</b>	<b>260,627,884</b>	<b>11,437,884</b>	<b>-</b>	<b>249,190,000</b>
<b>Financial Liabilities</b>					
Long-term borrowings	(48,105,000)	(52,438,607)	(722,268)	(722,268)	(50,994,071)
Trade and other payables	(6,657,105)	(6,657,105)	(6,657,105)	-	-
<b>Total financial liabilities</b>	<b>(54,762,105)</b>	<b>(59,095,712)</b>	<b>(7,379,373)</b>	<b>(722,268)</b>	<b>(50,994,071)</b>
<b>Net position</b>	<b>205,865,779</b>	<b>201,532,172</b>	<b>4,058,511</b>	<b>(722,268)</b>	<b>198,195,929</b>

### 20.3 Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group.

The Fund places cash with authorised deposit takers and is therefore potentially at risk from the failure of such institutions.

In respect of credit risk arising from other financial assets and liabilities, which mainly comprise of cash and cash equivalents, exposure to credit risk arises from default of the counterparty with a maximum exposure equal to the carrying amounts of these instruments. In order to mitigate such risks, cash is maintained with major international financial institutions. During the period and at the reporting date, the Group maintained relationships with the following financial institutions:

	Moody's Credit Rating	31 December 2014 £
Cash in hand:		
Royal Bank of Scotland International Limited	P-2	2,332,268
Royal Bank of Scotland Plc	P-2	4,164,864
Lloyds Bank International Limited	P-1	270,853
Santander UK Plc	P-1	506
Total cash in hand		6,768,491
<b>Total Group cash and cash equivalents</b>		<b>6,768,491</b>
<b>Total Group cash balances held by banks</b>		<b>6,768,491</b>

Trade and other receivables comprise part of the financial assets and the Board has determined the maximum Credit Risk exposure is the carrying amount in the Consolidated Statement of Financial Position.

The above amounts are deemed to be of a sufficient credit quality, are neither past due nor impaired and are deemed to be fully recoverable.

Royal Bank of Scotland International's ratings are the same as those assigned to its ultimate parent, The Royal Bank of Scotland plc.

# Notes to the Consolidated Financial Statements (continued)

## 20 Financial instruments and risk profile (continued)

### 20.4 Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's long-term borrowing with a floating interest rate element (the LIBOR element). See note 23 for further details of the Group's long-term borrowings. When making investments of an equity and debt nature, consideration is given during the structuring process to the potential implications of interest rate risk and the resulting investment is structured accordingly. The maximum exposure to interest rate risk for the Group was £268,037,823 at 31 December 2014.

	<b>Total portfolio 31 December 2014 £</b>	<b>Weighted average interest rate 31 December 2014 %</b>	<b>Weighted average time for which rate is fixed 31 December 2014 Days</b>
Shareholder Loans	213,164,332	9.00	8,973
Cash	6,768,491	0.07	-
Long-term borrowings	48,105,000	3.00	23
<b>Total exposed to interest rate risk</b>	<b>268,037,823</b>		

### 20.5 Other risks

#### Political and economic risk

The value of Ordinary Shares may be affected by uncertainties such as political or diplomatic developments, social and religious instability, changes in government policies, taxation or interest rates, currency repatriation and other political and economic developments in law or regulations and, in particular, the risk of expropriation, nationalisation, and confiscation of assets and changes in legislation relating to the level of foreign ownership.

Governmental authorities at all levels are actively involved in the promulgation and enforcement of regulations relating to taxation, land use and zoning and planning restrictions, environmental protection, safety and other matters. The introduction and enforcement of such regulations could have the effect of increasing the expense and lowering the income or rate of return from, as well as adversely affecting the value of, the Group's assets.

## 21 Long-term borrowings

On 15 May 2014, the Group entered into a £100,000,000 Revolving Credit Facility Agreement (the "Facility Agreement") with The Royal Bank of Scotland Plc as agent and Santander Global Banking and Markets, Royal Bank of Canada and The Royal Bank of Scotland Plc as arrangers who have agreed a Facility Commitment of £33,333,333, £33,333,333 and £33,333,334 respectively.

The rate of interest for each interest period on the amount of the Facility Commitment drawn down (the "Loan") from each arranger is the percentage rate per annum which is the aggregate of the applicable: (a) Margin; and (b) LIBOR: The Margin applied is dependent on the number of months since the first drawdown and the Loan amount during the Interest Period. For the first drawdown of £2,100,000, the applicable rates were 2.50% and 0.49% respectively. For the second drawdown of £48,105,000 the applicable rates were 2.50% and 0.50228% respectively (this is therefore the rates at which estimated future interest rates have been provisionally calculated on). Accrued interest on each Loan is paid on the last of each Interest Period, if the Interest Period is longer than six months, interest is payable on the dates falling at six monthly intervals after the first day of the Interest Period.

As at 31 December 2014, £48,105,000 of the Facility Agreement was drawn down and outstanding (£16,035,000 from Santander Global Banking and Markets; £16,035,000 from Royal Bank of Canada and £16,035,000 from The Royal Bank of Scotland Plc).

The interest payable on the drawn down Facility Agreement for the period ended 31 December 2014 amounted to £58,499 of which £31,661 was outstanding at the period-end date.

## 21 Long-term borrowings (continued)

As at 31 December 2014, £2,005,866 arrangement fees relating to the Facility Agreement were expensed as were £331,773 commitment fees of which £19,010 and £225,778 were outstanding respectively at the period-end date.

## 22 Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares (up to its authorised number of shares) or sell assets to reduce debt.

Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including 'current and non-current borrowings' as shown in the consolidated balance sheet) less cash and cash equivalents. Total capital is calculated as 'equity' as shown in the Consolidated Statement of Financial Position plus net debt.

The gearing ratio as at 31 December 2014 was as follows:

	<b>31 December 2014 £</b>
Total borrowings	<b>48,105,000</b>
Less: cash and cash equivalents	<b>(6,768,491)</b>
Net debt	<b>41,336,509</b>
Total equity	<b>209,832,917</b>
<b>Total capital</b>	<b>251,169,426</b>
<b>Gearing ratio</b>	<b>16.46%</b>

## 23 Dividends

Dividends paid during the period comprise an interim dividend in respect of the period from 13 August 2013 to 31 December 2014 of 3.0 pence per Ordinary Share.

The Directors have proposed a final dividend in respect of the period from 13 August 2013 to 31 December 2014 of 3.0 pence per Ordinary Share. This has not been accrued for as at 31 December 2014 as the dividend was not approved before the period end.

## 24 Related party disclosures

For the purposes of these Consolidated Financial Statements, a related party is an entity or entities who are able to exercise significant influence directly or indirectly on the Group's operations. Transactions between the Company and its subsidiary, which is a related party, have been eliminated on consolidation and are not disclosed in this note.

All the SPVs of the Group are cash generating solar farms with all revenues and expenses being related party transactions. During the period, the Group was entitled to loan interest on the shareholder loans, from the SPVs, totalling £6,673,317 of which £4,093,297 was outstanding at the period-end. During the period, UK Hold Co paid certain expenses on behalf of the SPVs in addition to also receiving some of their revenues. The net intercompany receivables and payables positions are stated in notes 13 and 15.

Please refer to the "Directors' Interest" section above for the Directors' Shareholdings.

# Notes to the Consolidated Financial Statements

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## **25 Transactions with the manager**

Foresight Group CI Limited, acting as investment manager to the Group in respect of its investments, earned fees of £1,920,972 during the period, of which £500,230 was outstanding at the period-end.

As set out in note 8, pursuant to the terms of the Prospectus, the total launch costs to be borne by the Shareholders of the Company were capped at 2% of the launch proceeds of £150,000,000 (i.e. £3,000,000) with any excess launch costs being reimbursed to the Company from Foresight Group CI Limited. Launch costs to be reimbursed from Foresight Group CI Limited amounted to £213,644 of which £29,671 was receivable as at 31 December 2014.

## **26 Commitments and contingent liabilities**

The Company has entered into an agreement to purchase the entire share capital of Kencot Hill Solar Farm Limited, a 37 MW solar farm in Oxfordshire. The purchase is subject to final due diligence being performed.

## **27 Controlling party**

In the opinion of the Directors, there is no controlling party as no one party has the ability to direct the financial and operating policies of the Group with a view to gaining economic benefits from its direction.

## **28 Post balance sheet events**

J.P. Morgan Cazenove were appointed as brokers alongside Stifel Nicolaus Europe Limited (formerly Oriel Securities Limited) on 16 January 2015.

On 2 March 2015, the Directors approved the second interim dividend of 3.0 pence per Ordinary Share to be paid on 27 March 2015.

# Advisors

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