

## Annual Results to 31 December 2017 and Dividend Announcement

### Highlights

- During the year the Company acquired 273MW of additional solar assets including 127MW in the UK and 146MW of Australian solar assets across four projects, which represents the first international acquisitions for the Company
- At 31 December 2017, the Company's portfolio comprised 23 assets with a net peak capacity of 621MW. The UK portfolio represented 475MW of total installed capacity across 19 operating assets, with the Australian portfolio representing 146MW of net peak capacity under construction
- During 2017, the portfolio generated 426 GWh of clean energy, sufficient to power nearly 140,000 UK homes
- The Company delivered its target dividend of 6.32 pence per share for the year ended 31 December 2017. (2016: 6.17 pence)
- The Net Asset Value ("NAV") increased to £481.3 million over the period, increasing the NAV per Ordinary Share to 107.0 pence, from 102.9 pence as at 31 December 2016
- During 2017, the equity discount rate decreased by 0.5% to 7.0% to better reflect market conditions and reducing operational risk. The Company has also updated its Valuation Methodology to more accurately reflect leverage in the portfolio, incorporating a levered discount rate of 7.75% for those assets with debt
- During the year the Company announced two Ordinary Share issuances, raising £117.5 million of new equity capital
- The Investment Manager has identified a selective pipeline of value accretive opportunities across selected markets within stable economies and with regulatory support for renewable energy

### Dividend Timetable

Dividend Timetable	Date
Ex-dividend Date	10 May 2018
Record Date	11 May 2018
Payment Date	25 May 2018

### Key Metrics

	As at 31 December 2017
Market Capitalisation	£486.0 million
Share Price	108.0 pence
Total Dividend per Share for the Year	6.32 pence
Gross Asset Value*	£680.8 million
Net Asset Value	£481.3 million
NAV per Share	107.0 pence
Total Return (NAV)	7.48%
Total Shareholder Return since IPO	7.02%
Profit after Tax for the Year	£35.1 million

\* Including investment valuations and cash of Company and its subsidiaries. Investments valued using 7.0% Discount Rate.

Commenting on today's results, **Alex Ohlsson, Chairman of Foresight Solar Fund Limited said:**

"The Company continues to deliver its target dividends since IPO, despite challenging energy prices. This year also marked the beginning of the Company's international expansion with 146MW of new assets acquired in Australia."

A conference call for analysts will be held at 9:00am on Thursday 22 February 2018.

To register, please contact Shabnam Bashir at Citigate Dewe Rogerson by email [Shabnam.Bashir@citigatedewerogerson.com](mailto:Shabnam.Bashir@citigatedewerogerson.com) or by phone +44 (0) 20 7282 2822

A presentation will be provided separately before the call.

A copy of the Report can be found on the Fund's website: [www.fsfl.foresightgroup.eu](http://www.fsfl.foresightgroup.eu)

**For further information, please contact:**

**Foresight Group**

Romy Abrahams      [rabrahams@ForesightGroup.eu](mailto:rabrahams@ForesightGroup.eu)      +44 (0)203 763 6956

**Stifel Nicolaus Europe Limited**

+44 (0)20 7710 7600

Mark Bloomfield

Neil Winward

Tunga Chigovanyika

**Notes to Editors**

**About Foresight Solar Fund Limited ("The Company" or "FSFL")**

Foresight Solar Fund Limited ("FSFL" or "the Company") is a Jersey registered, closed-end investment company investing in a diversified portfolio of ground-based solar PV assets in the UK and in Australia.

The Company's objective is to provide investors with a sustainable and inflation-linked quarterly dividend. The Company aims to preserve and where possible enhance capital value through the reinvestment of excess cash flows, not required for the payment of dividends.

Including its IPO in October 2013, the Company has raised a total of £463.2 million through share placings.

**About Foresight Group**

Foresight Group is a leading infrastructure and private equity manager with £2.8bn of assets under management and c. 220 people worldwide. The group has offices in London, Rome, Nottingham, Manchester, Guernsey, San Francisco and Sydney. Foresight Solar Fund Limited is managed and advised by Foresight's highly experienced team which to date has invested £1.5bn in solar generation.

[www.foresightgroup.eu](http://www.foresightgroup.eu)

# Financial Highlights

**As at 31 December 2017**

Market Capitalisation	£486.0 million
NAV per Share	107.0 pence
Dividend per Share declared for the Year	6.32 pence
Gross Asset Value	£680.8 million*
Net Asset Value	£481.3 million
Share Price	108.0 pence
Total Return (NAV)	7.48%**
Total Shareholder Return	7.02%***
Profit after Tax for the Year	£35.1 million
Number of Shares	449,952,091

\* Including investment valuations and cash of Company and its subsidiaries. Investments valued using 7.0% Discount Rate.

\*\* Annualised from IPO on 29 October 2013 and calculated in line with AIC methodology.

\*\*\* Annualised from IPO on 29 October 2013

- During the year the Company acquired 273MW of additional solar assets including 127MW in the UK and 146MW of Australian solar assets across four projects, which represents the first international acquisitions for the Company
- At 31 December 2017, the Company's portfolio comprised 23 assets with a net peak capacity of 621MW. The UK portfolio represented 475MW of total installed capacity across 19 operating assets, with the Australian portfolio representing 146MW of net peak capacity under construction
- During 2017, the portfolio generated 426 GWh of clean energy, sufficient to power nearly 140,000 UK homes
- The Company delivered its target dividend of 6.32 pence per share for the year ended 31 December 2017. (2016: 6.17 pence)
- The Net Asset Value ("NAV") increased to £481.3 million over the period, increasing the NAV per Ordinary Share to 107.0 pence, from 102.9 pence as at 31 December 2016
- During 2017, the equity discount rate decreased by 0.5% to 7.0% to better reflect market conditions and reducing operational risk. The Company has also updated its Valuation Methodology to more accurately reflect leverage in the portfolio, incorporating a levered discount rate of 7.75% for those assets with debt
- During the year the Company announced two Ordinary Share issuances, raising £117.5 million of new equity capital
- The Investment Manager has identified a selective pipeline of value accretive opportunities across multiple markets within stable economies and with regulatory support for renewable energy

## Chairman's Statement

*The Company continues to deliver its target dividends since IPO, despite challenging energy prices. This year also marked the beginning of the Company's international expansion with 146MW of new assets acquired in Australia."*

**ALEXANDER OHLSSON, CHAIRMAN**

### REVIEW OF THE YEAR

On behalf of the Board, I am pleased to present the Audited Annual Report and Financial Statements for Foresight Solar Fund Limited (the "Company") for the year ended 31 December 2017.

The year 2017 was undoubtedly a landmark year for the maturing UK solar market. Initiated by the closure of the UK Renewable Obligation scheme to new solar projects in March 2017, the UK solar industry has entered a transitional period during the last 12 months. With new solar PV installations no longer benefiting from a subsidy mechanism, there have been limited opportunities to purchase primary assets and consequently competition for operational solar projects in the secondary market has increased.

The Company has followed a disciplined approach to UK acquisitions, successfully adding 127MW of operational assets to the UK portfolio including the 72MW Shotwick solar project and the 50MW Sandridge solar project. Simultaneously, the Company has looked further afield for investment opportunities, acquiring 146MW of assets in Australia currently under construction, leveraging

on the Investment Manager's experience and track record in securing more value for investors.

Once these Australian assets are operational, the Company's portfolio will represent the UK's largest dedicated solar energy listed investment company by installed capacity, with 621MW across 23 assets. As at 31 December 2017, the UK portfolio represented 475MW of total installed capacity across 19 assets, with the additional four assets located in Australia representing 146MW of net peak capacity.

## **DIVIDEND AND DIVIDEND GROWTH**

The Company has continued to achieve its dividend objectives and paid all target dividends since IPO, having delivered the targeted inflation-linked dividend of 6.32 pence for the year ending 31 December 2017. (2016: 6.17 pence). Since the Company's IPO in 2013, the Company has paid total dividends of 24.6 pence per share.

The target dividend for 2018 is 6.58 pence, in line with the UK's Retail Price Index ("RPI") for 2017.

The Board will continue to review the Company's dividend policy to reflect the expected evolution of the Investment Portfolio and the ongoing relationship between power prices and inflation levels.

## **KEY FINANCIALS**

During the year, the Net Asset Value ("NAV") per Ordinary Share increased by 4.1 pence from 102.9 pence as at 31 December 2016 to 107.0 pence as at 31 December 2017. This was primarily driven by acquisitions made during the year, the reduction in the unlevered equity discount rate and by recognising for the first time the value of extended useful economic lives of certain UK solar sites beyond 25 years. The Company has also updated its NAV methodology to more accurately reflect the leveraged discount approach of the projects financed by third party debt by applying a levered discount rate to assets associated with long-term debt.

The Profit after Tax for the year was £35.1 million resulting in Earnings per Share of 8.80 pence.

## **CAPITAL RAISING AND FINANCING**

During the year the Company issued 109 million new Ordinary Shares representing £117.5 million of new funds raised. Of this, £78.5 million was raised in March and the remaining £39.0 million in October. The new Ordinary Shares were issued under the Placing Programme, announced on 3 March 2017, for up to 250 million new Ordinary Shares.

The net proceeds from these equity placings were used to finance investment opportunities in the UK and Australia and pay down existing short term revolving credit facilities ("RCF").

In February 2017, a new RCF of £55.0 million was agreed with Santander Global Corporate Banking at attractive terms to support the financing of new acquisitions.

At the year end, the total outstanding debt for the Company and its subsidiaries, including RCFs, amounted to £200.3 million (£198.3 million at 31 December 2016). The gearing level at 29% of Gross Asset Value ("GAV") (2016: 36%) remains conservative and is within the debt level limits set by the Company. The Investment Manager will continue to optimise the Company's capital structure to enhance returns for investors.

## **PORTFOLIO DEVELOPMENT**

With additional capital raised during 2017, the Company was well placed to acquire solar projects in line with the Company's growth strategy both in the UK and abroad. During the period, the Investment Manager evaluated over 1.8GW of solar assets from secondary vendors in the UK, demonstrating the availability of assets in the UK secondary market during a period of consolidation post the closure of the UK ROC regime.

The acquisitions of Sandridge and Shotwick demonstrate that, despite the increased competition in the UK secondary solar market, the Company is still able to identify NAV accretive opportunities. In an increasingly competitive market, the Investment Manager will continue to maintain its strong discipline and only acquire assets that meet the Company's return requirements.

In Q4 2017, the Company completed its first overseas acquisitions, investing in four assets in Australia which will have an installed peak capacity of 146MW, when construction is complete. The Board believes that the Australian solar market offers the opportunity to diversify the Company's portfolio into an overseas market that benefits from strong regulatory support along with high levels of irradiation, supported by the Investment Manager's active presence in Australia since 2016.

Although the Company will continue to focus predominantly on the UK market, in line with the Investment mandate, the Board believes international investments represent an attractive opportunity to increase shareholder returns.

## **OPERATIONAL PERFORMANCE**

The portfolio generated 426 Gigawatt hours of clean energy during 2017, enough to power nearly 140,000 homes. The performance of the assets showed a significant and sustained improvement over the course of the year, following a relatively challenging first half, resulting from lower than expected irradiation levels and scheduled rectification works. Irradiation levels remained below expected levels during the second half of the year resulting in overall production levels for the period being 4.6%

below expectations against an irradiation variance of -2.2% for the year.

A small number of assets experienced specific production problems earlier in the year, however all but one of these are now performing above or in line with expectations. Results of these improvements can clearly be demonstrated, the works themselves led to low site availability which impacted To address underperformance, significant remediation works have been undertaken on these sites at the expense of the relevant EPC contractors. While the positive production during part of the year. Lost production was more than compensated for by the Liquidated Damages the Company received.

During 2017, the Asset Manager successfully secured the necessary lease extensions and other planning rights needed to extend the expected useful economic life of eight UK portfolio assets beyond the 25 year period initially assumed. This has been recognised in the NAV, reflecting a more accurate valuation of the portfolio, resulting in an uplift of £11.3m (2.8 pence per share).

The Asset Manager continues to optimise the commercial performance of the assets with significant long term savings achieved during the year, predominantly through a new framework agreement with Brighter Green Engineering ("BGE") which will immediately reduce O&M pricing by c. 20% on assets operated by BGE.

## **SOLAR MARKET DEVELOPMENTS**

As reported in June 2017, there is now a total of over 12GW of solar capacity in Great Britain, with over 8GW of ground mounted solar. Although the lack of regulatory support for new large scale solar projects has halted the flow of primary solar assets to market, the Company continues to see opportunities to acquire existing operational assets currently being held by short term investors.

While the ROC scheme was replaced by the Contract for Difference ("CfD") subsidy regime, solar PV and onshore technologies were both excluded from the most recent auction round, and are highly unlikely to feature in future auction rounds. The Investment Manager/Board expects future growth in the UK solar energy market to be driven by falling installation costs. In addition, the prospect of co-locating battery facilities with solar projects should further support this trend as capex costs for this technology reduce.

Australia, in contrast offers a rapidly growing solar sector, with solar projects accounting for over c.900MW of total installed capacity in 2017. Further significant growth is anticipated, as 4.5GW of new large-scale projects are due to be installed by 2020. Through the Paris Agreement on climate change, the Australian Government has committed to reducing the country's carbon emissions 26-28% below 2005 levels by 2030. While criticism has been levelled at the lack of Federal support for renewables, support from State governments has been robust, with many implementing ambitious individual renewables targets as well as holding competitive auctions for renewable energy capacity. The Board believes being an early entrant in this market has given the Company a distinct competitive advantage, while also benefitting from the Investment Manager's solar experience and track record in the UK.

Although the Australian Solar market is forecast to grow significantly over the next few years, the power purchase agreement ("PPA") market in Australia has become more competitive in recent months reflecting the number of PPAs expected to be written by the most relevant local utilities. This is explained in more detail in the Australian market report.

Overall, the global solar market is expected to see significant growth over the coming years as solar project costs continue to fall and grid parity is achieved in more geographies.

## **ANNUAL GENERAL MEETING**

I look forward to reporting further to shareholders at the next Annual General Meeting ("AGM"), which will be held on 11 June 2018 at 9.30am.

## **OUTLOOK**

The Investment Manager is actively reviewing a pipeline of more than 310MW of potential investments in the UK and other solar markets, but will maintain a prudent approach to new acquisitions, making its investment decisions based on the ability of projects to increase Company NAV.

The Asset Manager will continue to focus on maximising the operating performance of the UK portfolio from a technical perspective while seeking to secure improved commercial terms, as well as working closely with the EPC contractors to monitor the progress of the Australian construction assets.

**Alexander Ohlsson**

Chairman

21 February 2018

# **Corporate Summary and Investment Objective**

## **CORPORATE SUMMARY**

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

The Company has 449,952,091 Ordinary Shares in issue which are listed on the premium segment of the Official List and traded on the London Stock Exchange's Main Market.

The Company makes its investments through intermediate holding companies and underlying Project Vehicles/Special Purpose Vehicles ("SPVs").

## **INVESTMENT OBJECTIVE**

The Company's objective is to provide investors with a sustainable and inflation-linked quarterly dividend and to aim to preserve and where possible enhance capital value, through the reinvestment of excess cash flows, not required for the payment of dividends, in a diversified portfolio of predominantly UK ground-based solar PV assets.

## **THE COMPANY**

The Company's Initial Public Offering on 24 October 2013 raised £150 million, creating the largest dedicated solar investment company listed in the UK at the time. To date, the Company has raised a total of £463.2 million through equity issuance.

On 3 March 2017, the Company announced a Placing Programme relating to the issue of up to 250 million new Ordinary Shares in aggregate over 12 months. Since the start of this Placing Programme, the Company has issued 109 million new Ordinary Shares equivalent to £117.5 million of new funds raised. Of this £78.5 million was raised in March and the remaining £39.0 million in October.

As at 31 December 2017, the Company had a market capitalisation of £486.0 million and the portfolio consisted of 23 assets with a net peak capacity of 621MW. 19 assets are located in the UK with a total generating capacity of 475MW and the remaining four assets are located in Australia with 146MW of capacity currently under construction.

## **INVESTMENT POLICY**

The Company will pursue its investment objective by acquiring ground-based, operational solar power plants predominantly in the UK. Investments outside the UK and assets which are still, when acquired, under construction will be limited to 25 percent of the Gross Asset Value of the Company and subsidiaries, calculated at the time of investment.

The Company will seek to acquire majority or minority stakes in individual ground-based solar assets. When investing in a stake of less than 100 per cent in a solar power plant SPV, the Company will secure its shareholder rights through shareholders' agreements and other legal transaction documents.

Power purchase agreements will be entered into between each of the individual solar power plant SPVs in its portfolio and creditworthy offtakers in the UK. Under the PPAs, the SPVs will sell solar generated electricity and green benefits to the designated offtaker. The Company may retain exposure to UK power prices through PPAs that avoid mechanisms such as fixed prices or price floors.

Investment may be made in equity or debt or intermediate instruments but not in any instruments traded on any investment exchange.

The Company is permitted to invest cash held for working capital purposes and awaiting investment in cash deposits, gilts and money market funds.

In order to spread risk and diversify its portfolio, at the time of investment no single asset shall exceed in value (or, if it is an additional stake in an existing investment, the combined value of both the existing stake and the additional stake acquired) 30 per cent of the Company's Gross Asset Value post-acquisition. The Gross Asset Value of the Company will be calculated based on the last published gross investment valuation of the Company's portfolio, including cash, plus acquisitions made since the date of such valuation at their cost of acquisition. The Company's portfolio will provide diversified exposure through the inclusion of not less than five individual solar power plants and the Company will also seek to diversify risk by ensuring that a significant proportion of its expected income stream is derived from regulatory support (which will consist of for example, without limitation, ROCs and FiTs for UK assets). Diversification will also be achieved by the Company using a number of different third-party providers such as developers, EPC contractors, O&M contractors, panel manufacturers, landlords and distribution network operators.

The Articles provide that gearing\*, calculated as Group borrowings (including any asset level gearing) as a percentage of the Company's Gross Asset Value, will not exceed 50 percent at the time of drawdown. It is the Board's current intention that long-term gearing (including long-term, asset level gearing), calculated as Group borrowings (excluding intra-group borrowings (i.e. borrowings between members of the Group) and revolving credit facilities) as a percentage of the Company's Gross Asset Value will not exceed 40 per cent at the time of drawdown.

\*(see Capital Raising and Financing section in Chairman's Statement)

Any material change to the investment policy will require the prior approval of Shareholders by way of an ordinary resolution (for so long as the Ordinary Shares are listed on the Official List) in accordance with the Listing Rules.

## **SIGNIFICANT SHAREHOLDERS**

The Company's Shareholders include a substantial number of blue-chip institutional investors.

Shareholders in the Company with more than a 5% holding as at 31 December 2017 are as follows:

<b>Investor</b>	<b>% Shareholding in Fund</b>
Blackrock Investment Management Ltd	14.2%
Newton Investment Management Ltd	9.0%
Legal & General Investment Management Ltd	7.6%
Schroders Plc	7.4%
Standard Life Aberdeen	6.5%
<b>Total</b>	<b>44.7%</b>

## **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. Under the AIFMD, the Company is self-managed and acts as its own Capitalised Alternative Investment Fund Manager.

Both the Company and the Investment Manager are located outside the European Economic Area ("EEA") but the Company's marketing activities in the UK are subject to regulation under the AIFMD.

## **PACKAGED RETAIL AND INSURANCE-BASED INVESTMENT PRODUCTS REGULATION**

A new EU regulation, the Packaged Retail and Insurance-based Investment Products Regulation ("PRIIPS"), came into effect on 1 January 2018. Its aim is to ensure retail investors are provided with transparent and consistent information across different types of financial products. This new regulation requires the Company to publish a Key Information Document ("KID"). The KID is available on the Company's website under Publications and can be found at this link: [www.fsfl.foresightgroup.eu](http://www.fsfl.foresightgroup.eu)

# **Board of Directors**

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:

## **ALEX 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.

## **CHRIS AMBLER**

Mr Ambler has been the Chief Executive of Jersey Electricity Plc since 1 October 2008. He has experience in a number of senior positions in the global industrial, energy and materials sectors working for major corporations including ICI/Zeneca, The BOC Group and Centrica/British Gas, as well as in strategic consulting roles. He is a Director on other boards including a Non-Executive Director of Apax Global Alpha Limited, a listed fund which launched on the London Stock Exchange on 15 June 2015.

Mr Ambler is a Chartered Director, 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 2010 and since then he has continued to serve on the Board of the now merged Foresight VCT plc. He is also on the Board of ICG Enterprise Trust plc, Mears Group plc, Mercia Fund 1 General Partnership Limited and Miton UK Microcap Trust plc and Chairman of Unicorn AIM VCT plc and SVM Emerging Fund.

Mr Dicks was appointed as a Non-Executive Director on 16 August 2013.

## **Investment Manager**

The Company's Investment Manager is Foresight Group CI Limited ("Foresight Group"), which is responsible for the development and management of the assets of the Company, including the sourcing and structuring of new solar project acquisitions and advising on the Company's borrowing strategy. The Investment Manager is a Guernsey registered company, incorporated under the Guernsey Law with registered number 51471. The Investment Manager is licensed and regulated by the Guernsey Financial Services Commission.

Founded in 1984, Foresight Group is a leading independent infrastructure and private equity investment manager that currently manages c. £2.8 billion of assets on behalf of institutions and retail clients. The Investment Manager is headquartered in London with offices in San Francisco, Sydney, Rome, Guernsey and two regional UK offices in Manchester and Nottingham. At the year end, Foresight Group's staff number was over 220 globally, including more than 60 investment professionals.

Foresight Group established its solar investment team in 2007 and today manages assets of c. £1.5 billion invested in 79 solar plants across the UK, Europe and Australia with a total generating capacity of c.1.1GW. Foresight Group is now the second largest solar asset manager in the UK with over 800MW of installed capacity. In Australia, following the recent acquisitions made on behalf of the Company, Foresight Group is now one of the larger solar asset managers with 252MW under management. Other solar assets include an 11MW portfolio of unsubsidised solar assets in Portugal and Spain, where Foresight Group set a new precedent, closing one of the first corporate PPAs in that market.

The solar investment team, which now numbers 24 investment professionals, forms part of Foresight Group's 38-strong dedicated multinational energy infrastructure team, which possesses a comprehensive suite of capabilities, from investment origination and execution, including sourcing and structuring transactions. In the UK, the wider infrastructure team also manages 447MW of investments in bioenergy projects, onshore wind, lithium-ion battery storage facilities and reserve power generation assets.

The team is supported by an extensive back office team comprising finance, investor relations, sales, marketing, HR and administration.

Foresight Group established its Sydney office in early 2016, completing its first solar transaction in Australia in February 2017 with the acquisition of the 25MW Barcaldine Remote Community Solar Farm in Queensland. In addition, in November 2015 Foresight Group was awarded a A\$100m commitment from the Clean Energy Finance Corporation ("CEFC"), the Government-backed green bank, to fund bioenergy projects across Australia. The multi-disciplined team of six includes investment professionals and portfolio managers with experience in solar and bioenergy projects, both transactional and during the construction and operational phases, and is supported by the solar investment team based in London.

The Company's Investment Management team is led by three experienced UK-based fund managers and is responsible for new asset acquisitions, pipeline development and value enhancement of the Company, including making recommendations for optimal borrowing strategies. This team is supported by a group of UK-based solar investment analysts with additional resource obtained from Foresight Group's Italian and Australian investment teams. Foresight Group is overseen by an Executive Committee of which Jamie Richards and Gary Fraser are members. Foresight Group's Executive Committee provides strategic investment advice to the management team and the Board.

## **JAMIE RICHARDS, PARTNER, HEAD OF INFRASTRUCTURE**

Jamie joined Foresight Group in 2000 and is an Executive Committee member. Since inception in 2007, he has had overall responsibility for Foresight Group's infrastructure/solar business in the UK, Australia, Italy and US including origination and structuring. Jamie has overseen, as a member of the Investment Committee, more than 100 solar projects representing Foresight Group's approximately £1.5 billion solar portfolio. Prior to 2007, he led a number of venture capital and private equity transactions in the technology and cleantech sectors representing Foresight Group's funds and was a non-executive director for several companies. Jamie is a chartered accountant and has 20 years' experience in fund management, banking and corporate recovery. Before joining Foresight Group, Jamie worked at PwC, Citibank and Macquarie, both in London and Sydney.

## **RICARDO PINEIRO, PARTNER, HEAD OF UK SOLAR**

Ricardo has led Foresight Group's UK solar investments since joining Foresight Group in 2011, including the acquisition of over 60 UK solar power plants, totalling c.800MW and continues to oversee their commercial management. He has also been responsible for arranging over £500 million of third party debt facilities to date, including revolving debt facilities, listed bonds and



project finance facilities. Ricardo joined Foresight Group from Espirito Santo Investment, where he spent four years in the project finance division as manager with a special focus on transport, energy, oil and gas. Ricardo is primarily focused on leading new renewable energy transactions across UK and other international markets.

#### **GARY FRASER, PARTNER, GROUP FINANCE DIRECTOR**

Gary is a chartered accountant and Chartered Fellow of the Securities Institute. He worked with Ernst & Young between 1993 and 1999, predominantly in the audit and risk assurance and corporate finance areas and joined ISIS Asset Management plc in 1999 where he was responsible for the provision of similar services to several investment companies. He joined Foresight Group in 2004 and is an Executive Committee member.

## **Asset Manager**

The Company's underlying investment vehicles have appointed Foresight Group LLP, a subsidiary of Foresight Group CI, to act as Asset Manager. The Asset Manager is responsible for all operations, including the commercial, financial and technical management of assets under construction acquired by the Company.

Over the last six years, Foresight Group has developed a leading Asset Management capability through its team of 38 individuals with expertise across electrical and civil engineering, finance and legal disciplines. The team manages over 150 energy infrastructure projects including solar, battery storage, reserve power, waste-to-energy and wind investments, with 1.5GW of renewable energy capacity.

The Asset Manager adopts an active and hands-on approach in order to maximise long-term value creation. Activities undertaken include oversight of construction progress, detailed asset performance monitoring, active contract management, identification of opportunities to enhance long-term performance and improve operational efficiency.

The Asset Manager's experience in asset optimisation has been gained through continual emphasis on operational efficiencies achieved through the consolidation of costs across O&M activities and insurances, negotiating attractive offtake pricing and ongoing equipment improvements.

As an early market entrant, the Asset Manager has a wealth of experience in the technical and operational management of solar assets and has been able to develop its own centralised monitoring system so that all sites can be remotely monitored in real time. This sophisticated asset management database forms the basis of all performance analysis and reporting, as well as enabling the enforcement of contractual compliance. This powerful tool assesses the performance of the portfolio on a continuous basis and ensures that all information is consistent, accurate and relevant. It also allows the Asset Manager's engineers to identify and notify contractors of incidents expeditiously and working with them to minimise the impact on portfolio production. The Asset Manager also oversees each of the O&M contractors' performance, incident control and technical reporting to ensure that each solar power plant is operated and managed so as to maximise profits and reduce operating risks.

#### **TOM MOORE, DIRECTOR**

Tom has responsibility for the financial and operational performance of Foresight Group's energy infrastructure assets. Tom joined Foresight Group in 2013, having previously worked as Financial Controller at a hedge fund with oversight of internal finance, operations and compliance. He also performed advisory work for M&A transactions and corporate restructurings. Before this he spent four years in practice with Saffery Champness. Tom is a chartered accountant and holds a BSc in Economics from The University of York.

#### **ARNOUD KLAREN, SENIOR PORTFOLIO MANAGER AND TECHNICAL DIRECTOR**

Arnoud joined Foresight Group in 2011 and is responsible for the technical aspects of Foresight Group's solar portfolio. Arnoud previously worked at SolFocus as a Project Manager where he focused on the deployment of concentrated photovoltaic plants in Southern Europe and the Middle-East. Prior to this, Arnoud founded ThinkSpectrally, a spin-off company of The University of Valencia in Spain, dedicated to quality assurance in the PV manufacturing process. Arnoud holds a MSc degree in Electrical Engineering from the Twente University of Technology in The Netherlands.

#### **JULIAN ELSWORTH, SENIOR PORTFOLIO MANAGER**

Julian joined Foresight Group in 2013 and has over 14 years of experience in the renewable energy industry. Julian is responsible for the management of the technical and commercial aspects of the UK solar portfolio. Prior to joining Foresight Group, Julian worked as a Senior Consultant for a large engineering consultancy where he focused on a variety of renewable energy projects globally. Julian is a Chartered Engineer and holds an MSc in Renewable Energy and the Environment from Reading University.

#### **TULLY ROBERTSON, TECHNICAL PORTFOLIO MANAGER**

Tully joined Foresight Group in 2018, based in Sydney. He is an electrical engineer with 13 years' experience in project/contract management, design and commissioning of various high voltage infrastructure projects throughout Australia, including Foresight Group's 20MW Barcaldine solar farm in Queensland. Tully has also performed lead Owner's Engineer design reviews and written EPC specifications for utility scale wind and solar farm projects in Australia. Tully is a Chartered Professional Engineer (CPEng), Registered Professional Engineer of Queensland (RPEQ) and Member of the Institution of Engineers Australia (MIEAust).

# Portfolio Assets

## OVERVIEW

Asset	Country	Status	Installed Peak Capacity (MW)	Ownership	Net MW	Connection Date	Acquisition Cost <sup>1</sup>	Current <sup>5</sup> Fair Value
<b>Wymeswold<sup>2</sup></b>	UK	Operational and accredited	34	100%	34	March 2013	£45.0m	£47.7m
<b>Castle Eaton</b>	UK	Operational and accredited	18	100%	18	March 2014	£22.6m	£20.6m
<b>Highfields</b>	UK	Operational and accredited	12	100%	12	March 2014	£15.4m	£13.5m
<b>High Penn</b>	UK	Operational and accredited	10	100%	10	March 2014	£12.7m	£10.5m
<b>Pitworthy</b>	UK	Operational and accredited	16	100%	16	March 2014	£19.3m	£16.5m
<b>Hunters Race</b>	UK	Operational and accredited	11	100%	11	July 2014	£13.3m	£13.4m
<b>Spriggs Farm</b>	UK	Operational and accredited	12	100%	12	March 2014	£14.6m	£13.7m
<b>Bournemouth</b>	UK	Operational and accredited	37	100%	37	September 2014	£47.9m	£49.8m
<b>Landmead</b>	UK	Operational and accredited	46	100%	46	December 2014	£52.4m	£47.9m
<b>Kencot</b>	UK	Operational and accredited	37	100%	37	September 2014	£49.5m	£44.5m
<b>Copley</b>	UK	Operational and accredited	30	100%	30	December 2015	£32.7m	£36.2m
<b>Atherstone</b>	UK	Operational and accredited	15	100%	15	March 2015	£16.2m	£15.5m
<b>Paddock Wood</b>	UK	Operational and accredited	9	100%	9	March 2015	£10.7m	£11.1m
<b>Southam</b>	UK	Operational and accredited	10	100%	10	March 2015	£11.1m	£11.1m
<b>Port Farm</b>	UK	Operational and accredited	35	100%	35	March 2015	£44.5m	£43.8m
<b>Membury</b>	UK	Operational and accredited	16	100%	16	March 2015	£22.2m	£20.5m
<b>Shotwick</b>	UK	Operational and accredited	72	100%	72	March 2016	£75.5m	£84.6m
<b>Sandridge</b>	UK	Operational and accredited	50	100%	50	March 2016	£57.3m	£58.0m
<b>Wally Corner</b>	UK	Operational and accredited	5	100%	5	March 2016	£5.7m	£5.8m
<b>UK Subtotal</b>			<b>475</b>		<b>475</b>		<b>£568.6m</b>	<b>£564.7m</b>
<b>Bannerton</b>	Australia	Construction	110	48.5%	53	July 2018 <sup>3</sup>	£12.5m	£12.5m <sup>4</sup>
<b>Longreach</b>	Australia	Construction	17	49%	8	March 2018 <sup>3</sup>	£5.3m	£5.3m <sup>4</sup>
<b>Oakey 1</b>	Australia	Construction	30	49%	15	September 2018 <sup>3</sup>	£7.8m	£7.9m <sup>4</sup>
<b>Oakey 2</b>	Australia	Construction	70	100%	70	October 2018 <sup>3</sup>	£15.9m	£16.0m <sup>4</sup>
<b>Australia Subtotal</b>			<b>227</b>		<b>146</b>		<b>£41.5m</b>	<b>£41.7m</b>
<b>Total</b>			<b>702</b>		<b>621</b>		<b>£610.3m</b>	<b>£606.4m</b>

1 Original cost at time of acquisition, including transaction costs

2 Includes the 2MW extension acquired in March 2015

3 Expected connection dates

4 Held at cost incurred to date. This does not represent expected final cost and assumes AUD/GBP exchange rate of 0.58 as at 31 December 2017

5 Calculated using a discount rate of 7.75%

## Investment Manager's Report

For the year ended 31 December 2017

### KEY METRICS

	As at 31 December 2017	As at 31 December 2016
Market Capitalisation	£486.0 million	£354.9 million
Share Price	108.0 pence	104.10 pence

Total Dividend per Share for the Year	6.32 pence	6.17 pence
Gross Asset Value*	£680.8 million	£549.0 million
Net Asset Value	£481.3 million	£350.8 million
NAV per Share	107.0 pence	102.9 pence
Total Return (NAV)	7.48%	7.04%
Total Shareholder Return since IPO	7.02%	6.58%
Profit after Tax for the Year	£35.1 million	£30.7 million

\* Including investment valuations and cash of Company and its subsidiaries. Investments valued using 7.0% Discount Rate.

## PORTFOLIO SUMMARY

As at 31 December 2017, the Company's portfolio consisted of 23 assets with a net peak capacity of 621MW. The Company holds 19 operational assets located in the UK with a total generating capacity of 475MW and four assets under construction in Australia, representing 146MW of net installed capacity. The portfolio's average size of 27MW per solar installation means the Company benefits from efficiencies of scale particularly in terms of lower asset management costs per MW and operating and maintenance charges. At the year end, the Company owned seven of the top 25 largest solar projects in the UK.

The Investment Manager has selected assets within the UK that ensure diversification by geography, while aiming to maximise exposure to regions with favourable irradiation patterns. The Australian assets, which represent c.13% of the total equity invested to date, further diversify the portfolio in a market where we believe our shareholders can now obtain attractive returns, on a risk-adjusted basis.

## ACQUISITIONS

In terms of MWs acquired, 2017 was the Company's most acquisitive year to date. Operational assets with a total capacity of 127MW were acquired in the UK and 146MW of construction stage projects were acquired in Australia.

## UK

### SHOTWICK

In February 2017, the Company acquired the 72MW Shotwick solar project in Flintshire, North Wales. Shotwick is the largest operational solar asset in the UK and most significant UK acquisition made by the Company to date.

Shotwick provides electricity via a private wire agreement to the neighbouring Shotton paper mill, which is owned by Finnish conglomerate UPM, while retaining the flexibility to export electricity to the National Grid.

This investment is also noteworthy due to a 25-year corporate PPA signed with UPM, which is the first such arrangement for the Company. This enables the papermill to potentially run on up to 100% green energy during daylight hours and saves up to 22,500 tonnes of carbon dioxide emissions per year. This contract allows the Company to obtain power prices materially above traditional utility PPAs available in the market. Shotwick was connected to the grid in March 2016 and has received ROC accreditation of 1.3ROCs/MWh. The Company acquired the economic benefit of all project cash flows from Shotwick since 1 December 2016.

### SANDRIDGE

In February 2017, the Company acquired Sandridge solar project located in Wiltshire. At 50MW, Sandridge is the second largest UK asset in the portfolio acquired during the period. It was connected to the National Grid in March 2016 and has received ROC accreditation of 1.3ROCs/MWh. The Company acquired the economic benefit of all project cash flows since 1 January 2017. Sandridge was acquired under a bilateral agreement from Goldbeck, a developer with which the Investment Manager has worked on previous assets, allowing the Company to gain access to high quality projects at attractive valuations.

### WALLY CORNER

In July 2017, the Company acquired Wally Corner, a 1.2 ROC 5MW operational project in Berinsfield, South Oxfordshire. Wally Corner was purchased from a counterparty with which the Investment Manager has worked before, resulting in a very efficient transaction process for the Company.

## AUSTRALIA

### BANNERTON

In September 2017, the Company announced its first overseas acquisition; a 48.5% stake in the Bannerton solar farm in Victoria, Australia. The project will have a total peak capacity of 110MW once fully operational and is expected to connect to the grid in July 2018.

Bannerton benefits from a 10-year contract with the Victorian Government for the sale of c.36% of the project's Large-scale Generation Certificates ("LGCs"), having won a tender to supply clean power to the Melbourne tram network. It also benefits from a 17-year fixed-price PPA with Alinta Energy, an Australian utility. The contract with Alinta covers 60% of the electricity expected

to be generated during the term of the contract. The remaining electricity and LGCs generated will be sold at prevailing market prices.

Bannerton was acquired from a joint venture between Syncline Energy Pty Limited and Foresight Solar Australia (UK) Limited (a solar developer which is a subsidiary of Foresight Group Holdings Limited) for an initial consideration of A\$5.5 million. The Company's total equity investment will be c. A\$40 million including the expected construction costs. The initial consideration was funded through the Company's existing RCF provided by Santander Global Corporate Banking. Bannerton also benefits from an Australian Dollar denominated debt facility of c.A\$98 million, provided by the CEFC. The project's co-investors are KDB Infrastructure Asset Management Co. Ltd on behalf of Global Infrastructure Fund 3 and Hanwha Energy Corporation Singapore Pte. Ltd, a subsidiary of Hanwha Energy Corporation, with no investor owning more than 48.5% in the project. The co-investors were selected based on their long-term investment objectives in the Australian market. Foresight Group will act as asset manager for the project.

Bannerton is currently on track both in terms of budget and construction milestones. The Investment Manager will continue to work closely with the EPC contractor to manage the various construction phases and ensure that all connection dates are achieved on time. Bannerton, and the other three Australian projects described below, will use a single axis tracking technology which ensures that the modules track the sun across the sky. This technology is expected to provide an increased energy production of up to 30% versus the fixed ground mounted solar solutions that are typically built in the UK.

## **LONGREACH**

In October 2017, the Company entered into binding commitments with Canadian Solar Inc, a global solar developer and panel manufacturer, to acquire interests in three construction stage assets in Queensland, Australia. The Company's equity investment in these assets will amount to a total of c.A\$74 million (approximately £43m\*)<sup>1</sup> including expected construction costs.

(\*assuming AUD/GBP exchange rate of 0.58 as at 31 December 2017)

The Company has acquired a 49% interest in Longreach Solar Farm, which will have a total installed capacity of 17MW once operational. Canadian Solar Inc will own the remaining 51% interest in this project. The project has entered into a 20-year contracts-for-difference agreement with the Queensland Government for both power and Large-scale Generation Certificates. The Investment Manager believes this significantly de-risks the project given the high positive credit rating of the counterparty (Moody's Aa1).

Longreach received grant funding from the Australian Renewable Energy Agency ("ARENA"), an independent agency of the Federal Government established in 2012 with the objective of increasing the supply and competitiveness of Australian renewable energy sources. An Australian Dollar denominated debt facility of c.A\$27 million, with a five year term, has been provided by joint senior lenders, CEFC and Bank of Tokyo-Mitsubishi UFJ ("MUFG").

Construction of Longreach is well progressed and the project is on target to connect to the grid in March 2018.

## **OAKEY 1**

A 49% stake in Oakey 1 Solar Farm, which will have a total installed capacity of 30MW once operational, has also been acquired. Canadian Solar Inc will own the remaining 51% interest in this project. It benefits from the same Queensland Government contracts as Longreach, as well as ARENA funding and a c.A\$38 million facility from the same lenders, on the same terms.

Progress at Oakey 1 is currently on track, meeting construction milestones, and the site is expected to connect to the grid in September 2018.

## **OAKEY 2**

The Company has acquired a 100% interest in Oakey 2 Solar Farm. The development's 70MW installed capacity once operational makes it the Company's largest Australian asset and the Company's second largest asset overall. Oakey 2 will benefit from a c.A\$55 million senior debt facility from CEFC, with a four-and-a-half-year term to align with the maturity dates of Longreach and Oakey 1 financing terms.

The Investment Manager is currently reviewing the PPA options for Oakey 2 and expects to enter an agreement in advance of the target commissioning date in October 2018. Although still at a relatively early stage, Oakey 2 is currently on track to achieve this.

## **UK REGULATORY AND MARKET CHANGES**

The key development of 2017 was the closure of the UK Renewable Obligation scheme on 31 March 2017, which brought to an end a period of significant growth for the UK's solar market. However, with total installed capacity of over 12GW, the UK has a large and increasingly mature solar sector that is expected to continue to provide potential acquisition targets, albeit on an increasingly opportunistic basis.

During the second half of the year, there was increased discussion about the future funding of the lowest cost renewables,

onshore wind and solar. Government announcements coinciding with the results of the Contracts for Difference (“CfD”) auction in September confirmed the expectation that solar and onshore wind will continue to be excluded from Pot 1 (established technologies) during the third auction round expected in Spring 2019. In October, the release of the Clean Growth Strategy (the Government’s plan to grow the UK’s national income while cutting greenhouse gas emissions) also excluded any mention of future support for onshore wind and ground mounted solar.

There has been growing support to reconsider the use of subsidies, including proposals for technology neutral auctions from diverse groups including backbench Conservative MPs, the Committee for Climate Change, Energy UK, Dieter Helm’s cost of energy review and a variety of NGOs and energy trade associations. Meanwhile, a report from the Committee on Climate Change in June 2017 highlighted that the UK is significantly behind its 2030 targets to reduce carbon emissions and could fail to meet the legally binding commitments set out in the UK’s Fifth Carbon Budget. Despite this, the Investment Manager believes there will be limited Governmental support for new ground mounted solar projects for the foreseeable future.

In December 2017, Ofgem published a consultation which is broadly supportive of the co-location of battery storage facilities with ROC accredited renewable energy installations, lifting concerns that this could invalidate existing ROC accreditations. The Investment Manager will continue to monitor the progress of these market developments and its potential to accelerate the transition to a decentralised energy system.

On 20 October 2017, the Department for Business, Energy & Industrial Strategy (“BEIS”) published figures for the ROCs that have been submitted for Compliance Period 15 (2016 – 2017). The report showed an undersupply of ROCs presented by electricity utility companies. This is believed to be due to a combination of low wind speeds, biomass plant outages and a decision to only submit ROCs into the subsequent compliance period. Based upon the expected buy-out payments, the recycle value will be £4.89/ROC, which is the highest value seen in six years and materially higher than the preceding three years, which have ranged from £0/ROC to £0.70/ROC. As a result, the Company has received £2 million additional revenue from the ROC recycle system this year. The Investment Manager continues to assume 10% ROC Recycle in their model for the foreseeable future.

There remains political uncertainty following the UK’s vote to withdraw from the European Union and the UK snap general election held on 8 June 2017. Although formal Brexit negotiations started on 19 June 2017, it remains unclear to what extent the UK power market will continue to be integrated with the wider EU power market and therefore what the impact on wholesale power prices will be. The most noticeable impact of Brexit for the Company so far has been sterling’s depreciation. This has had the effect of increasing UK power prices as the cost of natural gas and electricity that is imported from Europe has risen. The Company will continue to carefully monitor any potential political effects from Brexit, however current indications suggest that the UK Government remains committed to a carbon reduction agenda.

## **PIPELINE AND OUTLOOK**

The closure of the Renewable Obligation scheme in March 2017 led to a significant decrease in primary market activity and increased competition in the secondary market, resulting in an increase in pricing for operational, ROC accredited assets. Despite the increased level of competition, the secondary solar market in the UK remains active with a number of transactions disclosed to the market in the past 12 months. The Investment Manager continues to target value accretive opportunities and is actively reviewing a pipeline of more than 310MW of potential investments in the UK and other jurisdictions.

As increasing interest in direct ownership of UK solar assets from institutional investors impacts pricing, the Investment Manager will maintain a careful approach to new acquisitions.

While the Investment Manager will continue to predominantly focus on operational assets available in the UK secondary market, it will also continue exploring investment opportunities in other international markets including Western European countries and the US. Investment opportunities outside the UK are expected to deliver value-accretive returns on a risk-adjusted basis while further diversify the Company’s portfolio, in line with the Company’s investment policy.

## **CURRENT UK POWER PRICES**

During the year, 63% of the Company’s operational portfolio revenue came from the sale of ROCs. These revenues are directly and explicitly linked to inflation for 20 years from the accreditation date under the ROC regime and subject to Retail Price Index (“RPI”) inflationary increases applied by Ofgem in April of each year.

The remaining 37% of revenues derives from electricity sales, which are subject to power price movements, and embedded benefits.

Power prices during 2017 experienced periods of increased volatility with relatively high power prices in early Q1 and late Q4 but lower prices achieved during the summer. The average power price in December 2017 was £53.24 per MWh, compared to £41.05 per MWh during the summer period inclusive of April to September. The average power price achieved across the portfolio during 2017 was £41.99 per MWh. (2016: £37.70 per MWh)

During 2017 European power prices were driven by ongoing concerns around the future of France’s nuclear plants. Wholesale gas prices, a key driver of UK electricity prices, climbed higher after the UK’s main gas storage supply, Centrica’s Rough facility,

closed after decades of use. This followed a summer period when UK gas prices were generally lower than prices in Western Europe. In December 2017, gas prices across Europe jumped after a double blow to key infrastructure following an explosion at a natural gas hub in Baumgarten in Austria and the closure of a pipeline in the North Sea that feeds the UK market. This, combined with December's cold snap across the Continent, caused major concerns around the gas supply, therefore pushing energy prices higher.

### UK POWER PRICE FORECAST

The Investment Manager uses forward looking power price assumptions to assess the likely future income of the portfolio assets for valuation purposes. The Company's assumptions are formed from a blended average of the forecasts provided by third party consultants and are updated on a quarterly basis.

During the year to 31 December 2017, there was a downward movement of c. 9.4% in the medium to long term power price forecast. This was mainly driven by lower anticipated oil and gas prices.

The Investment Manager's forecast for future power prices remains 34.3% below the level at IPO. However, the Company's forecasts continue to assume an increase in power prices in real terms over the medium to long-term of 1.3% per annum (31 December 2016: 1.7%).

Where the assumed asset life extends beyond 2040, the Investment Manager has assumed no real growth in forecast power prices.

### UK POWER PURCHASE AGREEMENTS

PPAs are entered into between each individual solar power asset and offtakers in the UK electricity supply market. Under the PPAs, each asset will sell the entirety of the generated electricity and ROCs to the designated offtaker. The Company's PPA strategy seeks to optimise revenues from the power generated, while keeping the flexibility to manage the portfolio appropriately.

The Company has taken advantage of current attractive forward electricity prices and increased the proportion of fixed price arrangements from 7% (30 June 2017) to 29% of the electricity sales of the UK portfolio as of 31 December 2017. This arrangement is for the period from 1 December 2017 to 31 March 2019 at a weighted-average price of £43.26 /MWh. This provides greater visibility over future cash flows and limits potential price volatilities in the short term.

The Investment Manager is regularly reassessing conditions in the electricity market and updating its view on likely future movements. The Company retains the option to fix the PPAs of its portfolio assets at any time, but the Investment Manager is satisfied that the current proportion of fixed price arrangements offers an appropriate level of price certainty.

### FUNDRAISING

On 3 March 2017, the Company announced a Placing Programme relating to the issue of up to 250 million new Ordinary Shares over a 12-month period. Since the start of this Placing Programme, the Company has issued 109 million new Ordinary Shares.

Date	Placing Price	Shares Issued (million)	Funds Raised
31 December 2016 (cumulative)	-	341.0 Shares	£345.7million
29 March 2017	107.8 pence	72.8 New Shares	£78.5 million
8 November 2017	108.0 pence	36.2 New Shares	£39.0 million
31 December 2017 (cumulative)	—	449.9 Shares	£463.2 million

### THIRD PARTY DEBT ARRANGEMENTS

The Company applies a combination of debt Instruments to optimise the Capital Structure of Its Investments, which include Long Term Debt facilities and short term RCFs. The Company has the flexibility to introduce debt at SPV level and at Holdco level. To date, all the sterling denominated third party debt facilities have been entered at Holdco level, with the Australian portfolio benefiting from third party debt facilities at project level.

### LONG TERM FACILITIES

The current long-term facilities at a subsidiary level are shown in the table below. Macquarie Infrastructure Debt Investment Solutions ("MIDIS") and Abbey National Treasury Services ("Santander") are the providers of these loans.

Long- Term Lender	Tranche	Size	Maturity Dates	Applicable Rate
MIDIS	Fixed-rate, fully amortising	£63m	March 2034	3.78%
MIDIS	Inflation linked, fully amortising	£63m	March 2034	RPI index + 1.08%
Santander	Term Loan, fully amortising	£34m	March 2024	LIBOR + 1.70%

As at 31 December 2017, £152.4 million of the initial total facility amount of £160.0 million was outstanding.

The Term Loan tranche is priced over the London Interbank Offered Rate ("LIBOR") and benefits from an interest rate swap hedging 80% of the outstanding debt during the term of the loan. At 31 December 2017, the average cost of long-term debt was 2.54% per annum (2016: 2.5%).

The terms under which the debt has been secured do not limit the Company's flexibility and have not caused it to compromise on any commercial terms that might be potentially disadvantageous. The Company is fully able to maintain its strategy of retaining exposure to UK power prices through PPAs that do not require mechanisms such as fixed prices or price floors.

## REVOLVING CREDIT FACILITIES

The purpose of the short term credit facilities is to provide additional financial flexibility for future pipeline opportunities. Historically, new equity has always been raised against a defined pipeline of assets or to refinance amounts drawn on the Fund's short-term Revolving Credit Facility ("RCF"). This has avoided blind pool risk and cash drag on investor funds.

On 23 February 2017, a subsidiary of the Company entered into a new £55 million, short-term revolving credit facility with Santander at a favourable rate of LIBOR + 2.00%.

Below is a summary of the Revolving Credit Facilities to date:

Short –Term Lenders	Size	Maturity Dates	Applicable rate
Santander	£40m	March 2019	LIBOR + 2.05%
Santander	£55m	February 2020	LIBOR + 2.00%

The applicable rate of 2.00% represents a decrease of five basis points against the average applicable rate of the revolving facilities refinanced in April 2016.

As of 31 December 2017, £47.9 million of the total RCF was outstanding. The available balance of £47.1 million will be used to fund the Company's Australian assets that are currently under construction and other future opportunities that the Company may identify.

At 31 December 2017 the all-in annualised cost of the short-term facilities was 1.51%. The Investment Manager expects to refinance the remaining balance either through future equity raisings or other long-term refinancing arrangement.

## TERM FACILITIES FOR AUSTRALIAN ASSETS

The Australian Assets will benefit from Australian dollar denominated senior debt facilities at project level provided by the CEFC and the Mitsubishi UFJ Financial Group ("MUFG"). The facilities will be utilised to fund construction costs and will convert to a term loan after commissioning. This facility structure will allow the Company to minimise the equity injection during the construction. In addition, as project level debt is denominated in Australian dollars, this will create a further natural hedge against foreign exchange volatility. The commercial terms of the facilities are set out below:

Project	Lender	Size	Maturity dates	Applicable Base Rate (fixed)	Applicable margin
Bannerton	CEFC	c.A\$98 million	Jun-27	2.95%	Construction: 2.55%; Operations: 2.30% up to year 5, 2.80% thereafter
Longreach	CEFC	c.A\$13.5 million	Mar-22	2.57%	Construction: 1.55%; Operations: 1.40%
Longreach	MUFG	c.A\$13.5 million	Mar-22	3.28%*	Construction: 1.55%; Operations: 1.40%
Oakey 1	CEFC	c.A\$19 million	Mar-22	2.58%	Construction: 1.55%; Operations: 1.40%
Oakey 1	MUFG	c.A\$19 million	Mar-22	3.14%*	Construction: 1.55%; Operations: 1.40%
Oakey 2	CEFC	c.A\$55 million	Oct-22	2.48%	2.25%
* Interest rate swap for 100% of the outstanding debt during the initial five years, 75% from years six to ten and 50% thereafter					

The Bannerton investment vehicle entered a nine-year, fixed-rate, debt facility with the CEFC at the time of acquisition. The facility will have no exposure to changes to the Bank Bill Swap Bid Rate ("BBSY"), the benchmark Interest rate for Australian denominated loans, as the BBSY was fixed at financial close for the term of the facility.

The Longreach and Oakey 1 solar parks have separate debt facilities at financial close from the CEFC and MUFG, in equal tranches. The CEFC facilities have a five-year term and will also have no exposure to BBSY. The MUFG facilities, with an

identical tenor of five years, will be linked to BBSY although interest rate swaps, on a decreasing nominal amount, will be in place for a notional tenor of 20 years.

Oakey 2 has entered a five-year facility with the CEFC at a fixed margin of 2.25%. The facility was entered before the project vehicle entered a PPA contract which resulted in higher margins for this facility. This decision was taken to avoid construction delays.

The Investment Manager foresees opportunities to refinance the Australian portfolio either through individual, project-by-project facilities or through a portfolio facility. Given the increased interest in the Australian renewable sector from local and international lenders, the Investment Manager expects opportunities to refinance with longer term debt facilities in the medium term.

Gearing levels supported by solar projects in Australia also depend on the PPA strategy, with a maximum gearing of 85% achievable for projects with PPAs with a 20 year tenor. The average gearing for the Australian portfolio, once the projects are connected to the grid, is expected to be approximately 55%. As at 31 December 2017, no third party debt has been drawn at project level in Australia.

## GEARING POSITION

As at 31 December 2017, the total outstanding long-term debt was £152.4 million, representing 22% of GAV of the Company and Subsidiaries (2016: £158.3 million).

As at 31 December 2017, the total outstanding debt including RCFs was £200.3 million, representing 29% of GAV (2016: £198.3 million or 36% of GAV.)

The gearing as a percentage of GAV does not include third party debt facilities entered for the Australian portfolio as no amounts were drawn as of 31 December 2017.

## DIVIDENDS

Since the IPO, the Company has met all target dividends. The Company is targeting a full year dividend for the year ending 31 December 2018 of 6.58 pence.

### DIVIDEND TIMETABLE FOR THE YEAR 1 JANUARY 2018 TO 31 DECEMBER 2017

Dividend	Amount	Status	Payment Date
Interim 1	1.58 pence	Paid	25 August 2017
Interim 2	1.58 pence	Paid	24 November 2017
Interim 3	1.58 pence	Approved	23 February 2018
Interim 4	1.58 pence	Approved	25 May 2018
TOTAL	6.32 pence		

The fourth quarterly dividend of 1.58 pence was approved by the Board on 21 February 2018 and will be paid on 25 May 2018.

Dividend Timetable 2017 – Interim 4	
Ex-dividend Date	10 May 2018
Record Date	11 May 2018
Payment Date	25 May 2018

## DIVIDEND COVER

Total dividends of £20.1 million were paid during the year ended 31 December 2017. Against the relevant net cash flows of the Company and underlying investments, these dividends were covered 1.52 times. Only three dividends were paid during the year to December 2017 due to a change in the dividend timetable. Including the fourth dividend related to the period, this would have equated to a dividend cover of 1.12 times.

## FOREIGN EXCHANGE

As a result of its Australian acquisitions, the Company will be exposed to foreign exchange movements in respect of these investments. To reduce the impact of potential currency fluctuations and to minimise the volatility of equity returns and cash flow distributions, the Company will implement a hedging strategy by entering forward contracts for up to two years in an amount equivalent to c.75% of its distributable foreign currency cash flows at project level. Due to the predictable nature of solar irradiation in Australia, and the known dividend payment dates, the Investment Manager believes this hedging solution will protect the cash yields from the Australian projects.

The cost of the equity investments will not benefit from foreign exchange hedging, considering the long-term investment strategy of the Company.



The Company will review the foreign exchange strategy on a semi-annual basis with the objective of limiting the short-term volatility in sterling distributable cash flows caused by foreign exchange fluctuations and of optimising the costs of the hedging instruments.

### ONGOING CHARGES

The ongoing charges ratio for the year to 31 December 2017 is 1.18% (2016: 1.20%). This has been calculated using methodology as recommended by the Association of Investment Companies ("AIC"). Foresight Group LLP charges asset management fees directly to the assets and these are not included within the ongoing charge ratio.

### INVESTMENT PERFORMANCE

The NAV per share for the Company as at 31 December 2017 increased to 107.0 pence compared to 102.9 pence as at 31 December 2016.

### GROSS ASSET VALUE ("GAV")

The GAV of the Company is £482.7 million as at 31 December 2017. The reconciliation below shows the GAV as it would be on a consolidated basis when all third party debt at the intermediate holding level is included. There is no external debt at asset level for the UK assets.

GAV of Company	£482.7m
Less: Valuation of Investment	(£408.5m)
Add: Valuation of underlying solar portfolio	£606.4m
Less: Other net assets of subsidiaries	£0.2m
GAV of Company and Subsidiaries	£680.8m

The GAV does not include third party debt facilities entered for the Australian portfolio as no amounts were drawn as of 31 December 2017.

### MOVEMENTS IN NAV

A breakdown in the movement of the NAV of the Group during the year to 31 December 2017 is shown in the table below.

	NAV	NAV per share
<b>NAV as at 31 Dec-16</b>	<b>350,690,671</b>	<b>102.9p</b>
Dividend paid	(20,061,231)	(4.9)p
Equity raised	115,287,272	0.2p
Interest earned	32,898,879*	8.1p
Management fee	(4,467,273)*	(1.1)p
Finance costs	(6,650,260)*	(1.6)p
Other cost (incl. Corporation Tax)	(4,687,140)*	(1.2)p
Methodology change	7,960,918**	2.0p
Tax	(1,114,195)**	(0.3)p
Inflation	(998,142)**	(0.2)p
Acquisitions	10,717,322**	2.6p
Discount rate	23,841,610**	5.9p
Valuation date	(842,468)**	(0.2)p
Performance ratio	(561,960)**	(0.1)p
Power curve	(31,649,022)**	(7.8)p
Lease extensions	11,267,650**	2.8p
Other movements	(283,884)**	(0.1)p
<b>NAV as at 31 Dec-17</b>	<b>481,348,747**</b>	<b>107.0p</b>

\* Of Company and its subsidiaries

\*\* Movement in the valuation of underlying solar assets

### VALUATION OF THE PORTFOLIO

The Investment Manager is responsible for providing fair market valuations of the Company's underlying assets to the Board of Directors. The Directors review and approve these valuations following appropriate challenge and examination. Valuations are undertaken quarterly. 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, be it economic or technical.

It is the policy of the Investment Manager to value with reference to Discounted Cash Flows (“DCF”) at the later of commissioning or completion. This is partly due to the long periods between agreeing an acquisition price and financial completion of the acquisition. Quite often this delay reflects construction. Revenues accrued do not form part of the DCF calculation when making a fair and proper valuation.

The current portfolio consists of non-market traded investments and valuations are based on a DCF methodology, or held at cost where the assets have not yet reached commissioning. This methodology adheres to both IAS 39 and IFRS 13 accounting standards as well as the International Private Equity and Venture Capital (“IPEV”) Valuation Guidelines.

The Company’s Directors review the operating and financial assumptions, including the discount rates, used in the valuation of the Company’s portfolio and approve them based on the recommendation of the Investment Manager.

#### **DIVIDEND PAID**

The Company paid dividends of £20.1 million during the year.

#### **EQUITY RAISED**

Two Share Placings took place, raising net proceeds of £115.3 million from new and existing investors.

#### **INTEREST EARNED**

The Company and its subsidiaries accrued £32.9 million of investment income during the reporting period. This income represents the majority of distributions from the underlying assets.

#### **COSTS**

Total costs of £15.8 million, which include corporation tax, management fees, finance and other costs, were incurred by the Company and its subsidiaries on a consolidated basis during the year.

#### **METHODOLOGY CHANGE**

Since IPO, the Company has used an equity discount rate approach in its valuation methodology. This was implemented to reflect the initial capital structure, comprising equity and RCFs at fund level. Under this methodology, the NAV was calculated by discounting unlevered project level cash flows with an equity discount rate, deducting outstanding external debt at holding level at face value, and making balance sheet adjustments (dividends paid in the period, finance and management fee deductions) as necessary.

The Company is now adopting a levered equity discount rate for those assets which utilise long term debt facilities and deducting the outstanding long term external debt at holding level at fair value (determined by discounting the debt cash flows with the levered discount rate), with no changes to the balance sheet adjustments. For those assets that are funded by equity or RCF proceeds, the Company will continue to adopt the unlevered equity discount rate.

In the opinion of the Investment Manager this change in methodology provides a more precise valuation of the Company’s portfolio as it takes into consideration the gearing position of the portfolio and the respective tax shield created by the introduction of long term debt into the capital structure, unaccounted for in the previous methodology.

A discount rate premium of 0.75% against the equivalent unlevered equity discount rate has been applied, based on the relatively conservative long-term gearing target of the Company and the cross-collateralisation benefits of the assets included in the existing long-term debt facilities provided by MIDIS and Santander.

This new methodology applies to the first 16 acquisitions owned by FS Holdco 1, the borrower of the long-term debt facilities provided by MIDIS and Santander, which represent c.73% of the UK portfolio.

A levered equity discount rate methodology will be used whenever long-term debt is in place, including the Australian assets currently under construction.

#### **TAX**

The impact of Base Erosion and Profit Shifting (“BEPS”) has been incorporated into the 31 December 2017 NAV. The position was not significantly different to the World-Wide Debt Cap (that BEPS replaced) and the impact on the NAV has been £1.1 million. The impact of the new BEPS legislation is, to a certain extent, reduced by the Company’s new methodology making more efficient use of group losses across the portfolio.

#### **INFLATION**

At 30 June 2016 the Investment Manager increased its medium/long-term inflation assumption from 2.50% to 2.75%. This remains unchanged as at 31 December 2017. This small movement in NAV is a result of rebasing the Investment Manager’s near term assumptions.

#### **ACQUISITIONS**

During the period the Company made three acquisitions of assets located in the UK, resulting in a NAV uplift of £10.7 million

which represents the difference between the acquisition prices paid and the current valuations. The Australian acquisitions are valued at cost and will continue to be held at cost until connection but were updated to reflect the exchange rate at the year end.

## DISCOUNT RATE

The Company has reduced its unlevered equity discount rate to 7.00%.

During the year the Company revised its equity discount rate starting from 7.50% at 31 December 2016 to 7.25% as at 30 June 2017 and to 7.00% as at 31 December 2017. This reduction reflects the increase in the market value of the assets. This reduction to 7% is further supported by the terms of the increasing number of secondary market transactions announced in the UK during the course of 2017 by new entrants to the market, predominantly institutional investors, with more competitive costs of capital.

The Investment Manager regularly reviews the discount rate to ensure it remains in line with any changes to the risk profile of the Company.

## VALUATION DATE

This movement represents the impact of moving from one valuation date to another. Over the life of an asset this movement will reduce the valuation to nil. Short term increases arise from moving towards higher cash yields (and therefore discounting them less).

## PERFORMANCE RATIO ("PR")

The performance ratio assumptions in the valuation models are initially linked to contractually guaranteed performance and the initial technical due diligence findings at the time of acquisition. The long-term assumptions are adjusted on an ongoing basis as more data becomes available, recognising the actual performance ratios experienced across the portfolio on an asset by asset basis. This approach is applied on a quarterly basis to ensure valuation assumptions better reflect the actual performance of the sites. The movements in assumed performance ratios are implemented conservatively at a rate that ensures short term fluctuations do not inflate performance potential. Assumed performance ratios can move up as well as down.

## POWER CURVE

The Investment Manager uses forward looking power price assumptions to assess the likely future income of the portfolio assets for valuation purposes. The Company's assumptions are formed from a blended average of the forecasts provided by third party consultants and are updated on a quarterly basis.

During the year from 1 January 2017 to 31 December 2017 there was a downward movement of c. 9.4% in the medium to long term power price forecast. The Company's forecasts continue to assume an increase in power prices in real terms over the medium to long-term of 1.3% per annum (31 December 2016: 1.7%).

## LEASE EXTENSIONS

The previous DCF methodology used to value the assets assumed a 25-year asset life, with no residual value at the end of this period. This assumption was based on the market standard lease terms for the properties on which the Company's solar assets are located and planning consent periods initially granted by local planning offices.

The Asset Manager has secured lease and planning rights to extend the useful economic life of eight assets in the portfolio by up to an extra ten years beyond this 25-year period. These extensions have now been included in the DCF model.

The cash flows from operations that fall after the initial 25-year period have been discounted at 9.0%, reflecting the merchant risk of the expected cash flows beyond the initial 25-year period.

The average extension to useful economic life across the eight assets is 8.2 years with additional costs incorporated into the extended lives. The weighted life of the UK portfolio is 28.7 years.

For illustration purposes, in addition to incorporating the extensions mentioned above, if the remaining UK assets were to be valued on a 35-year basis from connection, the Company's NAV would increase by a further 2.8 pence. The table below illustrates the impact on NAV of extended asset lives.

NAV (recognising extended life where lease and planning already available; 8 assets)	Alternate NAV (recognising extended life of all other assets)
107.0 pence	109.8 pence

## OTHER MOVEMENTS

This includes other factors behind the valuation movement such as revisions in underlying assumptions regarding operational efficiencies, such as insurance.

## VALUATION SENSITIVITIES

Where possible, assumptions are based on observable market and technical data. In many cases, such as the forward power prices, independent advisors are used to provide reliable and evidenced information enabling the Investment Manager to adopt a

prudent approach. We set out the inputs we have ascertained would have a material effect upon the NAV in note 16 of the financial statements. All sensitivities are calculated independently of each other.

# Australian Solar Market

## AUSTRALIAN MARKET OVERVIEW

Renewable energy output in Australia has grown substantially in the last decade, increasing from only 7% of the national power mix to 19% by July 2017, compared to over 30% in the UK. In particular, momentum has been growing in the solar sector recently, with a record 3.5GW of new large-scale capacity reaching financial close in 2017. The country has historically relied on its coal and gas resources for power and still uses more electricity from fossil fuel than any other source. However, with a high irradiation profile (average levels are approximately twice that of the UK and production seasonality is much lower), regulatory support and falling technology prices, significant further growth is anticipated in the coming years with over 4GW of additional solar plants expected to be installed by 2020.

## RENEWABLE ENERGY POLICY

Since 2001, regulatory support for solar projects in Australia has been available under the Federal Government's Renewable Energy Target ("RET"). The aim of the RET is to source 33,000 GWh of electricity from renewable sources by 2020, representing nearly a quarter of the country's power requirements. There are two main components:

- the Small-scale Renewable Energy Scheme ("SRES"), which encourages the installation of small-scale renewable energy systems such as rooftop solar, solar water heaters, heat pumps and small-scale wind and hydro systems, and
- the Large-scale Renewable Energy Target ("LRET"), which creates a financial incentive for larger renewable energy power stations.

Since 2012, two Government-backed entities, the Australian Renewable Energy Agency ("ARENA") and the Clean Energy Finance Corporation ("CEFC") have supported Australia's transition to a low-emissions economy, providing debt and equity financing for projects. Australia is over halfway to its 2020 target, with sufficient projects in the pipeline to meet the target provided Financial Close is achieved in all cases over the next 12-18 months.

The State governments of Queensland, Victoria, South Australia and Australian Capital Territory have set ambitious renewable energy targets and established reverse auction tenders that are expected to underpin greenfield development of energy sources such as solar, wind, battery storage, pumped hydro and energy from waste. The Victorian Government has renewable energy production targets of 25% by 2020 and 40% by 2025. It has also recently established a reverse auction mechanism to build 650MW worth of new projects, as well launching battery storage projects. Under this scheme Bannerton, the Company's first significant Australian acquisition, benefits from a 10-year fixed price contract with the Victorian Government for the sale of LGCs, having won a tender against considerable competition to supply clean power to the Melbourne tram network.

In tandem with increasing renewable generation capacity, energy storage is also likely to play a key role in the future of the Australian power market. In November 2017, battery pioneer Tesla completed the construction of the world's largest lithium-ion storage facility, in South Australia, connected to the 309MW Hornsdale wind farm. Queensland and Victoria are launching similar initiatives which will enhance network reliability and smooth the integration of renewables into the grid.

## LARGE-SCALE GENERATION CERTIFICATES

Under the LRET, renewable generators receive a Large-Scale Generation Certificate ("LGC") for every 1 MWh of power generated from renewable sources, which is matched by an obligation imposed on energy retailers and large electricity users to source a minimum number of renewable energy certificates. Under current legislation, this scheme will expire in 2030, independently of the date projects connect to the grid.

These certificates can be sold and transferred at a negotiated price, usually to liable entities such as electricity retailers, which are required to surrender a set number of certificates to the Government's Clean Energy Regulator each year. The revenue earned by generators from the sale of LGCs is additional to that received from the sale of electricity.

LGC pricing is subject to fluctuations, determined by supply and demand. Unlike ROCs, the price of which is revised annually by Ofgem, LGCs do not have any inflation linkage. There is a price cap set at A\$93, but no floor. However, prices can be fixed through long term contracts. Often this is done on a bundled PPA basis, specifically electricity plus certificates are delivered at an agreed combined price for a fixed period. Each of Bannerton, Longreach and Oakey 1 have fixed price contracts in place for varying proportions of the proportions of their production with a mix of power only, LGC only and bundled contracts.

LGC revenues are expected to represent 23% of the Company's Australian revenues, until 2030, with the remaining 77% arising from the sale of the electricity generated. This compares to a 60/40 split of ROCs and electricity in the UK.

The spot price of LGCs has recently increased, rising to c.A\$85 by the end of 2017. The shortage of sizeable greenfield renewable energy projects being commissioned (and therefore delivering LGCs to the market) is expected to result in increased LGC spot prices into 2018. However, the increasing pipeline of utility-scale solar projects is expected to result in reduced prices

from 2019, and especially from 2020, by when the Company's third-party forecasters are predicting a 25% decrease as these projects complete.

Against a backdrop of rising power prices and shortages of base load electricity, in early October 2017, the Australian Government made an announcement regarding the future of Australia's energy policy, stating its decision to implement a two-part National Energy Guarantee ("NEG"). The NEG requires energy retailers and large consumers to deliver reliable, affordable, lower emissions energy. It covers:

- A reliability guarantee set to deliver the appropriate level of energy to meet the needs of each state; and
- An emissions guarantee set at a level determined by the Australian Government and enforced by the Australian Energy Regulator.

The NEG will be implemented by the independent Energy Security Board, however it will require the approval of all states operating in the Australia's National Electricity Market ("NEM"); the wholesale electricity market covering eastern and southern Australia, namely Queensland, New South Wales, Victoria, South Australia and Tasmania.) As most states are currently controlled by the opposition Labour Party there may be push-back on aspects of the proposal.

The NEG does not include any proposed changes to the RET, therefore the current projects will continue to be able to create large-scale generation certificates ("LGCs") until the end of 2030. However, little detailed information has been provided on the proposed guarantees, and it is currently difficult to fully understand or quantify the impact of the NEG.

The Investment Manager's view is that the increased uncertainty triggered by the NEG, and the limited information available, will cause a delay in constructing new energy generation.

## **ELECTRICITY MARKET**

Australia's electricity market is generally considered to be competitive and prices are mostly unregulated, with gas and coal costs being the key drivers. Wholesale power prices vary between States and certain parts of Australia have experienced volatility during 2017, linked to severe weather events and the retirement of coal-powered plants. Power prices are typically higher in the summer months of October to March, in part due to the use of air conditioning systems.

Currently prices in the NEM are determined every five minutes and averaged over each half hour period to get a spot price. Generators bid how much electricity they are willing to provide, and at what price, for each five minute interval. Renewable energy generators usually bid in at zero cost to ensure they are able to export at all times that they are generating, and are therefore price takers rather than having an active bidding strategy. The Australian Electricity Market Operator ("AEMO") accepts the bids starting from the lowest price, until sufficient supply has been secured to equal demand in that interval. On 28 November 2017, a rule change was confirmed reducing the settlement period for electricity spot prices from 30 minutes to five minutes, starting in 2021. This aims to enable the power system to operate in a more dynamic way.

Wholesale electricity spot and futures prices have continued to rise, now averaging A\$81/MWh by the end of 2017 across all the Australian states. Elevated electricity prices have changed the investment proposition for renewables, particularly solar which has the lowest construction costs, and many projects are now viable based on electricity revenues alone, without subsidies. Strong average prices are expected to continue in the medium term, primarily driven by the progressive withdrawal of coal-fired power generation capacity, strong wholesale gas prices, extreme weather trends and growing aggregate demand. Once operational, the Company will update its power price forecasts for each asset in Australia on a quarterly basis using forecasts prepared by independent advisers.

The Company's Australian assets will generate a higher proportion of their revenues from electricity sales than those in the UK; 77% of forecast total revenues during the initial 20-year period, compared to c.40% in the UK, with the subsidies comprising the balance in each case. However, the Australian portfolio will benefit from a higher proportion of predictable cash flows as long term, fixed-price Power Purchase Agreements ("PPAs") are available for up to 20 years. This compares favourably to the UK where PPAs are generally only agreed on a three or four-year basis. Three of the Company's assets have already entered into fixed price contracts for up to 20 years and it is the Investment Manager's objective to secure fixed-price offtake contracts for 50% of the Australian portfolio's electricity generation either through long-term contracts or short-medium term contracts with frequent renewal, subject to prevailing market conditions.

Although the Company will continue to focus predominantly in the UK market, we believe the international investments represent an attractive opportunity to increase shareholders' returns with a limited equity exposure to foreign exchange.

The Australian investments which represent c.13% of the total equity invested to date, offer an opportunity to further diversify the portfolio in a market where shareholders may obtain higher returns on a risk-adjusted basis compared to the UK market. The returns are expected to range between 8.5% and 10% depending on the PPA structure in place.

## **Asset Manager's Report**

## PORTFOLIO PERFORMANCE

The Asset Manager is pleased with the significant and sustained improvement of the portfolio's performance over the course of the year.

The performance ratio ("PR") of 12 of the 18 sites, representing 300MW of installed capacity, performed at or above base case during the year. PR is a function of production against actual irradiation levels and is the most accurate way to measure the performance of the Asset Manager.

Significant levels of remedial work and interventions occurred on the remaining sites with all but one asset meeting the expectations of the Asset Manager by the end of the year. Greater detail regarding the sites with specific performance issues can be found below.

Pitworthy (representing 15.6MW) is now the only asset that is not meeting the technical performance expectations of the Asset Manager and work on this solar farm will continue into the spring of 2018.

Although the underperformance in the first half of the year was disappointing, the portfolio has shown a notable improvement in the second half of 2017. The weighted average PR of the portfolio during the second half of the year was 4.1% higher than the first half.

The Liquidated Damages ("LD") received to date are substantially more than the revenue lost over the last 18 months due to ongoing works and underperformance. LD payments are calculated with reference to a 25 year asset life and are received after the end of the two year EPC guarantee period. To date the Company has received financial compensation from EPCs of c. £13 million of which £5.9 million represents LDs. LDs have been accrued across seven sites and £1.3 million has been released from the SPVs to the Company during 2017 and is included in the NAV calculation. The remaining funds will be released once the Asset Manager is confident there is no long term impact on performance. In all cases other than Pitworthy, where further work is necessary before a view can be taken on future production, the Asset Manager is confident that ongoing production levels will be robust, and at least in line with the investment case of the assets. Amounts received in addition to LDs have been spent rectifying EPC defects identified as part of ongoing operations. No additional costs other than amounts received from EPC protections have been spent in rectifying any defects.

### SHOTWICK (72MW)

As disclosed in the 30 June 2017 Interim Report, a transformer failed at Shotwick on 16 March 2017 preventing the site from generating power for a 28 day period. In line with the Asset Manager's strategy of ensuring essential replacements are readily available, the requirement for a spare transformer had been identified prior to acquisition and the equipment was already on order at the time of the failure. Over the last six months no further issues have occurred at Shotwick. Further spare transformers have been procured and are available for use if any such incident occurs again in the future. The Company received c. £0.7 million in compensation following the outage, which covers the losses.

### CASTLE EATON (18MW), HIGH PENN (10MW), HIGHFIELDS (12MW) AND PITWORTHY(16MW)

All four sites acquired from SunEdison are expected to return to full availability and performance very early in 2018 as a result of the extensive remedial works carried out by the O&M contractor Brighter Green Engineering ("BGE").

An extensive programme of work, detailed below, is materially complete across three of the four sites where the Asset Manager is pleased to report that key performance indicators have improved significantly, with these three sites now performing in line with expectations. Pitworthy has sustained more material problems with availability but the Asset Manager is optimistic that these levels will return to normal in Q1 2018 after the remaining works to upgrade inverter modules and combiner boxes have been completed.

Although the works have resulted in a significant improvement in technical performance during the year, in carrying these repairs out, short-term availability and production levels have been reduced. Overall, the performance of the sites was significantly improved during the second half of the year.

During 2017 the following process has been followed at each of the four sites:

- In-depth investigations of the sites were carried out in close collaboration with technical advisors, equipment manufacturers and BGE to identify defects. These resulted in an extensive list of defects that BGE has been working through over the last year. Issues that were identified cover potential health & safety risks, site security and performance-related problems.
- Combiner boxes, which bring together the output of several solar strings, were identified as being unlikely to last the full lifetime of the projects and as susceptible to damage from extreme events such as lightning strikes. A solution was developed with the technical advisor to improve maintenance activities that will ensure the longevity of the combiner boxes and see the installation of additional surge protection devices, which will provide enhanced protection.
- New commercial agreements with the inverter manufacturer and the inverter maintenance provider have helped to improve

performance in recent months, allowing faults to be resolved more efficiently.

After deducting the cost of defect rectification, the Liquidated Damages relating to these projects are in excess of £3.5 million. Revenue lost to date due to poor performance and additional works on site amounts to £0.95 million with no material loss expected in the long term.

#### **SPRIGGS FARM (12MW)**

Following the intervention of the Asset Manager, the site's performance ratio has significantly improved by 27% following completion of the works and the site is now performing consistently above base case.

As reported in the 30 June 2017 Interim Accounts, Spriggs Farm's performance has been negatively impacted by Potential Induced Degradation ("PID") as well as transformer failures, caused by a manufacturing defect, both of which were resolved earlier in the year. A claim has been made against the EPC for both issues, and the proceeds from the Warranty Bond received. This has covered the cost of remedying the defects, as well as legal and technical costs incurred.

The remedial measures to reverse the effect of PID included installing a retrofit solution across the site using anti-PID boxes and negative grounding of each inverter, taking care to comply with all relevant codes in relation to correct signage, site monitoring and alarm notification. Once it has been confirmed that the affected modules have been fully restored, the anti-PID boxes will be removed while the negative grounding will remain in place to ensure that PID is prevented from reoccurring.

#### **PORT FARM (35MW)**

The site's performance ratio fell below the level guaranteed under the EPC contract, leading to liquidated damages of £1.2 million being received. The primary reason for the underperformance was slow response times when dealing with minor failures such as DC fuses and inverters. The site is now under the care of BGE and as such the Asset Manager expects performance to increase significantly.

### **PRODUCTION**

#### **OVERVIEW OF PORTFOLIO PERFORMANCE**

When irradiation levels are normalised production was 2.4% below expectations for the year. Despite the strong technical performance, production levels were 4.6% below expectations during the year, primarily driven by lower than expected irradiation, which was 2.2% below expectations across the year and 3.0% below expectations in the second half of the year.

Annual irradiation forecasts are subject to an approximate 4% standard deviation against long term historical averages across a 12 month period. This means that annual variation of irradiation is typically less than 4%, but occasionally can be more. This can be seen in the table below.

Site	Production (MW hours)	Production Variance	Irradiation Variance
Atherstone	13,612,540	-1.0%	-1.3%
Bournemouth	38,200,595	-3.1%	-5.4%
Castle Eaton	14,838,113	-7.6%	-2.3%
Copley	28,061,345	0.2%	-1.2%
High Penn	7,349,504	-19.1%	-0.7%
Highfields	9,698,482	-14.0%	-4.6%
Hunters Race	10,462,928	-1.3%	-1.8%
Kencot	34,848,893	-2.3%	-3.0%
Landmead	42,777,788	0.4%	1.8%
Membury	15,547,056	-1.5%	-4.0%
Paddock Wood	9,648,177	4.1%	0.9%
Pitworthy	9,180,749	-35.8%	-7.7%
Port Farm	31,502,228	-4.5%	-2.4%
Sandridge	45,885,400	-3.7%	-2.1%
Shotwick	62,011,539	-4.8% <sup>1</sup>	-0.4%
Southam	9,334,974	-3.7%	-3.8%
Spriggs Farm	10,445,092	-12.0%	-4.5%
Wally Corner	1,622,319	-0.6%	-4.1%
Wymeswold	30,741,267	-2.3%	-3.5%

<b>Total</b>	<b>425,768,989</b>	<b>-4.6%</b>	
<b>Weighted Total</b>			<b>-2.2%</b>

1 Adjusted for insurance receipts.

## **EPC CONTRACTS**

Engineering, Procurement & Construction (“EPC”) contracts typically guarantee that the solar projects will meet certain performance ratios during the first two years of operation. If they do not meet the agreed performance ratio, the EPC Contractor will be obliged to pay liquidated damages to cover the performance ratio shortfalls over the two year contract term as well as assumed future shortfalls over a 25 year term on a discounted cash flow basis. Security against such payment obligations usually take the form of either cash retentions or on-demand performance bonds. In addition, the EPC contractor will also be responsible for any component defect that occurs on site during the initial two-year period.

As assets in the portfolio approach the end of the two year EPC warranty period, in preparation for the issuance of a Final Acceptance Certificate (“FAC”), the Asset Manager carries out a rigorous technical audit of the site. During 2017 the Asset Manager continued its established FAC process on all sites that were approaching the end of the EPC Warranty Period and by the end of 2017, all but four assets in the current UK portfolio had reached their FAC date. The technical audit is carried out to identify any defects and ensure construction, planning and all installed equipment are in-line with contractual obligations. The performance data for each site is also assessed in detail as well as specific tests of key pieces of equipment (modules, transformers, cables) to ensure compliance.

The EPC contractor is then notified of any site underperformance and any defects that need to be rectified. The SPVs security (warranty bond/cash retention) is maintained for the period of time from the end of the EPC Warranty period until such a time the defects are all rectified to the Asset Manager’s satisfaction. Where Defects are not corrected accordingly or an agreement cannot be reached, the securities in place can be called upon so that the SPVs can rectify the defects themselves or a settlement agreement can be entered into releasing the EPC of their liability.

## **O&M CONTRACTS**

The SPVs have also entered into Operation and Maintenance (“O&M”) contracts for the provision of preventative and corrective maintenance services. Under the terms of the O&M Contracts, an annual test is carried out on each of the solar power plants which analyses the respective solar power project’s availability to generate power over the previous 12 month period. If the respective solar power project’s availability were to be less than that guaranteed under the O&M Contract, typically 99 per cent., the O&M Contractor will be liable to pay liquidated damages, usually capped per annum to the level of the annual fees paid to the O&M Contractor.

## **O&M CONTRACTS WITH BRIGHTER GREEN ENGINEERING**

Due to the extensive scope of services offered and competitive pricing, Brighter Green Engineering (“BGE”) continues to be the Company’s preferred O&M contractor, taking over sites as inherited O&M contracts expire. As at the date of this report, BGE is the appointed O&M contractor for eleven out of 18 assets in the UK portfolio, which represent 238MW of total installed capacity.

Over the last six months the Company has undertaken a benchmarking exercise. This ensures continued best practice is followed and that the works better reflect the needs of the portfolio. As part of this process new contracts have been agreed with BGE, along with new pricing that will represent a saving of 20% on a like for like basis. The Directors approved the new contracts on 21 February 2018. The revised pricing was incorporated into the valuation as at 31 December 2017.

Each SPV is entering into a separate contract for O&M services, with a minimum term of five years. Total consideration payable by the nine SPVs to BGE under the new contracts will initially be £1.6 million per year. Pricing is linked to the RPI index. Further contracts may be added in the future as EPC contractors typically only provide O&M services for the first two years of a site’s operations.

BGE has ultimate Shareholders in common with Foresight Group although they operate as separate entities and share no common executive personnel. BGE is deemed to be a related party of the Company under LR 15.5.4R as it is a member of the Investment Manager’s group. The Transaction is classed as a smaller related party transaction under Listing Rule 11.1.10R.

## **GRID LIAISON WORK**

Both scheduled and unscheduled grid disconnections impact the portfolio and are considered as an ‘exclusion event’, meaning that the EPC/O&M is not liable for any production loss that is suffered as a consequence. While there is little control over unscheduled grid disconnections due to issues such as storms and equipment failures, the Asset Manager has taken a much more active role in working with the Distribution Network Operators (“DNOs”) to minimise the impact caused by scheduled grid outages.

Scheduled grid outages are those that occur when a DNO carries out work on its network (e.g. upgrades/servicing of equipment). Typically, the DNO will send a notice to the SPV detailing the planned outage, including its expected duration. Once this is



received the Asset Manager contacts the DNO to understand the outage and establish whether the works can be carried out earlier or later in the year with the aim of always avoiding higher irradiation months in the summer. During 2016 and 2017, there have been a number of cases where outages have been successfully re-scheduled using this approach, thus reducing or avoiding a potentially negative impact on revenue.

In addition to this, each DNO hosts an owner/operator forum on a quarterly basis with the aim of understanding the requirements of owners and operators, while also updating them on the processes they have put in place to manage outages. The Asset Manager has been attending these forums for a number of years now, providing the opportunity to discuss outages in more detail and contribute to work on this topic. This also allows the Asset Manager to meet and establish relationships with key contacts within the DNOs. This approach with the DNOs will continue for the foreseeable future to ensure that the impact of grid outages is minimised across the portfolio.

### **AUSTRALIAN CONSTRUCTION ASSETS**

The Asset Manager believes that by investing in Greenfield opportunities in Australia and taking on the construction of these projects, it has been able to source higher quality assets. This also enables the Asset Manager to more effectively manage and monitor the construction process from early on, by negotiating the EPC and O&M agreements and ensure that all construction and budget milestones are being achieved.

The Asset Manager is confident that the Australian assets, currently under construction, will be ready as per the agreed contract terms and construction timetable, however if there are any construction delays the Company has financial protections in place with the EPC contractor via Liquidated Damages to cover any losses caused by delays. Once the sites are operational, the EPC contractors have obligations to rectify any defects that become apparent within the first two years.

As part of the construction management plan, Foresight Group has hired two additional team members in Sydney with technical and project management experience to specifically manage these sites and minimise the risk of delay. Two of the sites will also have technical engineers living on site, monitoring developments and remaining there full time once operational.

### **ASSET MANAGEMENT CONTRACTS**

Foresight Group LLP provides Asset Management Services to the underlying SPVs under direct and individual contracts. Foresight Group LLP is authorised and regulated by the Financial Conduct Authority. The Company is overseen by an experienced and majority independent Board. The Asset Management Services provided ensure the day to day operation of the sites is robust with commercial and strategic decisions dictated to the O&M counterparties. The services also include:

- Oversight of O&M counterparties
- Contractual compliance of all contracts, including enforcement of penalties and damages
- Portfolio optimisation including negotiation of project contracts (insurance, O&M, PPA, import power, security, warranties) , spare part and replacement strategy and technology improvements
- Reporting to debt providers and other debt compliance services
- Accounting, bookkeeping, tax compliance and statutory reporting of all SPVs
- Corporate governance activities including health and safety compliance

On 21 February 2018, the Board approved an updated agreement that better reflects the needs of the SPVs and increases the price charged for those services. The contracts, entered into by each of the SPVs, includes a minimum term of five years and an aggregated initial fee of £0.94 million per year. These increased prices were incorporated into the valuation as at 31 December 2017. Pricing is linked to the RPI index.

Further contracts may be added in the future as new acquisitions are made.

Foresight Group LLP is deemed to be a related party of the Company under LR 15.5.4R as it is a member of the Investment Manager's group. The Transaction is classed as a smaller related party transaction under Listing Rule 11.1.10R.

## **Environmental, Social and Governance Considerations**

### **LAND MANAGEMENT AND ENVIRONMENTAL ENHANCEMENTS**

The 475MW operational UK portfolio produced 426GWh of clean energy during the period. This is the equivalent of:

The Company believes Environmental, Social and Governance ('ESG') considerations play an important part in delivering responsible and sustainable growth for the long term. These factors have been integrated into all stages of the investment process, and are actively supported by all involved, regardless of seniority. With that in mind, the Company has adopted a Responsible Investment Framework to provide a suitable operational framework in matters related to the investment process, such that ESG has become part of the normal day-to-day operations.

### **SIGNATORY OF UNPRI**

Foresight Group is a signatory to the United Nations Principles for Responsible Investment ("UNPRI").

The UNPRI, established in 2006, is a global collaborative network of investors working together to put the six Principles for Responsible Investment into practice. As institutional investors, we have a duty to act in the best long-term interests of our beneficiaries. In this fiduciary role, we believe that ESG issues can affect the performance of investment portfolios (to varying degrees across companies, sectors, regions, asset classes and through time). We also recognise that applying these Principles may better align investors with broader objectives of society. Therefore, where consistent with our fiduciary responsibilities, we commit to the following:

1. We will incorporate ESG issues into investment analysis and decision-making processes.
2. We will be active owners and incorporate ESG issues into our ownership policies and practices.
3. We will seek appropriate disclosure on ESG issues by the entities in which we invest.
4. We will promote acceptance and implementation of the Principles within the investment industry.
5. We will work together to enhance our effectiveness in implementing the Principles.
6. We will report on our activities and progress towards implementing the Principles.

As a signatory for this voluntary framework, Foresight Group submits an annual report to the UNPRI on its responsible investment activities, which is approved by senior management. This allows Foresight Group to demonstrate to stakeholders and the public how we incorporate ESG issues, understand where we sit in relation to local and global peers and to learn and develop our practices year-on-year.

Foresight Group actively collaborates with the investment industry and relevant governmental bodies and regulators through direct conversations and contributing to collective consultation papers on matters affecting the investment process, including ESG.

The Company has been awarded a five star rating by 3D Investing.

Five star funds are the real pioneers in the industry. They are required to demonstrate at least a fair financial performance, excellent transparency, a high social impact and a lack of exposure to ethically controversial companies.

3D Investing provides research and communication services to help investment managers and advisers to deliver a high quality and distinctive service for the socially motivated investor.

**For further details please refer to the website [www.3dinvesting.com](http://www.3dinvesting.com)**

Further to the 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 residents, landowners and local authorities to minimise visual and auditory impact of sites.

The Asset Manager is a working partner of the Solar Trade Association's Large Scale Asset Management Working Group and a signatory to the Solar Farm Land Management Charter. It ensures that solar farms are managed in a manner that maximizes the agricultural, landscaping, biodiversity and wildlife potential, which can also contribute to lowering maintenance costs and enhancing security. As such, the Asset Manager has worked with Kent Wildlife Trust to identify site specific biodiversity enhancements for a number of sites to secure long-term gains for wildlife and ensure that the land and environment are maintained to a high standard. Biodiversity and wildlife enhancements undertaken by the Company include:

- Management of grassland areas within the security fencing to promote wildflower meadows and sustainable sheep grazing;
- Planting and management of hedgerows and associated hedge banks;
- Management of field boundaries between security fencing and hedgerows;
- Sustainable land drainage and pond restoration;
- Installation of insect hotels and reptile hibernacula;
- Installation of boxes for bats, owls and kestrels; and
- Installation of beehives by local beekeepers.

Some solar plants are designed to enable sheep grazing through the installation of protection barriers around electrical equipment, and other plants are investigated for upgrading to ensure that the farmland the solar assets are located on can remain in agricultural production, which is a frequent desire of local communities. Currently our Copley, High Penn, Pitworthy, Bournemouth and Wymeswold solar assets have active sheep grazing by the landowner's livestock, in an effective working partnership with the Company.

## **SOCIAL AND COMMUNITY ENGAGEMENT**

The Asset Manager has actively sought to engage with the local communities around the Company's solar assets and regularly attends parish meetings to encourage community engagement and promote the benefits of the solar assets.

Educational visits have also taken place across the portfolio, including hosting local members of the Institute of Engineering and Technology and students from Loughborough University at the Wymeswold solar plant and hosting students of Warwickshire College at the Southam solar plant.

## **COMMUNITY BENEFITS**

The Company supports community benefit schemes that assist parish councils in developing and maintaining community assets. In 2017, £99k worth of grants were provided to local communities. Projects funded include upgrading recreational facilities and playgrounds and the provision of bus shelters in these rural communities.

## **GOVERNANCE**

The Asset Manager actively reviews the consents of all solar assets to ensure that all solar plants are compliant with the consents and the conditions attached to them and actively engages with local government organisations to ensure ongoing compliance. In addition to ensuring the company is protected from prosecution this also promotes trust with local communities.

## **HEALTH AND SAFETY**

There were no reportable health and safety incidents reported during the year.

Safety, Health, Environmental and Quality ('SHEQ') performance and proportionate risk management are a top priority at all levels for Foresight Group. To further improve the management of SHEQ risks, reinforce best practice and ensure non-compliance with regulations is avoided, the Asset Manager has appointed an independent professionally accredited health and safety consultant who regularly visits the portfolio assets to ensure they not only meet, but exceed, industry and legal standards. The consultant has confirmed that all sites are in compliance with all applicable regulations. Recommendations that have been implemented to help raise standards further including improvements to wiring and safety signage/labelling.

When Foresight Group representatives visit the sites, they ensure that induction procedures are properly undertaken, appropriate clothing is worn and that the site office is properly equipped. They will also provide feedback on site conditions to ensure that assets remain safe and secured. A similar regime is employed for the assets under construction in Australia, where compliance with health and safety standards and regulations are a contractual obligation of those constructing the facilities. Additionally, professionally accredited independent health and safety consultants are employed to review on site construction activity to ensure that staff understand and are complying with health and safety requirements, that staff remain alert to risks and do not sustain accidents or injuries and that non-compliance with regulations is avoided.

## **ESG IMPACT IN AUSTRALIA**

Our selected development and construction partners have been active in including local communities in the progress of the development of the Australian projects and ensuring that the projects are not disruptive to residents or the environment during construction and operation.

The Oakey developments will also be beneficial to local communities in Queensland. The projects will provide local landowners with the opportunity to improve the resilience of their farming operations due to the fact long-term land leasing to solar energy generators supplements their income. In addition, the farm will create 120 construction jobs.

## **POWERING THE MELBOURNE TRAM NETWORK**

The Company's first Australian solar project, Bannerton, has won a tender from the Victorian Government to supply clean power to the Melbourne tram network. Not only is this good from a clean energy perspective as it lowers carbon emissions, it will also be beneficial from a social perspective as it provides low cost travel and will help reduce the number of petrol powered cars on the road.

# **Principal Risks**

Reliance is placed on the internal systems and controls of the Investment Manager and external service providers such as the Administrator to effectively manage risk across the portfolio. Foresight Group has a comprehensive Risk Management Framework in place which is reviewed on a regular basis by the Directors.

A full list of relevant risks can be found in the Company's latest Prospectus issued on 3 March 2017. The Directors consider the following as the principal risks and uncertainties to the Company at this time, and their mitigants.

<b>Major Risk</b>	<b>Summary of Risk</b>	<b>Mitigants</b>
<b>Risks relating to</b>	A decline in the wholesale price of electricity could materially adversely affect the price of electricity	Volatility in the wholesale electricity price can be mitigated by entering hedging agreements against future price

Major Risk	Summary of Risk	Mitigants
<b>the sale of electricity</b>	generated by solar PV assets and thus the Company's business, financial position, results of operations and business prospects.	movements. This can be achieved through a variety of trading strategies including forward sale contracts of electricity and fixed price PPAs. The portfolio currently has PPAs in place into the medium term offering a secure route to market. At 31 December 2017, 29% of the UK portfolio was subject to fixed electricity prices, with the remaining PPAs allowing for electricity prices to be fixed at any point. The Investment Manager regularly reviews wholesale electricity price forecasts and would consider increasing the percentage of fixed whole sale revenues if future movements prices affect the minimum dividend cover targets., The percentage of fixed electricity sales are expected to increase to 36% once the Australian portfolio becomes operational (assuming full 12 months of operations).
<b>Risks relating to regulatory changes to subsidy schemes</b>	The introduction of subsidy scheme changes, either of a retrospective nature or not, could have a material adverse effect on the Company financial position and valuation of the existing portfolio.	Despite recent changes to the UK RO scheme, the grandfathering principle states that existing operational accredited projects will continue to be supported for the duration of their RO eligibility period (20 years from the date of accreditation). Furthermore, while the UK's renewable energy policy has, over the last few years, experienced much development and change the Government has avoided making changes with retrospective character. In addition, the UK Government remains committed to ambitious targets in terms of renewable generation and carbon emission reductions under the Climate Change Act. Australia has set its federal policy to meet its Renewable Energy Target ("RET") for 33,000 GWh by 2020, but it will remain in place until 2030. The Large-scale RET includes legislated annual targets which will require significant investment in new renewable energy generation capacity in coming years. The Investment Manager will continue to monitor any regulatory changes that can potentially affect the renewable market in the UK and Australia.
<b>Risks relating to gearing</b>	The Company's underlying subsidiaries currently have borrowings of approximately £200.3. million. Under the terms of the Facility Agreements, the borrower has agreed to covenants as to its operation and financial conditions. Any failure by the borrower to fulfil obligations under the Facility Agreements (including repayment) may permit the lender to demand repayment of the related loan and to realise its security which may mean the loss of a solar power asset.	Any new debt facilities are thoroughly appraised before they are entered into to ensure they benefit the Shareholders without creating unnecessary risk. Due to conservative gearing targets and sound management it is unlikely that debt covenants would negatively impact our ability to pay dividends, and would indeed be expected to increase dividend coverage. Gearing, calculated as Group borrowings (including any asset level gearing) as a percentage of the Company's Gross Asset Value will not exceed 50 per cent. at the time of drawdown. It is the Board's current intention that long-term gearing (including any long-term, asset level gearing), calculated as Group borrowings (excluding intra-group borrowings and any revolving credit facilities) as a percentage of the Company's Gross Asset Value will not exceed 40 per cent. at the time of drawdown.
<b>Risks relating to RPI</b>	The revenues and expenditure of solar PV assets are frequently partly or wholly subject to indexation, typically with reference to RPI. Additionally, £63.0 million of the Long-Term Debt in place is linked to RPI.	The Investment Manager considers the inflation risk presented by these assets to be minimised through the explicit inflation-linked nature of both operating revenues and costs. On the revenue side, ROC prices are formally linked to RPI and for PPAs the electricity price forms part of the RPI basket of goods. For costs, Operation and Maintenance ("O&M") contract prices and land rents are both linked to inflation and as such there is a natural inflation linkage to costs and revenues.
<b>Risks relating to movements in currency</b>	The Company's investment policy permits the Company to invest up to 25 per cent. of the Gross Asset Value of the Company (calculated at the time of investment) in investments outside the UK. Movements in exchange rates may affect the sterling value of any assets favourably or unfavourably that are denominated in currencies other than sterling. At the year end, the Company had acquired 146MW of assets under construction	Currency hedging will be implemented for investments outside of the UK. In order to reduce the risk of currency fluctuations and to minimise the volatility of equity returns the Company will implement a hedging strategy of entering forward contracts for up to two years in length to hedge the majority of its distributable foreign currency cash flows at project level. The equity invested will not benefit from foreign exchange hedging. In addition, the assets will benefit from Australian dollar denominated senior debt

Major Risk	Summary of Risk	Mitigants
	in Australia.	facilities at project level (c.60 per cent. gearing on average) which will limit the equity exposure to foreign exchange movements.
<b>Risks relating to operation and maintenance contracts</b>	The Company relies on third-party professionals and independent contractors and other companies to provide the required operator and maintenance support services throughout the operating phases of the solar PV assets in the Company's investment portfolio. If such contracted parties are not able to fulfil their contractual obligations, the Company's ability to operate the solar plants could be adversely affected and the Company may be forced to seek recourse against such parties, provide additional resources to complete their work, or to engage other companies to complete their work.	The SPVs have entered into Operation and Maintenance ("O&M") contracts with contractors pursuant to which the contractor provides both preventative and corrective maintenance. Under the terms of the O&M contracts the contractor is typically required to keep the site available 99% of the time during the hours of daylight. Liquidated Damages are due to the SPV should availability fall below the guaranteed level. The Liquidated Damages compensate for all lost revenue but are usually capped at the annual O&M fee. Foresight Group's experience in managing this asset type since 2007 and expertise in identifying strong counterparties further mitigates this risk.
<b>Risk of grid outages</b>	Solar plants are subject to disconnections from the grid from the network operators. These outages are beyond the control of the Asset Manager. The Company's valuation models assume that the projects will be unavailable for a proportion of the time and believe this assumption to be robust over the medium to long term. If there is a grid disconnection for any reason the SPV is unable to recover the cost of the production loss.	Whilst there is little control over unscheduled grid disconnections due to issues such as storms and equipment failure, the Asset Manager has taken a much more active role in working with the Distribution Network Operator ("DNO") to minimise the impact caused by scheduled grid outages.
<b>Risks relating to the construction of solar PV assets</b>	The Company can invest up to 25 per cent. of its GAV in assets under construction. Delays in project construction may result in a reduction in returns caused by a delay in the project generating revenue. Failure in the construction of a plant, for example, faulty components or insufficient structural quality may not be evident at the time of acquisition or during any period during which a warranty claim may be brought against the contractor and may result in loss of value without full or any recourse to insurance or construction warranties.	The Investment Manager ensures that risks are mitigated through the performance bonds and through the use of milestone payments, with funds only being transferred once certain conditions are met. In addition, the construction progress is overseen by the in-house Asset Management team with support from independent technical advisers to ensure the construction milestones are achieved on schedule and in line with the specifications set up in the construction contract.

## Corporate Governance Report

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.

During the year, Peter Dicks acted as a Director of Foresight VCT plc, Foresight 2 VCT plc (dissolved on 27 June 2017, following its merger with Foresight VCT plc), Foresight 3 VCT plc (in members voluntary liquidation, following its merger with Foresight 4 VCT plc) and Foresight 4 VCT plc. Mr Dicks resigned as a Director from the Board of Foresight 4 VCT plc on 22 June 2017. These VCTs invest in high growth, small unquoted UK companies.

Due to the different investment focus of the Company compared to the VCTs, 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 year 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 Investment Manager sets out the matters over which the Investment 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 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 terms of the requirements of the Articles of Association the Directors retire periodically at every third Annual General Meeting after the AGM at which they were elected.

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. However, this will be implemented should the need arise.

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

	<b>Board</b>	<b>Management Engagement &amp; Remuneration</b>	<b>Audit</b>
Alex Ohlsson	16/16	1/1	3/3
Peter Dicks	16/16	1/1	3/3
Chris Ambler	14/16	1/1	3/3

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 these processes are audited on an annual basis.

In terms of allocation, Foresight Group adheres to a formal written policy for allocating new investment opportunities which are overseen by Foresight Group's Investment Committee. Each opportunity is allocated with reference to the net capital available within 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 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 this policy has been operated successfully for many years. Investments are allocated on pari passu terms.

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 Chris Ambler (Chairman), Alex 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 Alex Ohlsson (Chairman), Peter Dicks and Chris 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 Investment 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.

## **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 has 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 year under review and up to the date of approval of the Annual Report and financial statements, and is regularly reviewed by the Board. The process is overseen by the Investment Manager and uses a risk-based approach to internal control 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 confirming 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 objectives 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 in place and 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.

#### **CRIMINAL FINANCES ACT 2017**

The Company has committed to a policy to conduct all of its business in an honest and ethical manner. The Company takes a zero-tolerance approach to facilitation of tax evasion, whether under UK law or under the law of any foreign country.

The Company is committed to acting professionally, fairly and with integrity in all of its business dealings and relationships wherever it operates and implementing and enforcing effective systems to counter tax evasion facilitation.

The Company will uphold all laws relevant to countering tax evasion in all the jurisdictions in which the Company operates, including the Criminal Finances Act 2017.

#### **GOING CONCERN**

The Company's business activities, together with the factors likely to affect its future development, performance and position are set out in this report. The financial position of the Company, its cash flows, liquidity position and borrowing facilities are referred to in the Chairman's Statement, Investment Manager's Report and Notes to the Accounts. In addition, the financial statements include the Company's objectives, policies and processes for managing its capital; its financial risk management objectives; and its exposures to credit risk and liquidity risk.

The Company has sufficient financial resources together with investments and income generated. As a consequence, the Directors believe that the Company is able to manage its business risks.

The Directors have reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.



## **VIABILITY STATEMENT**

In accordance with the UK Corporate Governance Code, the Directors have assessed the viability of the Company over a three year period to December 2020, taking into account the Company's current position and the potential impact of the principal risks and uncertainties set out under Risk Management. Based on this assessment, the Directors confirm that they have a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the period to December 2020.

The Directors have determined that a three year period to 31 December 2020 constitutes an appropriate period over which to provide its viability statement. This is the period focussed on by the Board during the strategic planning process and is considered reasonable for a business of its size and nature. Whilst the Directors have no reason to believe the Company will not be viable over a longer period, it believes this presents users of the Annual Report with a reasonable degree of confidence whilst still providing a longer-term perspective.

In making this statement, the Board carried out a robust assessment of the principal risks facing the Company, including those that would threaten its business model, future performance, solvency or liquidity.

The Board also considers the ability of the Company to raise finance and deploy capital. The results take into account the availability and likely effectiveness of the mitigating actions that could be taken to avoid or reduce the impact or occurrence of the underlying risks.

This review has considered the principal risks which were identified by the Investment Manager. The Board concentrated its effort on the major factors which affect the economic, regulatory and political environment. The Board also paid particular attention to the importance of its close working relationship with the Investment Manager.

As part of this process, the Directors have also considered the viability of the Company should long-term debt be introduced in the near future.

# **Directors' Remuneration Report**

## **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 on 11 June 2018.

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.' (Henry Todd, Lead Audit Engagement Partner).

## **ANNUAL STATEMENT FROM THE CHAIRMAN OF THE MANAGEMENT ENGAGEMENT AND 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: Alex Ohlsson (Chairman), Chris 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 year ended 31 December 2017 were agreed in 2016. 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 16 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.

The above remuneration policy was approved by the Shareholders at the Annual General Meeting held on 11 June 2017 for the financial year to 31 December 2017 and will apply in 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 year 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 year under review. No other remuneration was paid or payable by the Company during the current year 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.

	Anticipated Directors' fees for the year ending 31 December 2018	Audited Directors' fees for year ended 31 December 2017
Alex Ohlsson (Chairman)	£70,000	£65,000
Chris Ambler	£55,000	£50,000
Peter Dicks	£45,000	£40,000

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 2017 are shown below. There were no changes in the interests shown as at 31 December 2016. The Directors do not have any options over shares.

	Ordinary shares of nil par value held on 31 December 2017
Alex Ohlsson (Chairman)	25,000 <sup>1</sup>
Chris Ambler	9,280
Peter Dicks	51,433

<sup>1</sup> Shares legally and beneficially owned by a personal pension company.

#### APPROVAL OF REPORT

The Board will propose a resolution at the forthcoming AGM that the remuneration of the Directors will be at the levels shown above for the year to 31 December 2018.

## Audit Committee Report

#### AUDIT COMMITTEE REPORT

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

Meetings are scheduled to coincide with the reporting cycle of the Company and the Committee has met three times in the year 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 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 principal key areas of risk in relation to the business activities and financial statements of the company:

- Valuation 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 OF UNQUOTED INVESTMENTS**

The unquoted investment is a 100% controlling interest in Foresight Solar (UK Hold Co) Limited ("UK Hold Co"), a non-consolidated subsidiary company which is measured at fair value. The majority of UK Hold Co's total assets (by value) are in companies where no quoted market price is available. 100% controlling interests are held in these companies, being FS Holdco Limited ("FS Holdco"), FS Holdco 2 Limited ("FS Holdco 2"), FS Holdco 3 Limited ("FS Holdco 3") and FS Holdco 4 Limited ("FS Holdco 4"). FS Holdco 2 also has a 100% controlling interest investment in FS Debtco Limited ("FS Debtco"). These are all non-consolidated subsidiary companies which are also measured at fair value, established by using the fair value of the net assets of FS Holdco, FS Holdco 2, FS Holdco 3, FS Holdco 4 and FS Debtco.

The majority of FS Holdco's, FS Debtco's and FS Holdco 4's total assets (by value) are held in investments where no quoted market price is available. FS Holdco's and FS Debtco's assets are valued by using discounted cash flow measurements. FS Holdco 4's assets were held at cost at 31 December 2017. These valuations of underlying investments are seen to be areas of inherent risk and judgement. There is an inherent risk of the Investment Manager unfairly valuing the investment due to the Investment Manager's 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 2 of the accounts. These were then further reviewed by the Audit Committee. The Investment Manager confirmed to the Audit Committee that the underlying investment valuations had been calculated consistently throughout the year 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 detailed in note 17 of the financial statements. The Investment Manager has provided sensitivities around those assumptions which are also detailed in note 17.

The Investment Manager 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. KPMG LLP has audited the Company since 2014. A new Audit Director was appointed in November 2017, and the 2017 financials will be first year that the Audit Director has been in place. No tender for the audit of the Company has been undertaken since 2014. 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, their 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**

**For the year 1 January 2017 to 31 December 2017**

The Directors are responsible for preparing the Financial Statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare Financial Statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union ("EU").

Under company law the Directors must not approve the Financial Statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these Financial Statements, the Directors are required to:

- Select suitable accounting policies and then apply them consistently;
- Make judgements and estimates that are reasonable and prudent;

- State whether applicable IFRS Accounting Standards have been followed, subject to any material departures disclosed and explained in the Financial Statements; and
- Prepare the Financial Statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the Financial Statements comply with the Companies (Jersey) Law 1991. They 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.

Under applicable law and regulations, the Directors are also responsible for preparing a Corporate Governance Statement that complies with that law and those regulations.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website (which is delegated to Foresight Group and incorporated into their website).

We confirm that to the best of our knowledge:

- the Financial Statements, prepared in accordance with the applicable set of accounting standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company;
- the Annual Report gives a true and fair view of the development and performance of the business and the position of the Company together with a description of the principal risks and uncertainties that the Company faces; and
- the Report and Financial Statements, taken as a whole, are fair, balanced, and understandable and provide the necessary information for the shareholders to assess the Company's performance, business model and strategy.

For and behalf of the Board

**Alexander Ohlsson**

Chairman

21 February 2018

## UK Asset Summaries

<b>Wymeswold, Leicestershire</b>
<b>Ownership</b> 100%
<b>ROCs</b> 2.0/1.4
<b>Acquisition Date</b> November '13 / March '15 <b>Solar Panels</b> 142,000 <b>Technology</b> Polycrystalline Silicon <b>Panel Supplier</b> Trina Solar; Suntech Power <b>EPC Party</b> Lark Energy <b>O&amp;M Counterparty</b> Brighter Green Engineering <b>Inverter Supplier</b> LTi REEnergy <b>Grid Operator</b> Western Power Distribution

<b>Castle Eaton, Wiltshire</b>
<b>Ownership</b> 100%
<b>ROCs</b> 1.6
<b>Acquisition Date</b> June '14 <b>Solar Panels</b> 60,000 <b>Technology</b> Polycrystalline Silicon

<b>Panel Supplier</b> Canadian Solar <b>EPC Party</b> SunEdison <b>O&amp;M Counterparty</b> Brighter Green Engineering <b>Inverter Supplier</b> Bonfiglioli <b>Grid Operator</b> Southern Electric Power
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<b>Highfields, Essex</b>
<b>Ownership</b> 100%
<b>ROCs</b> 1.6
<b>Acquisition Date</b> June '14 <b>Solar Panels</b> 38,000 <b>Technology</b> Monocrystalline <b>Panel Supplier</b> SunEdison <b>EPC Party</b> SunEdison <b>O&amp;M Counterparty</b> Brighter Green Engineering <b>Inverter Supplier</b> Ingeteam <b>Grid Operator</b> UK Power Networks

<b>High Penn, Wiltshire</b>
<b>Ownership</b> 100%
<b>ROCs</b> 1.6
<b>Acquisition Date</b> June '14 <b>Solar Panels</b> 30,000 <b>Technology</b> Monocrystalline <b>Panel Supplier</b> SunEdison <b>EPC Party</b> SunEdison <b>O&amp;M Counterparty</b> Brighter Green Engineering <b>Inverter Supplier</b> Bonfiglioli <b>Grid Operator</b> SSE Power Distribution UK Power Networks

<b>Pitworthy, North Devon</b>
<b>Ownership</b> 100%
<b>ROCs</b> 1.4
<b>Acquisition Date</b> June '14 <b>Solar Panels</b> 48,000 <b>Technology</b> Monocrystalline <b>Panel Supplier</b> SunEdison <b>EPC Party</b> SunEdison <b>O&amp;M Counterparty</b> Brighter Green Engineering <b>Inverter Supplier</b> Bonfiglioli <b>Grid Operator</b> Western Power Distribution

<b>Hunters Race, West Sussex</b>
<b>Ownership</b> 100%

**ROCs 1.4****Acquisition Date** September '14**Solar Panels** 41,000**Technology** Polycrystalline Silicon**Panel Supplier** Hareon Solar**EPC Party** Hareon Solar**O&M Counterparty**

Brighter Green Engineering

**Inverter Supplier** Power One**Grid Operator**

SSE Power Distribution

**Spriggs Farm, Essex****Ownership** 100%**ROCs** 1.6**Acquisition Date** November '14**Solar Panels** 50,000**Technology** Polycrystalline Silicon**Panel Supplier** Talesun**EPC Party** Bester Generation**O&M Counterparty**

Brighter Green Engineering

**Inverter Supplier** Green Power Tech**Grid Operator**

UK Power Networks

**Bournemouth, Dorset****Ownership** 100%**ROCs** 1.4**Acquisition Date** December '14**Solar Panels** 146,000**Technology** Polycrystalline Silicon**Panel Supplier** REC**EPC Party** Goldbeck**O&M Counterparty**

Brighter Green Engineering

**Inverter Supplier** SMA**Grid Operator**

SSE Power Distribution

**Landmead, Oxfordshire****Ownership** 100%**ROCs** 1.4**Acquisition Date** December '14**Solar Panels** 483,000**Technology** Thin film**Panel Supplier** First Solar**EPC Party** Belectric**O&M Counterparty** Belectric**Inverter Supplier**

GE Power Conversion

**Grid Operator**

SSE Power Distribution

**Kencot, Oxfordshire**

**Ownership** 100%  
**ROCs** 1.4  
**Acquisition Date** March '15  
**Solar Panels** 144,000  
**Technology** Polycrystalline Silicon  
**Panel Supplier** Astronergy  
**EPC Party** Conergy  
**O&M Counterparty**  
Brighter Green Engineering  
**Inverter Supplier** SMA  
**Grid Operator**  
Southern Electric Power

**Copley, Lincolnshire**

**Ownership** 100%  
**ROCs** 1.3  
**Acquisition Date** June '15  
**Solar Panels** 115,000  
**Technology** Polycrystalline Silicon  
**Panel Supplier** Renesola  
**EPC Party** Cofely Fabricom N.V./S.A  
**O&M Counterparty**  
Cofely Fabricom N.V./S.A  
**Inverter Supplier** SMA  
**Grid Operator**  
Western Power Distribution

**Atherstone, Warwickshire**

**Ownership** 100%  
**ROCs** 1.4  
**Acquisition Date** July '15  
**Solar Panels** 154,000  
**Technology** Thin film  
**Panel Supplier** First Solar  
**EPC Party** Belectric  
**O&M Counterparty** Belectric  
**Inverter Supplier** SMA  
**Grid Operator**  
Western Power Distribution

**Paddock Wood, Kent**

**Ownership** 100%

**ROCs** 1.4  
**Acquisition Date** July '15  
**Solar Panels** 97,000  
**Technology** Thin film  
**Panel Supplier** First Solar  
**EPC Party** Belectric  
**O&M Counterparty** Belectric  
**Inverter Supplier** SMA  
**Grid Operator**  
UK Power Networks

**Southam, Warwickshire****Ownership** 100%**ROCs** 1.4**Acquisition Date** July '15**Solar Panels** 103,000**Technology** Thin film**Panel Supplier** First Solar**EPC Party** Belectric**O&M Counterparty** Belectric**Inverter Supplier** SMA**Grid Operator**

Western Power Distribution

**Port Farm, Wiltshire****Ownership** 100%**ROCs** 1.4**Acquisition Date** August '15**Solar Panels** 136,000**Technology** Polycrystalline Silicon**Panel Supplier** ReneSola**EPC Party** Renesola UK Limited**O&M Counterparty**

Renesola UK Limited

**Inverter Supplier** Schneider Electric**Grid Operator**

SSE

**Membury, Berkshire****Ownership** 100%**ROCs** 1.4**Acquisition Date** September '15**Solar Panels** 63,000**Technology** Polycrystalline Silicon**Panel Supplier** ReneSola**EPC Party** Renesola UK Limited**O&M Counterparty**

Renesola UK Limited

**Inverter Supplier** ABB**Grid Operator**

SSE

**Shotwick, Flintshire****Ownership** 100%**ROCs** 1.3**Acquisition Date** February '17**Solar Panels** 228,000**Technology** Polycrystalline Silicon**Panel Supplier** Jetion**EPC Party** China Triumph International  
Engineering

Corporation ("CTIEC")

**O&M Counterparty** CTIEC**Inverter Supplier** SMA**Grid Operator**

Scottish Power



<b>Sandridge, Wiltshire</b>
<b>Ownership</b> 100% <b>ROCs</b> 1.3 <b>Acquisition Date</b> February '17 <b>Solar Panels</b> 192,000 <b>Technology</b> Polycrystalline Silicon <b>Panel Supplier</b> Canadian Solar Inc: S-Energy <b>EPC Party</b> Goldbeck <b>O&amp;M Counterparty</b> Goldbeck <b>Inverter Supplier</b> Schneider Electric <b>Grid Operator</b> SSE

<b>Wally Corner,</b> South Oxfordshire
<b>Ownership</b> 100% <b>ROCs</b> 1.2 <b>Acquisition Date</b> July '17 <b>Solar Panels</b> 18,000 <b>Technology</b> Polycrystalline Silicon <b>Panel Supplier</b> Hanwa Q Cells <b>EPC Party</b> Ethical Power <b>O&amp;M Counterparty</b> Ethical Power <b>Inverter Supplier</b> SMA <b>Grid Operator</b> Southern Electric Power Distribution (SSE)

## Australia Asset Summaries

<b>Bannerton, Victoria</b>
<b>Ownership</b> 48.5%
<b>Subsidy mechanism</b> LGC
<b>Aquisition Date</b> September '17 <b>Solar Panels</b> 319,000 <b>Technology</b> Monocrystalline Silicon panels <b>Panel Supplier</b> Hanwha Q-Cells <b>EPC contractor</b> UGL Engineering <b>O&amp;M contractor</b> UGL Engineering <b>Inverter Supplier</b> SMA <b>Grid Operator</b> Powercor

<b>Longreach, Queensland</b>
<b>Ownership</b> 49.0%
<b>Subsidy mechanism</b> LGC

<b>Aquisition Date</b>	October '17
<b>Solar Panels</b>	51,000
<b>Technology</b>	Monocrystalline Silicon panels
<b>Panel Supplier</b>	Canadian Solar
<b>EPC contractor</b>	RCR
<b>O&amp;M contractor</b>	RCR
<b>Inverter Supplier</b>	SMA
<b>Grid Operator</b>	Ergon Energy

<b>Oakey 1, Queensland</b>	
<b>Ownership</b>	49.0%
<b>Subsidy mechanism</b>	LGC
<b>Aquisition Date</b>	October '17
<b>Solar Panels</b>	88,200
<b>Technology</b>	Monocrystalline Silicon panels
<b>Panel Supplier</b>	Canadian Solar
<b>EPC contractor</b>	RCR
<b>O&amp;M contractor</b>	RCR
<b>Inverter Supplier</b>	SMA
<b>Grid Operator</b>	Ergon Energy

<b>Oakey 2, Queensland</b>	
<b>Ownership</b>	100%
<b>Subsidy mechanism</b>	LGC
<b>Aquisition Date</b>	October '17
<b>Solar Panels</b>	206,000
<b>Technology</b>	Monocrystalline Silicon panels
<b>Panel Supplier</b>	Canadian Solar
<b>EPC contractor</b>	Canadian Solar
<b>O&amp;M contractor</b>	Canadian Solar
<b>Inverter Supplier</b>	SMA
<b>Grid Operator</b>	Ergon Energy

# Independent Auditor's Report

to the members of Foresight Solar Fund Limited

## 1. OUR OPINION IS UNMODIFIED

We have audited the financial statements of Foresight Solar Fund Limited ("the Company") for the year ended 31 December 2017

which comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Equity, the Statement of Cash Flows and the related notes, including the accounting policies in note 2.

#### In our opinion the financial statements:

- give a true and fair view of the state of Company's affairs as at 31 December 2017 and of its profit for the year 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.

#### BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) ("ISAs (UK&I)") and applicable law. Our responsibilities are described below. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion. Our audit opinion is consistent with our report to the audit committee.

We were appointed as auditor by the directors on 11 February 2015. The period of total uninterrupted engagement is for the 4 financial years ended 31 December 2017. We have fulfilled our ethical responsibilities under, and we remain independent of the Company in accordance with UK ethical requirements including the FRC Ethical Standard as applied to listed public interest entities. No non-audit services prohibited by that standard were provided.

Overview		
<b>Materiality:</b> financial statements as a whole		£4.6m (2016: £3.5m) 0.9% (2016: 1%) of Total Assets
Interest income		£0.4m (2016: £0.3m)
Risks of material misstatement		vs 2016
<b>Recurring risks</b>	Valuation of Unquoted Investments	< >

## 2. KEY AUDIT MATTERS: OUR ASSESSMENT OF RISKS OF MATERIAL MISSTATEMENT

Key audit matters are those matters that, in our professional judgement, were of most significance in the audit of the financial statements and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by us, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. We summarise on the next page the key audit matter unchanged from 2016, in arriving at our above audit opinion, together with our key audit procedures to address those matters and, as required for public interest entities, our results from those procedures. These matters were addressed, and our results are based on procedures undertaken, in the context of, and solely for the purpose of, our audit of the financial statements as a whole, and in forming our opinion thereon, and consequently are incidental to that opinion, and we do not provide a separate opinion on these matters.

	The risk	Our response
<b>Investments</b> £408.5 million; (2016: £273.6m)  <i>Refer to page 50 (Audit Committee Report), page 77-78 (accounting policy) and page 82-90 (financial disclosures).</i>	<b>Valuation of Unlisted Investments</b>  85% (2016: 78%) of the company's total assets (by value) is held in investments where no quoted market price is available.  The unquoted investment is a 100% controlling interest in Foresight Solar (UK Hold Co) Limited ("UK Hold Co"), a non-consolidated subsidiary company which is measured at fair value, being the net assets of UK Hold Co.  85% (2016: 87%) of UK Hold Co's total assets (by value) are held in investments where no quoted market price is available. The unquoted investments are 100% controlling interests in FS Holdco Limited ("FS Holdco"), FS Holdco 2 Limited ("FS Holdco 2"), FS Holdco 3 Limited ("FS Holdco 3") and FS Holdco 4 Limited ("FS Holdco 4"). These are measured at fair value, being the fair value of the net assets of FS Holdco, FS Holdco 2, FS Holdco 3 and FS Holdco 4.	Our procedures included:  <b>Control design:</b> Documenting and assessing the design and implementation of the investment valuation processes and controls;  <b>Control observation:</b> Attending the year end Audit Committee meeting where we assessed the effectiveness of the Audit Committee's challenge and approval of unlisted investment valuations;  <b>Methodology choice:</b> In the context of observed industry best practice and the provisions of the International Private Equity and Venture Capital Valuation Guidelines, we challenged the appropriateness of the valuation basis selected;  <b>Our valuations experience:</b> With the assistance of our own valuation specialists, challenging the Investment Manager on key judgements affecting investee company valuations, such as discount factors and the useful economic life of the assets. We compared key underlying financial data inputs to external sources, investee company audited accounts and management information as

	<p>65% of FS Holdco 2's total assets (by value) is held in an investment where no quoted market price is available. The unquoted investment is a 100% controlling interest in FS Debtco Limited ("FS Debtco"). This is measured at fair value, being the net assets of FS Debtco.</p> <p>70% of FS Holdco's, 100% of FS Holdco 4's and 74% of FS Debtco's total assets (by value) are held in investments where no quoted market price is available. These are measured at fair value using discounted cash flow measurements or the price of a recent transaction.</p> <p>Fair value is established in accordance with the International Private Equity and Venture Capital Valuation Guidelines.</p> <p>There is a significant risk over the valuation of the underlying investments [directly held by FS Holdco, FS Holdco 4 and FS Debtco] and that is the key judgemental area that our audit focused on.</p>	<p>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 occurred subsequent to the year end up until the date of this audit report;</p> <p><b>Comparing valuations:</b> Where a recent transaction has been used to value any holding, we obtained an understanding of the circumstances surrounding those transactions and whether it was considered to be on an arms-length basis and suitable as an input into a valuation; and</p> <p><b>Assessing transparency:</b> Consideration of the appropriateness, in accordance with relevant accounting standards, of the disclosures in respect of unquoted investments and the effect of changing one or more inputs to reasonable possible alternative valuation assumptions.</p> <p><b>Our results</b> We found the Company's valuation of unquoted investments to be acceptable.</p>
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### 3. OUR APPLICATION OF MATERIALITY AND AN OVERVIEW OF THE SCOPE OF OUR AUDIT

Materiality for the financial statements as a whole was set at £4.6m (2016: £3.50m), determined with reference to a benchmark of Total Assets, of which it represents 0.9% (2016: 1%).

In addition, we applied materiality of £0.40m (2016: £0.30m) to interest income from investments for which we believe misstatements of lesser amounts than materiality for the financial statements as a whole could reasonably be expected to influence the Company's members' assessment of the financial performance of the Company.

We agreed to report to the Audit Committee any uncorrected identified misstatements exceeding £230,000 (2016: £175,000), in addition to other identified misstatements that warranted reporting on qualitative grounds.

Our audit of the company was undertaken to the materiality level specified above and was performed at the office of the Manager in London.

### 4. WE HAVE NOTHING TO REPORT ON GOING CONCERN

We are required to report to you if:

- we have anything material to add or draw attention to in relation to the directors' statement in note 2 to the financial statements on the use of the going concern basis of accounting with no material uncertainties that may cast significant doubt over the Company's use of that basis for a period of at least twelve months from the date of approval of the financial statements; or
- the related statement under the Listing Rules set out on page 48 of the annual report is materially inconsistent with our audit knowledge

We have nothing to report in these respects.

### 5. WE HAVE NOTHING TO REPORT ON THE OTHER INFORMATION IN THE ANNUAL REPORT

The directors are responsible for the other information presented in the Annual Report together with the financial statements. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except as explicitly stated below, any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work we have not identified material misstatements in the other information.

## **Disclosures of principal risks and longer-term viability**

Based on the knowledge we acquired during our financial statements audit, we have nothing material to add or draw attention to in relation to:

- the Directors' confirmation within the viability statement on page 48 of the annual report that they have carried out a robust assessment of the principal risks facing the Company, including those that would threaten its business model, future performance, solvency and liquidity;
- the Principal Risks and Uncertainties disclosures describing these risks and explaining how they are being managed and mitigated; and
- the directors' explanation in the name of viability statement of how they have assessed the prospects of the Company, over what period they have done so and why they considered that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

Under the Listing Rules we are required to review the viability statement. We have nothing to report in this respect.

## **Corporate governance disclosures**

We are required to report to you if:

- we have identified material inconsistencies between the knowledge we acquired during our financial statements audit and the directors' statement that they consider that the annual report and financial statements taken as a whole are fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's position and performance, business model and strategy; or
- the section of the annual report describing the work of the Audit Committee does not appropriately address matters communicated by us to the Audit Committee.
- a corporate governance report has not been prepared by the company.

We are required to report to you if the Corporate Governance Report does not properly disclose a departure from the eleven provisions of the UK Corporate Governance Code specified by the Listing Rules for our review.

We have nothing to report in these respects.

Based solely on our work on the other information described above:

- with respect to the Corporate Governance Report disclosures about internal control and risk management systems in relation to financial reporting processes and about share capital structures:
  - we have not identified material misstatements therein; and
  - the information therein is consistent with the financial statements; and
- in our opinion, the Corporate Governance Report has been prepared in accordance with relevant rules of the Disclosure Guidance and Transparency Rules of the Financial Conduct Authority.

## **6. WE HAVE NOTHING TO REPORT ON THE OTHER MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION**

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

We have nothing to report in these respects.

## **7. RESPECTIVE RESPONSIBILITIES**

### **Directors' responsibilities**

As explained more fully in their statement set out on page 51 of the annual report, the directors are responsible for: the preparation of the financial statements including being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

## Auditor's responsibilities

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or other irregularities (see below), or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK&I) will always detect a material misstatement when it exists. Misstatements can arise from fraud, other irregularities or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of the scope of an audit of financial statements is provided on our website at [www.kpmg.com/uk/auditscopeother2014](http://www.kpmg.com/uk/auditscopeother2014).

## 8. 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.

**Henry Todd**

**Senior Statutory Auditor**

**for and on behalf of KPMG LLP, Statutory Auditor**

*Chartered Accountants*

15 Canada Square

London

E14 5GL

21 February 2018

# Statement of Comprehensive Income

For the year ended 31 December 2017

	Notes	31 December 2017 £'000	31 December 2016 £'000
<b>Revenue</b>			
Interest income	4	35,421	29,462
Gain on investments at fair value through profit or loss	14	4,650	4,775
		<b>40,071</b>	<b>34,237</b>
<b>Expenditure</b>			
Management fees	5	(4,277)	(3,054)
Administration and accountancy expenses	6	(212)	(228)
Directors' fees	7	(155)	(140)
Other expenses	8	(340)	(76)
<b>Total expenditure</b>		<b>(4,984)</b>	<b>(3,498)</b>
<b>Profit before tax for the year</b>		<b>35,087</b>	<b>30,739</b>
Taxation		-	-
<b>Profit and total comprehensive income for the year</b>		<b>35,087</b>	<b>30,739</b>
<b>Earnings per Ordinary Share (pence per Share)</b>	9	<b>8.80</b>	<b>10.38</b>

All items above arise from continuing operations, there have been no discontinued operations during the year.

# Statement of Financial Position

As at 31 December 2017

	Notes	31 December 2017 £'000	31 December 2016 £'000
<b>Assets</b>			
<b>Non-current assets</b>			
Investments held at fair value through profit or loss	14	408,464	273,614
<b>Total non-current assets</b>		<b>408,464</b>	<b>273,614</b>
<b>Current assets</b>			
Interest receivable	10	57,626	33,044
Trade and other receivables	11	1,933	4,847
Cash and cash equivalents	12	14,669	39,381
<b>Total current assets</b>		<b>74,228</b>	<b>77,272</b>
<b>Total assets</b>		<b>482,692</b>	<b>350,886</b>
<b>Equity</b>			
Retained earnings		26,793	11,767
Stated capital	18	454,515	339,003
<b>Total equity</b>		<b>481,308</b>	<b>350,770</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables	13	1,384	116
<b>Total current liabilities</b>		<b>1,384</b>	<b>116</b>
<b>Total liabilities</b>		<b>1,384</b>	<b>116</b>
<b>Total equity and liabilities</b>		<b>482,692</b>	<b>350,886</b>
<b>Net Asset Value per Ordinary Share</b>	19	<b>107.0</b>	<b>102.9</b>

The Financial Statements were approved by the Board of Directors and signed on its behalf on 21 February 2018 by:

**Alexander Ohlsson**  
Chairman

The accompanying notes form an integral part of these Financial Statements.

## Statement of Changes in Equity

**For the year ended 31 December 2017**

	Notes	Stated Capital £'000	Retained Earnings £'000	Total £'000
<b>Balance as at 1 January 2017</b>		<b>339,003</b>	<b>11,767</b>	<b>350,770</b>
Total comprehensive income for the year:				
Profit for the year		-	<b>35,087</b>	<b>35,087</b>
Transactions with owners, recognised directly in equity:				
Dividends paid in the period	22	-	<b>(20,061)</b>	<b>(20,061)</b>
Issue of Ordinary Shares	18	<b>117,539</b>	-	<b>117,539</b>
Capitalised issue costs	18	<b>(2,027)</b>	-	<b>(2,027)</b>
<b>Balance as at 31 December 2017</b>		<b>454,515</b>	<b>26,793</b>	<b>481,308</b>

For the period 1 January 2016 to 31 December 2016:

	Notes	Stated Capital £'000	Retained Earnings £'000	Total £'000
Balance as at 1 January 2016:		279,403	(297)	279,106
Total comprehensive income for the year:				
Profit for the year		-	30,739	30,739
Transactions with owners, recognised directly in equity:				
Dividends paid in the year	22	-	(18,675)	(18,675)
Issue of Ordinary Shares	18	60,781	-	60,781
Capitalised issue costs	18	(1,181)	-	(1,181)
Balance as at 31 December 2016		339,003	11,767	350,770

The accompanying notes form an integral part of these Financial Statements.

## Statement of Cash Flows

**For the year ended 31 December 2017**

	31 December 2017 £'000	31 December 2016 £'000
<b>Profit for the year before tax from continuing operations</b>	<b>35,087</b>	30,739
Adjustments for:		
Unrealised gain on investments	<b>(4,650)</b>	(4,775)
<b>Operating cash flows</b>	<b>30,437</b>	25,964
Increase in interest receivable	<b>(24,582)</b>	(28,398)
Decrease in trade and other receivables	<b>2,914</b>	7,305



Increase/(decrease) in trade and other payables	1,268	(160)
<b>Net cash inflow from operating activities</b>	<b>10,037</b>	<b>4,711</b>
<b>Investing activities</b>		
Increase in loan notes to subsidiary	-	(34,000)
(Increase)/decrease in shareholder loan to subsidiary	(130,200)	14,821
<b>Net cash outflow from investing activities</b>	<b>(130,200)</b>	<b>(19,179)</b>
<b>Financing activities</b>		
Dividends paid	(20,061)	(18,675)
Issue costs paid	(2,027)	(1,181)
Proceeds from issue of shares	117,539	60,781
<b>Net cash inflow from financing activities</b>	<b>95,451</b>	<b>40,925</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>	<b>(24,712)</b>	<b>26,457</b>
Cash and cash equivalents at the beginning of the year	39,381	12,924
<b>Cash and cash equivalents at the end of the year</b>	<b>14,669</b>	<b>39,381</b>

The accompanying notes form an integral part of these Financial Statements.

## Notes to the Financial Statements

### FOR THE YEAR ENDED 31 DECEMBER 2017

#### 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: 28 Esplanade, St Helier, Jersey, JE4 2QP.

The Company has one investment, Foresight Solar (UK Hold Co) Limited ("UK Hold Co"). Up to 31 March 2016, UK Hold Co invested in further holding companies (the "SPVs") which then invested in the underlying solar investments. On 11 January 2016, UK Hold Co incorporated a subsidiary, FS Holdco Limited ("FS Holdco"). On 31 March 2016, UK Hold Co transferred all equity investments and related shareholder loans in the SPVs to FS Holdco in return for 16 ordinary shares issued by FS Holdco Limited and a loan receivable on a pari passu basis.

On 1 December 2016, UK Hold Co incorporated a further subsidiary, FS Holdco 2 Limited ("FS Holdco 2"), which in turn incorporated a subsidiary, FS Debtco Limited ("FS Debtco"), on 2 December 2016. FS Debtco invested in SPVs which then invested in the underlying solar investments.

During the year ended 31 December 2017, UK Hold Co incorporated two additional subsidiaries, FS Holdco 3 Limited ("FS Holdco 3"), on 31 August 2017 and FS Holdco 4 Limited ("FS Holdco 4"), on 1 September 2017. As at 31 December 2017, there had been no activities in FS Holdco 3. FS Holdco 4 invested in SPVs which then invested in the underlying solar investments.

The principal activity of the Company, UK Hold Co, FS Holdco, FS Holdco 2, FS Debtco, FS Holdco 3, FS Holdco 4 and the SPVs (together "the Group") is investing in operational UK ground based solar power plants.

#### 2. Summary of significant accounting policies

##### 2.1 Basis of presentation

The Financial Statements for the year ended 31 December 2017 (the "Financial Statements") 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.

## **2.2 Going concern**

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

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

## **2.3 Changes in accounting policies and disclosures**

New standards, interpretations and amendments adopted by the Company

No standards, interpretations or amendments newly applicable for financial periods beginning 1 January 2017 were considered to have a material impact on the Company.

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

The Company has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective. At the date of authorisation of these Financial Statements, the following standards were in issue but not yet effective, and will be applicable to the Company.

- IFRS 15, 'Revenue from Contracts with Customers'.

IFRS 15 was endorsed on 22 September 2016 and effective for accounting periods beginning on or after 1 January 2018. The objective of IFRS 15 is to establish the principles that an entity shall apply to report useful information to users of financial statements about the nature, amount, timing, and uncertainty of revenue and cash flows arising from a contract with a customer. A five-step model framework is adopted to recognise revenue based on the amount of consideration to which the entity expects to be entitled to in exchange for goods or services promised to customers.

#### *Scope:*

IFRS 15 applies to all contracts with customers except those within the scope of IAS 17 Leases, IFRS 9 Financial Instruments, IFRS 10 Consolidated Financial Statements, IFRS 11 Joint Arrangements, IAS 27 Separate Financial Statements, IAS 28 Investments in Associates and Joint Ventures, IFRS 4 Insurance Contracts and non-monetary exchanges between entities in the same line of business to facilitate sales to customers.

#### *Application to the Company:*

The adoption of IFRS 15 is not expected to have a material impact on the Company's two revenue streams:

- Interest revenue earned from loans that have been issued to underlying Companies within the Group; and
- Gains on its investments at fair value through profit and loss.

IAS 18 currently specifies that interest revenue is recognised using the effective interest method. The measurement principles for interest revenue have been included in IFRS 9 which similarly will require that interest revenue be recognised using the effective interest method.

Revenue arising from changes in the fair value of financial assets and financial liabilities or their disposal is specifically excluded from the scope of IAS 18. Revenue from financial instruments and other contractual rights or obligations within the scope of IFRS 9 are specifically excluded from the scope of IFRS 15.

As both revenue streams falls within the scope of IFRS 9 and thus specifically excluded from the scope of IFRS 15, the adoption of IFRS 15 is not expected to have a material impact on the Company.

- IFRS 9, 'Financial Instruments - Classification and Measurement'.

IFRS 9 was issued in July 2014 and is effective for annual periods beginning on or after 1 January 2018 with early adoption permitted but not elected by the Company. IFRS 9 was issued to replace IAS 39 Financial Instruments: Recognition and Measurement. It includes requirements for recognition and measurement, impairment, derecognition and general hedge accounting.

#### *Initial measurement of financial instruments.*

IFRS 9 contains a new classification and measurement approach for financial assets that reflects the business model in which assets are managed and their cash flow characteristics. IFRS 9 contains three principal classification categories for financial assets: amortised cost, fair value through profit or loss and fair value through other comprehensive income. The standard replaces the existing IAS 39 categories of held to maturity, loans and receivables, fair value through profit or loss, amortised cost and available for sale.

#### *Application to the Company:*

The adoption of IFRS 9 is not expected to have a material impact on the Company's financial instruments:

*Investments held at fair value through profit or loss*

The Company's investment in UK Holdco (which comprises both debt and equity) is presently held at fair value through profit or loss under IAS 39. In terms of IFRS 9, the investment in its entirety will continue to be held at fair value through profit or loss as the equity portion of the investment is not held for trading nor will the fair value through other comprehensive income option be elected and the debt portion of the investment meets the following conditions;

- the fair value through profit or loss classification eliminates an accounting mismatch; and
- the debt investment forms part of a group of assets that are managed and performance evaluated on a fair value basis.

No change is therefore expected in the recognition or measurement of investments held at fair value through profit or loss.

#### *Interest receivable, trade and other receivables, cash and cash equivalents*

Interest receivable, trade and other receivables and cash and cash equivalents are presently measured at amortised cost under IAS 39. Under IFRS 9 assets can be classified under amortised cost under the following conditions;

- The assets must be held in a business model whose objective is to collect the contractual cash flows i.e. "held to collect"; and
- the contractual cash flows must represent repayment of the principal and interest on the principal amount outstanding

These assets by their nature meet the above conditions and will therefore continue to be held at amortised cost under IFRS 9.

#### *Trade and other payables*

Under IAS 39, trade and other payables are measured at amortised cost. This is not expected to change with the application of IFRS 9.

#### *Conclusion:*

Taking the above into account, the adoption of IFRS 9 is not expected to have a material impact on the Company's results. Upon adoption, additional disclosures may be required within the Accounting Policies note in the Annual Report.

## **2.4 Consolidation**

### *Associates*

Associates are entities over which the Company has significant influence, being the power to participate in the financial and operating policy decisions of the investee (but not control or joint control).

### *Subsidiaries*

Subsidiaries are entities over which the Company has control. The Company controls an entity when the Company 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.

### *Investment Entity*

Qualifying entities that meet the definition of an investment entity are not required to produce a consolidated set of Financial Statements and instead account for subsidiaries 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 obtains 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
- It measures and evaluates the performance of substantially all of its investments on a fair value basis.

As discussed in note 1, the Company has one direct subsidiary, a 100% controlling interest in UK Hold Co and a number of indirect subsidiaries.

Under IFRS 10 “Consolidated Financial Statements”, the directors deem that the Company is an investment entity and therefore the Company does not consolidate its subsidiary but carries it at fair value through profit or loss. The Company does not meet all the defined criteria of an ‘investment entity’ as the Company only has one investment. However, the Directors deem that the Company is nevertheless an ‘investment entity’ as the remaining requirements have been met and, through the Group, there is a diverse investment portfolio which will fill the criteria of having more than one investment. Therefore, the Company qualifies as an ‘investment entity’.

As UK Hold Co is not consolidated, its subsidiaries (plus their underlying investments) are not separately presented at fair value through profit or loss in the Company’s accounts. However accounting standards require that if an investment entity is the parent of another investment entity, the parent shall also provide the additional disclosures required by IFRS 12 Interest in unconsolidated subsidiaries. These disclosures are set out in notes 16 and 17.

## **2.5 Income**

Income comprises interest income (bank interest and loan interest). Interest income is recognised when it is probable that the economic benefits will flow to the Company and the amount of revenue can be measured reliably. Loan interest income is accrued 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.

## **2.6 Expenses**

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

The Company’s management and administration fees, finance costs and all other expenses are charged through the Statement of 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.

## **2.7 Taxation**

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

## **2.8 Functional and presentational currency**

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

Indirect subsidiaries of the Company may have assets and liabilities of foreign operations which will impact the investment value on the Company’s balance sheet. The assets and liabilities of these foreign operations, including fair value adjustments arising on acquisition, are translated into GBP at the exchange rates at the reporting date. The income and expenses of foreign operations are translated into GBP at the exchange rates at the dates of the transactions.

## **2.9 Financial Assets and Liabilities**

### **2.9.1 Financial asset at fair value through profit or loss**

The financial asset at fair value through profit or loss consists of one investment in UK Hold Co. The asset in this category is classified as non-current.

#### **(a) Recognition and measurement**

Purchases and sales of financial assets at fair value through profit or loss are recognised on the trade-date (the date on which the Company commits to purchase or sell the asset). Investments are initially and subsequently recognised at fair value.

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 fair value of UK Hold Co is made up of the fair value of its net assets. UK Hold Co has four direct subsidiaries - FS Holdco, FS Holdco 2, FS Holdco 3 and FS Holdco 4, and FS Holdco 2 has one direct subsidiary – FS Debtco Limited. FS Holdco is fair valued using its net asset value as reported at period end, with adjustments to its long term external debt to reflect the fact that the carrying value at amortised cost is not considered to be the best approximation of its fair value. FS Holdco 2, FS Debtco, FS Holdco 3 and FS Holdco 4 are fair valued using their net asset value as reported at period end.

The fair value of the underlying investments held by the Company’s subsidiaries, which impact the value of the Company’s subsidiaries, are determined by using valuation techniques. The Directors calculate 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 a Discounted Cash Flow valuation methodology. As described in more detail in note 17, valuations such as these rely on inputs relating to the output of the asset (including assumptions such as solar irradiation and technological performance of the asset), power prices,

operating costs, discount and inflation rates applied to the cash flows, and the duration of the useful economic life of the asset. The Board and the Investment Manager consider that the discounted cash flow valuation methodology used in deriving a fair value is in accordance with the fair value requirements of IAS 39. The investments held by FS Holdco 4 were valued at cost as at 31 December 2017 as these projects are not yet operational.

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 Statement of Comprehensive Income within 'gains/(losses) on investments at fair value through profit or loss' in the period in which they arise.

#### **(b) Change in valuation methodology**

A change in a valuation technique or its application is appropriate if the change results in a measurement that is equally or more representative of fair value in the circumstances. Revisions resulting from a change in the valuation technique or its application shall be accounted for as a change in accounting estimate in accordance with IAS 8.

However, the disclosures in IAS 8 for a change in accounting estimate are not required for revisions resulting from a change in a valuation technique or its application.

Due to the legacy capital structure of the group, the subsidiaries have historically adopted an equity discount rate that discounted expected future cash flows of the underlying investments before the cost of debt was considered. Under this technique the valuation of the investments were calculated by discounting unlevered project level cash flows with an equity discount rate.

The Board considers that applying a leveraged WACC discount rate to both the underlying assets linked to long term debt and the long term debt better reflects the current and anticipated capital structure of the Company and provides greater accuracy when valuing assets with long term debt. Therefore, the new valuation methodology uses a levered WACC discount rate for assets with long term debt and an unchanged equity discount rate for assets funded through short term debt facilities and/or equity.

The above change in valuation technique resulted in a £22,726,769 decrease in the fair value of FS Holdco's investments which, when combined with the fair value adjustment to FS Holdco's long term debt, resulted in a £11,087,422 net increase in the fair value of UK Hold Co's investment in FS Holdco which directly impacts the value of the Company's investment at fair value through profit or loss.

#### **(b) Derecognition**

Financial assets at fair value through profit or loss (in whole or in part) are derecognised either:

- when the Company 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.

Any gain or loss on derecognition is taken to the Statement of Comprehensive Income.

### **2.9.2 Financial assets and liabilities at amortised cost**

The financial assets and liabilities at amortised cost are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They comprise trade and other receivables, interest receivable, cash and cash equivalents and trade and other payables.

Trade and other receivables are rights to receive compensation for goods or services that have been provided in the ordinary course of business to customers. Accounts receivable are classified as current assets if receipt 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 assets.

Interest receivable is the right to receive payments at fixed or variable interest rates on loans issued by the Company. Interest receivable is classified as current if the receipt is due within one year or less. If not, it is presented as a non-current asset.

Cash and cash equivalents comprise cash in hand.

Trade and other 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.

#### **(a) Recognition and measurement**

Trade and other receivables are initially recognised at cost plus transaction costs that are directly attributable to the acquisition, and subsequently carried at amortised cost, less provision for impairment.

Cash is initially and subsequently recognised at cost.

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

**(b) Derecognition**

Trade and other receivables/payables are derecognised when the Company has extinguished its contractual obligations, it expires or is cancelled. Any gain or loss on derecognition is taken to the Statement of Comprehensive Income.

**2.10 Share 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.

**2.11 Dividend distribution**

Dividend distributions to the Company's shareholders are recognised as a liability in the Company's Financial Statements in the period in which the dividends are approved by the Company's shareholders.

**3. Critical accounting estimates and judgements**

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 Company's accounting policies.

The Board considers that the only areas where management make critical estimates and judgements that may have a significant effect on the financial statements are in relation to the valuation of financial assets at fair value through profit and loss, which is discussed in detail in note 2.9.1 and the determination that the Company meets the definition of an investment entity, which is discussed in detail in note 2.4.

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.

The Board considers that the determination that the Company meets the definition of an investment entity involves significant judgements because the entity does not possess all the typical characteristics of an investment entity. While the absence of one or more of the typical characteristics of an investment entity described in IFRS 10 Consolidated Financial Statements does not immediately disqualify an entity from being classified as an investment entity. The entity is required to disclose its reasons for concluding that it is nevertheless an investment entity if one or more of these characteristics are not met. In order to reach that conclusion of whether the Company meets the definition of an investment entity the Board had to make significant judgements.

The Board considers that the fair value of Investments not quoted in an active market involves critical accounting estimates and judgement because it is determined by the Directors using their own models, which are usually based on valuation methods and techniques generally recognised as standard within the industry. Models use observable data, to the extent practicable. However, they also rely on significant unobservable inputs about the output of the asset (including assumptions such as solar irradiation and technological performance of the asset), power prices, operating costs, discount and inflation rates applied to the cash flows, and the duration of the useful economic life of the asset. Furthermore, changes in these inputs and assumptions could affect the reported fair value of financial instruments. The determination of what constitutes 'observable' requires significant judgement by the Fund. The Fund considers observable data to be market data that is readily available, regularly distributed or updated, reliable and verifiable, not proprietary, and provided by independent sources that are actively involved in the relevant market.

**4. Interest income**

	<b>31 December 2017 £'000</b>	<b>31 December 2016 £'000</b>
Bank interest income	<b>25</b>	13
Interest on loan notes	<b>32,246</b>	27,314
Interest on shareholder loan	<b>3,150</b>	2,135
	<b>35,421</b>	29,462

Loan notes were issued by the company to UK Hold Co for the purchase of investments. Interest accrues at 9% per annum in arrears on each Interest Payment Date (28 / 29 February and 31 August each year). Where interest is not paid on payment date, it will compound and future interest shall accrue at 11% per annum from the due date up to the date of actual payment compounding on each Interest Payment Date. The loan notes balance at year end on which interest is charged is £250,000,000 (2016: £250,000,000). These loans form part of the fair value of the investments as per note 14.

A Shareholder loan is created when the total amount paid by the Company on behalf of UK Hold Co to acquire the underlying investments is more than the total loan notes issued by the Company to UK Hold Co. Interest was previously accrued at 9% per annum, decreasing to 2% per annum with effect from 1 April 2017, and is repayable in full on demand. The shareholder loan balance at year end is £154,110,000 (2016: £23,910,000). These loans form part of the fair value of the investments as per note 14.

## 5. Management fees

The Investment Manager of the Company, Foresight Group CI Limited, receives an annual fee of 1% of the Net Asset Value ("NAV") of the Company. This is payable quarterly in arrears and is calculated based on the published quarterly NAV. For the year ended 31 December 2017, the Investment Manager was entitled to a management fee of £4,276,808 (2016: £3,053,551) of which £1,257,741 was outstanding as at 31 December 2017 (2016: £17,066).

## 6. Administration and Accountancy fees

Under an Administration Agreement, the Administrator of the Company, JTC (Jersey) Limited, is entitled to receive minimum annual administration and accountancy fees of £156,000 payable quarterly in arrears. For the year ended 31 December 2017, total administration and accountancy fees were £211,534 (2016: £227,452) of which £39,000 was outstanding as at 31 December 2017 (2016: £50,002).

## 7. Directors' fees

	31 December 2017 £'000	31 December 2016 £'000
Peter Dicks	40	35
Alexander Ohlsson	65	60
Christopher Ambler	50	45
	<b>155</b>	<b>140</b>

## 8. Other Expenses

	31 December 2017 £'000	31 December 2016 £'000
Legal and professional fees	271	27
Other expenses	69	49
	<b>340</b>	<b>76</b>

Included within legal and professional fees is £20,500 (2016: £24,400) relating to the audit of these financial statements. The total audit fee pertaining to the group is £88,938 for the year ended 31 December 2017 (2016: £65,900). There were no other fees paid to the auditors for non-audit services (2016: Nil).

## 9. 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 £35,086,596 (2016: £30,738,374) and on 398,908,689 (2016: 296,123,500) Ordinary Shares, being the weighted average number of shares in issue during the period.

## 10. Interest receivable

	31 December 2017 £'000	31 December 2016 £'000
Interest receivable on loan notes	48,746	27,314
Interest receivable on shareholder loan	8,880	5,730
	<b>57,626</b>	<b>33,044</b>

## 11. Trade and other receivables

	31 December 2017 £'000	31 December 2016 £'000
Prepaid expenses	16	-
Amounts due from subsidiaries*	1,146	4,694

Other receivables	771	153
	<b>1,933</b>	<b>4,847</b>

\*Amounts due from subsidiaries are unsecured, interest free and repayable on demand.

## 12. Cash and cash equivalents

	31 December 2017 £'000	31 December 2016 £'000
Cash at bank	14,669	39,381
	<b>14,669</b>	<b>39,381</b>

## 13. Trade and other payables

	31 December 2017 £'000	31 December 2016 £'000
Accrued expenses	1,384	116
	<b>1,384</b>	<b>116</b>

## 14. Investments at fair value through profit or loss

The following table presents the Company's investments at fair value through profit or loss:

		31 December 2017 £'000	31 December 2016 £'000
Investment in UK Hold Co	Equity	-	-
	Loans	408,464	273,614
		<b>408,464</b>	<b>273,614</b>
Book cost as at 1 January		273,909	254,730
Opening Investment Holding losses		(295)	(5,070)
Valuation as at 1 January		<b>273,614</b>	<b>249,660</b>
Movements during the year			
Purchase at cost (loans drawn down)		130,200	34,000
Disposal proceeds		-	(14,821)
Investment holding gains		4,650	4,775
Valuation as at 31 December		<b>408,464</b>	<b>273,614</b>
Book cost as at 31 December		404,109	273,909
Closing investment holding gains/(losses)		4,355	(295)
		<b>408,464</b>	<b>273,614</b>

The Company has one investment in Foresight Solar (UK Hold Co) Limited ("UK Hold Co"). This investment consists of both debt and equity and is not quoted in an active market. Accordingly, the investment in UK Hold Co has been valued



using its net assets.

In turn, UK Hold Co has four investments in FS Holdco Limited ("FS Holdco"), FS Holdco 2 Limited ("FS Holdco 2"), FS Holdco 3 Limited ("FS Holdco 3") and FS Holdco 4 Limited ("FS Holdco 4"), and FS Holdco 2 has one investment in FS Debtco Limited ("FS Debtco"). These investments also consist of both debt and equity and are not quoted in an active market. FS Holdco is fair valued using its net asset value as reported at period end, with adjustments to its long term external debt to reflect the fact that the carrying value at amortised cost is not considered to be the best approximation of its fair value. FS Holdco 2, FS Debtco, FS Holdco 3 and FS Holdco 4 are fair valued using their net asset value as reported at period end.

In turn, FS Holdco, FS Debtco and FS Holdco 4's investment portfolios consist of unquoted investments in solar projects, the valuations of which are based on a discounted cash flow methodology (as set out in note 16).

#### 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.

As UK Hold Co's net asset value is not considered observable market data the investment in UK Hold Co has been classified as level 3. There were no movements between levels during the year.

As at 31 December 2017:

	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Unquoted investment	-	-	408,464	408,464
	-	-	408,464	408,464

As at 31 December 2016:

	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Unquoted investment	-	-	273,614	273,614
	-	-	273,614	273,614

#### Sensitivity Analysis

Due to the nature of the Group structure and the underlying valuation basis of UK Hold Co, FS Holdco, FS Holdco 2, FS Debtco, FS Holdco 3, FS Holdco 4 and the underlying solar project investments, the valuation of the Company's investment at fair value through profit or loss is directly linked to the valuation of the underlying solar investments. Therefore, the unobservable inputs driving the valuation of the Company's investments in UK Hold Co are directly attributable to the valuation of the unquoted investments in FS Holdco, FS Debtco and FS Holdco 4 which is discussed further in note 16.

## 15. Subsidiaries and associates

Name	Direct or indirect holding	Country of incorporation	Principal activity	Proportion of shares and voting rights held
Foresight Solar (UK Hold Co) Limited ("UK Hold Co")	Direct	UK	Holding Company	100%
FS Holdco Limited ("FS Holdco")	Indirect	UK	Holding Company	100%
FS Holdco 2 Limited ("FS Holdco 2")	Indirect	UK	Holding Company	100%

FS Debtco Limited ("FS Debtco")	Indirect	UK	Holding Company	100%
FS Holdco 3 Limited ("FS Holdco 3")	Indirect	UK	Holding Company	100%
FS Holdco 4 Limited ("FS Holdco 4")	Indirect	UK	Holding Company	100%
FS Wymeswold Limited	Indirect	UK	SPV Holding Company	100%
FS Castle Eaton Limited	Indirect	UK	SPV Holding Company	100%
FS Pitworthy Limited	Indirect	UK	SPV Holding Company	100%
FS Highfields Limited	Indirect	UK	SPV Holding Company	100%
FS High Penn Limited	Indirect	UK	SPV Holding Company	100%
FS Hunter's Race Limited	Indirect	UK	SPV Holding Company	100%
FS Spriggs Limited	Indirect	UK	SPV Holding Company	100%
FS Bournemouth Limited	Indirect	UK	SPV Holding Company	100%
FS Landmead Limited	Indirect	UK	SPV Holding Company	100%
FS Kencot Limited	Indirect	UK	SPV Holding Company	100%
FS Copley Limited	Indirect	UK	SPV Holding Company	100%
FS Port Farms Solar Limited	Indirect	UK	SPV Holding Company	100%
FS Membury Limited	Indirect	UK	SPV Holding Company	100%
FS Southam Solar Limited	Indirect	UK	SPV Holding Company	100%
FS Atherstone Solar Limited	Indirect	UK	SPV Holding Company	100%
FS Paddock Wood Solar Farm Limited	Indirect	UK	SPV Holding Company	100%
Atherstone Hold Co Limited	Indirect	UK	SPV Holding Company	100%
Southam Hold Co Limited	Indirect	UK	SPV Holding Company	100%
Paddock Wood Hold Co Limited	Indirect	UK	SPV Holding Company	100%
Shotwick Solar Limited	Indirect	UK	SPV Holding Company	100%
Sandridge Solar Power Limited	Indirect	UK	SPV Holding Company	100%
Acquisition Co 1 Limited	Indirect	UK	SPV Holding Company	100%
Acquisition Co 2 Limited	Indirect	UK	SPV Holding Company	100%
Acquisition Co 2 Limited	Indirect	UK	SPV Holding Company	100%
Foresight Bannerton Pty Limited	Indirect	UK	SPV Holding Company	48.50%
Wymeswold Solar Farm Limited ("Wymeswold")	Indirect	UK	Investment	100%
Castle Eaton Solar Farm Limited ("Castle Eaton")	Indirect	UK	Investment	100%
Pitworthy Solar Farm Limited ("Pitworthy")	Indirect	UK	Investment	100%
Highfields Solar Farm Limited ("Highfields")	Indirect	UK	Investment	100%
High Penn Solar Farm Limited ("High Penn")	Indirect	UK	Investment	100%

Name	Direct or indirect holding	Country of incorporation	Principal activity	Proportion of shares and voting rights held
Hunter's Race Solar Farm Limited ("Hunter's Race")	Indirect	UK	Investment	100%
Spriggs Solar Farm Limited ("Spriggs")	Indirect	UK	Investment	100%
Bournemouth Solar Farm Limited ("Bournemouth")	Indirect	UK	Investment	100%
Landmead Solar Farm Limited ("Landmead")	Indirect	UK	Investment	100%
Kencot Hill Solar Farm Limited ("Kencot")	Indirect	UK	Investment	100%
Copley Solar Limited ("Copley")	Indirect	UK	Investment	100%
Port Farms Solar Limited (Port Farm")	Indirect	UK	Investment	100%
Membury Solar Limited ("Membury")	Indirect	UK	Investment	100%
Atherstone Solar Farm Ltd ("Atherstone")	Indirect	UK	Investment	100%
Southam Solar Farm Ltd ("Southam")	Indirect	UK	Investment	100%
Paddock Wood Solar Farm Ltd ("Paddock Wood")	Indirect	UK	Investment	100%
Shotwick Solar Limited ("Shotwick Solar")	Indirect	UK	Investment	100%
Sandridge Solar Power Limited ("Sandridge")	Indirect	UK	Investment	100%
SSR Wally Corner Limited ("SSR Wally")	Indirect	UK	Investment	100%

Foresight Solar Australia Pty Limited	Indirect	Australia	Investment	100%
Longreach Asset Company Pty Limited	Indirect	Australia	Investment	49%
Oakey 1 Asset Company Pty Limited	Indirect	Australia	Investment	49%
RE Oakey Pty Limited	Indirect	Australia	Investment	100%

# 16. Interests in unconsolidated structured entities

## Year ended 31 December 2017

The following table represents the fair values of the investments held by FS Holdco Limited as required by IFRS12.

	Cost at 1 January 2017 £'000	Additions / (Disposals) £'000	Cost as at 31 December 2017 £'000	Unrealised gain/(loss) as at 1 January 2017 £'000	Movement on unrealised gain/(loss) £'000	Unrealised gain/(loss) as at 31 December 2017 £'000	Fair value as at 31 December 2017 £'000
Wymeswold	48,590	-	48,590	1,510	(1,782)	(272)	48,318
Castle Eaton	21,630	-	21,630	270	(1,105)	(835)	20,795
Pitworthy	18,210	-	18,210	90	(1,672)	(1,582)	16,628
Highfields	14,300	-	14,300	700	(1,426)	(726)	13,574
High Penn	11,310	-	11,310	690	(1,494)	(804)	10,506
Hunter's Race	13,160	-	13,160	340	49	389	13,549
Spriggs	14,580	-	14,580	220	(919)	(699)	13,881
Bournemouth	50,060	-	50,060	1,240	(876)	364	50,424
Landmead	51,580	-	51,580	2,520	(5,616)	(3,096)	48,484
Kencot	47,210	-	47,210	1,790	(3,941)	(2,151)	45,059
Copley	35,670	-	35,670	2,330	(940)	1,390	37,060
Paddock Wood	10,621	-	10,621	879	(326)	553	11,174
Atherstone	16,004	-	16,004	596	(917)	(321)	15,683
Southam	11,145	-	11,145	655	(540)	115	11,260
Port Farms	44,215	-	44,215	1,785	(1,693)	92	44,307
Membury	21,160	-	21,160	740	(1,200)	(460)	20,700
	<b>429,445</b>	<b>-</b>	<b>429,445</b>	<b>16,355</b>	<b>(24,398)</b>	<b>(8,043)</b>	<b>421,402</b>

The above individual project valuations do not include a (£5,010,200) adjustment (2016: Nil) relating to future tax payments which will be settled at the Fund level.

Comparatives for the year ended 31 December 2016 are shown on page 87 of the annual report.

## Year ended 31 December 2017

The following table represents the fair values of the investments held by FS Debtco Limited as required by IFRS12.

	Cost at 1 January 2017 £'000	Additions / (Disposals) £'000	Cost as at 31 December 2017 £'000	Unrealised gain/(loss) as at 1 January 2017 £'000	Movement on unrealised gain/(loss) £'000	Unrealised gain/(loss) as at 31 December 2017 £'000	Fair value as at 31 December 2017 £'000
Shotwick Solar	-	74,894	74,894	-	9,696	9,696	84,590
Sandridge Solar Power	-	57,046	57,046	-	959	959	58,005
SSR Wally Corner	-	5,718	5,718	-	41	41	5,759
	<b>-</b>	<b>137,658</b>	<b>137,658</b>	<b>-</b>	<b>10,696</b>	<b>10,696</b>	<b>148,354</b>

FS Holdco 2 commenced trading during the period and therefore no comparatives are shown.

As at 31 December 2017, there had been no activities in FS Holdco 3.

#### Year ended 31 December 2017

The following table represents the fair values of the investments held by FS Holdco 4 Limited as required by IFRS12.

	Cost at 1 January 2017 £'000	Additions / (Disposals) £'000	Cost as at 31 December 2017 £'000	Unrealised gain/(loss) as at 1 January 2017 £'000	Movement on unrealised gain/(loss) £'000	Unrealised gain/(loss) as at 31 December 2017 £'000	Fair value as at 31 December 2017 £'000
Bannerton Solar Farm	-	12,482	12,482	-	-	-	12,482
Longreach	-	5,218	5,218	-	-	-	5,218
Oakey 1	-	7,842	7,842	-	80*	80*	7,922
Oakey 2	-	15,910	15,910	-	120*	120*	16,030
	-	41,452	41,452	-	200	200	41,652

\*This relates to FX gain on translation from AUD to GBP at 31 December 2017.

FS Holdco 4 commenced trading during the period and therefore no comparatives are shown.

#### Year ended 31 December 2016

The following table represents the fair values of the investments held by FS Holdco Limited as required by IFRS12.

	Cost at 1 January 2016 £'000	Additions/ (Disposals) £'000	Cost as at 31 December 2016 £'000	Unrealised gain/(loss) as at 1 January 2016 £'000	Movement on unrealised gain/(loss) £'000	Unrealised gain/(loss) as at 31 December 2016 £'000	Fair value as at 31 December 2016 £'000
Wymeswold	49,090	(500)	48,590	-	1,510	1,510	50,100
Castle Eaton	21,630	-	21,630	-	270	270	21,900
Pitworthy	18,210	-	18,210	-	90	90	18,300
Highfields	14,300	-	14,300	-	700	700	15,000
High Penn	11,310	-	11,310	-	690	690	12,000
Hunter's Race	13,160	-	13,160	-	340	340	13,500
Spriggs	14,580	-	14,580	-	220	220	14,800
Bournemouth	50,060	-	50,060	-	1,240	1,240	51,300
Landmead	51,580	-	51,580	-	2,520	2,520	54,100
Kencot	47,210	-	47,210	-	1,790	1,790	49,000
Copley	35,670	-	35,670	-	2,330	2,330	38,000
Paddock Wood	6,190	4,431	10,621	-	879	879	11,500
Atherstone	12,520	3,484	16,004	-	596	596	16,600
Southam	7,780	3,365	11,145	-	655	655	11,800
Port Farms	44,720	(505)	44,215	-	1,785	1,785	46,000
Membury	21,160	-	21,160	-	740	740	21,900
	<b>419,170</b>	<b>10,275</b>	<b>429,445</b>	<b>-</b>	<b>16,355</b>	<b>16,355</b>	<b>445,800</b>

## 17. Fair value of the investments in unconsolidated entities

### Valuation process

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 ("IPEVC"), using levered and unlevered Discounted Cash Flow principles. The Investment Manager and Directors consider that the discounted cash flow methodology used in deriving a fair value is in accordance with the fair value requirements of IFRS 13. The investments held by FS Holdco 4 were valued at cost as at 31 December 2017 as these projects were not yet operational and therefore are not included in the sensitivity analysis on the following pages.

#### **Sensitivity analysis of significant changes in unobservable inputs within Level hierarchy of underlying Investments**

The Company's investments (indirectly held through its unconsolidated subsidiaries FS Holdco and FS Holdco 2) 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 Directors consider the following assumptions to be significant inputs to the DCF calculation. The valuation of the Company's investments is determined based on the discounted value of future cash flows of those investments over their useful economic lives ("UELs").

The UEL of individual assets is determined by reference to a fixed contractual lease term, and therefore, the Board and Manager do not consider that the UEL is an unobservable input or assumption that can have a significant impact on the valuation of the investments.

However, the Boards notes that if extended contractual lease terms were negotiated for individual assets, this would increase the value of those assets. Similarly, if the assets did not operate for the duration of the fixed contractual period, this would reduce the value of those assets.

#### **Discount rate**

The weighted average discount rate used is 7.58%. 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>-0.50%</b>	<b>-0.25%</b>	<b>Base</b>	<b>+0.25%</b>	<b>+0.50%</b>
<b>Directors' valuation</b>	593.8	581.6	<b>569.8</b>	558.3	547.3
<b>NAV per share (pence)</b>	<b>112.3</b>	<b>109.6</b>	<b>107.0</b>	<b>104.5</b>	<b>102.0</b>
<b>Change vs Base Case</b>	4.2	2.1	<b>0.0</b>	(2.0)	(3.9)

#### **Production**

Base case production is a function of a number of separate assumptions including irradiation levels, availability of the sites and technical performance of the equipment. A sensitivity of +/- 10% is considered reasonable given stable levels of irradiation, contractual availability guarantees and understanding of future performance levels of the equipment.

	<b>-10%</b>	<b>Base</b>	<b>+10%</b>
<b>Directors' valuation (£m)</b>	501.4	<b>569.8</b>	<b>637.4</b>
<b>NAV per share (pence)</b>	<b>91.8</b>	<b>107.0</b>	<b>122.0</b>
<b>Change vs Base Case (%)</b>	(12.0)	<b>0.0</b>	<b>11.9</b>

#### **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.

During the year, c.60% of the Company's operational performance came from the sale of ROCS. These revenues are directly and explicitly linked to inflation for 20 years from the accreditation date under the ROC regime and therefore are not considered for sensitivity analysis. The remaining c.40% of revenue derived from electricity sales which are subject to power price movements.

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 1.3%.

	<b>-20.0%</b>	<b>-10.0%</b>	<b>Base</b>	<b>+10.0%</b>	<b>+20.0%</b>
<b>Directors' valuation</b>	503.7	536.9	<b>569.7</b>	602.4	634.9
<b>NAV per share (pence)</b>	<b>92.3</b>	<b>99.7</b>	<b>107.0</b>	<b>114.3</b>	<b>121.5</b>
<b>Change vs Base Case</b>	(11.6)	(5.8)	<b>0.0</b>	5.7	11.4

### Inflation

A variable of 1.5% is considered reasonable given historic fluctuations. A long term inflation rate of 2.75% has been used.

	-1.50%	-0.75%	Base	+0.75%	+1.50%
<b>Directors' valuation</b>	501.4	534.4	<b>569.8</b>	608.4	650.7
<b>NAV per share (pence)</b>	<b>91.8</b>	<b>99.1</b>	<b>107.0</b>	<b>115.6</b>	<b>124.9</b>
<b>Change vs Base Case</b>	(12.0)	(6.2)	<b>0.0</b>	6.8	14.2

### Operating costs (investment level)

Operating costs include operating and maintenance ("O&M") and insurance costs. Other costs are fixed and are therefore not considered to be sensitive to changes in unobservable inputs. Base case costs are based on current projected 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.

	-10.0%	-5.0%	Base	+5.0%	+10.0%
<b>Directors' valuation</b>	579.20	574.48	<b>569.76</b>	565.05	560.34
<b>NAV per share (pence)</b>	<b>109.10</b>	<b>108.05</b>	<b>107.00</b>	<b>105.96</b>	<b>104.91</b>
<b>Change vs Base Case</b>	1.7	0.8	<b>0.0</b>	(0.8)	(1.7)

## 18. Stated Capital

The stated capital of the Company consists solely of Ordinary Shares of nil par value and therefore the value of the stated capital relates only to share premium. 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

	<b>31 December 2017 Shares</b>	31 December 2016 Shares
Opening balance	<b>340,950,912</b>	281,803,232
Issued during the period	<b>109,001,179</b>	59,147,680
Repurchased and held in Treasury	-	-
Closing balance	<b>449,952,091</b>	340,950,912

	<b>31 December 2017 £'000</b>	31 December 2016 £'000
Opening balance	<b>339,003</b>	279,403
Proceeds from share issue	<b>117,539</b>	60,781
Less: issue costs capitalised	<b>(2,027)</b>	(1,181)
Closing balance	<b>454,515</b>	339,003

## 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 £481,307,486 (2016: £350,769,981) and on 449,952,091 (2016: 340,950,912) redeemable Ordinary Shares, being the number of Ordinary Shares in issue at the end of the period.

## 20. Financial instruments and risk profile

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

## 20.1 Market risk

### (a) Foreign currency 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. Transactions in foreign currency are translated at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated to pounds sterling at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in income.

The Company has no direct exposure to foreign currency risk, however through its underlying investment in Australian assets via FS Holdco 4 it has indirect exposure. FS Holdco 4 is directly exposed to fluctuations in foreign currency due to its investments in Australian dollar denominated assets. The group mitigates its exposure to fluctuations in foreign currency through the use of forward exchange contracts.

The carrying amount of FS Holdco 4's foreign currency exposure at the reporting date is as follows:

	31 December 2017 £'000	31 December 2016 £'000
<b>AUD</b>	<b>41,652</b>	-

The FX rate applied at 31 December 2017 was 0.5782 (2016: n/a). A 10% weakening or strengthening of the FX rate would have a £4,165,000 impact on the valuation of assets denominated in AUD.

### (b) Price risk

The Company's investments are susceptible to market price risk arising from uncertainties about future values of the instruments. The Company's Investment Manager provides the Company with investment recommendations. The Company's Investment Manager's recommendations are reviewed and approved by the Board before the investment decisions are implemented. To manage the market price risk, the Company's Investment Manager reviews the performance of the investments on a regular basis and is in regular contact with the management of the non current investments for business and operational matters.

Price risk is the risk that the fair value or cash flows of a financial instrument will fluctuate due to changes in market prices. At 31 December 2017, the Company's only investment was valued at net assets excluding the outstanding loans issued by the Company. Were this value to increase by 10%, the increase in net assets attributable to shareholders for the year would have been £40,846,400 (2016: £27,361,400). The impact of changes in unobservable inputs to the underlying investments is considered in note 17.

### (c) 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 Company's exposure to the risk of changes in market interest rates relates primarily to the Company's long-term borrowing to its subsidiary. At year end the Company had no long term borrowings with third parties (2016: Nil).

	Total portfolio 31 December 2017 £'000	Weighted average interest rate 31 December 2017 %	Weighted average time for which rate is fixed 31 December 2017 Days
Loan notes	250,000	11.00%	1,145
Shareholder loans	154,110	4.25%	1,652
Cash	14,669	0.05%	-
	<b>418,779</b>		

	Total portfolio 31 December 2016 £'000	Weighted average interest rate 31 December 2016 %	Weighted average time for which rate is fixed 31 December 2016 Days
Loan notes	250,000	10.93%	780
Shareholder loans	23,910	9%	1,287
Cash	39,381	0.05%	-

The Company is also indirectly exposed to interest rate risk through its cash and loans held by its subsidiaries. Details of the indirect interest rate risk exposure is as follows:

	<b>Total UK Hold Co portfolio 2017</b>	<b>Weighted average interest rate 2017</b>	<b>Weighted average time for which rate is fixed 2017</b>
Loans – FS Holdco	<b>343,730,873</b>	8.00	640
Loans – FS Holdco 2 & FS Holdco 4	<b>116,345,404</b>	5.00	275
Cash – UK Holdco, FS Holdco, FS Holdco 2 and FS Holdco 4	<b>539,488</b>	-	-
	<b>460,615,765</b>		
Total indirect exposure interest rate risk			

## 20.2 Liquidity risk

Liquidity risk is the risk that the Company 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 Company's liquidity requirements to ensure there is sufficient cash to meet the Company's operating needs.

### 31 December 2017

	<b>Carrying amount £'000</b>	<b>Contractual Total £'000</b>	<b>Less than 6 months £'000</b>	<b>6 to 12 Months £'000</b>	<b>Greater than 12 months £'000</b>
<b>Financial Assets</b>					
Investments	408,464	408,464	-	-	408,464
Trade and other Receivables	1,933	1,933	1,933	-	-
Interest receivable	57,626	57,626	57,626	-	-
<b>Cash and cash equivalents</b>	<b>14,669</b>	<b>14,669</b>	<b>14,669</b>	-	-
Total Financial assets	482,692	482,692	74,228	-	408,464
Trade and other payables	(1,384)	(1,384)	(1,384)	-	-
<b>Total financial liabilities</b>	<b>(1,384)</b>	<b>(1,384)</b>	<b>(1,384)</b>	-	-
<b>Net position</b>	<b>481,308</b>	<b>481,308</b>	<b>72,844</b>	-	<b>408,464</b>

### 31 December 2016

	<b>Carrying amount £'000</b>	<b>Contractual Total £'000</b>	<b>Less than 6 months £'000</b>	<b>6 to 12 Months £'000</b>	<b>Greater than 12 months £'000</b>
<b>Financial Assets</b>					
Investments	273,614	273,614	-	-	273,614
Trade and other Receivables	4,847	4,847	4,847	-	-
Interest receivable	33,044	33,044	33,044	-	-
Cash and cash equivalents	39,381	39,381	39,381	-	-
<b>Total Financial assets</b>	<b>350,886</b>	<b>350,886</b>	<b>77,272</b>	-	<b>273,614</b>



**Financial Liabilities**

Trade and other payables	(116)	(116)	(116)	-	-
<b>Total financial liabilities</b>	(116)	(116)	(116)	-	-
<b>Net position</b>	350,770	350,770	77,156	-	273,614

**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 Company.

The Company and its subsidiaries place 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 year and at the reporting date, the Company maintained relationships with the following financial institutions:

	Moody's Credit Rating	31 December 2017 £'000
Cash in hand:		
Royal Bank of Scotland International Limited	P2	14,659
Lloyds Bank International Limited	P1	10
<b>Total cash and cash equivalents</b>		<b>14,669</b>

	Moody's Credit Rating	31 December 2016 £'000
Cash in hand:		
Royal Bank of Scotland International Limited	P2	327
Lloyds Bank International Limited	P1	18,684
Santander UK plc	P1	20,370
<b>Total cash and cash equivalents</b>		<b>39,381</b>

The Company is also indirectly exposed to credit risk through the cash held by its subsidiaries, and through the interest receivable from the underlying solar investments. The Board of UK Hold Co has determined that the maximum exposure to credit risk in relation to investments is £535,515,409, being the portion of UK Hold Co investments that are made up of loans as at 31 December 2017 (2016: £343,730,873).

**20.4 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 Company's assets.

**21. Capital Management**

The Company'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 Company 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.

## 22. Dividends

Dividends paid during the year comprise an interim dividend in respect of quarter 1 (1 January 2017 to 31 March 2017) of £6,413,924 (1.58 pence per Ordinary Share) (2016: £4,339,770, 1.54 pence per Ordinary Share), quarter 2 (1 April 2017 to 30 June 2017) of £6,538,064 (1.58 pence per Ordinary Share) (2016: £4,773,313, 1.54 pence per Ordinary Share) and quarter 3 (1 July 2017 to 30 September 2017) of £7,109,243 (1.58 pence per Ordinary Share) (2016: £5,250,644, 1.54 pence per Ordinary Share). The proposed year end dividend will be £7,109,243 (1.58 pence per Ordinary Share) (31 December 2016: 1.55 pence per ordinary share).

## 23. Related party disclosures

For the purposes of these Financial Statements, a related party is an entity or entities who are able to exercise significant influence directly or indirectly on the Company's operations.

As noted in Note 2, the Company does not consolidate its subsidiary. However, the Company and its subsidiaries (direct and indirect) are a Group and therefore, are considered to be related parties.

### Transactions with UK Hold Co

During the year the Company issued no additional Loan Notes to UK Hold Co (2016: £34,000,000), thus the total issued to UK Hold Co remained at £250,000,000 (2016: £250,000,000), on which interest of £32,245,925 accrued during the year (2016: £27,314,252). As at the reporting date interest of £48,745,653 was receivable (2016: £27,314,940).

On 18 January 2017 the Company issued an additional £35,200,000 shareholders loans to UK Hold Co, funded using equity proceeds raised during the prior year. Additionally, cash proceeds from two placings during the year, £67,500,000 in March and £27,500,000 in November, were transferred to UK Hold Co in the form of shareholders loans. As at the reporting date, the Company had increased its Shareholders loan receivable from UK Hold Co by £130,200,000 to £154,109,725 (2016: £23,910,000). Total interest of £3,150,225 accrued for the year (2016: £2,135,009). As at reporting date interest of £8,880,064 was receivable (2016: £5,729,824).

### Transactions between UK Hold Co and FS Holdco

As at the reporting date, FS Holdco had a non-interest bearing loan receivable from UK Holdco totalling £143,503,500 (2016: £183,503,500) and an interest bearing loan payable to UK Hold Co of £343,730,873 (2016: £343,730,873). Total interest of £27,121,719 (2016: £20,736,506) accrued to UK Hold Co during the year of which £37,711,361 (2016: £20,511,723) remained payable by FS Holdco at year end.

### Transactions between UK Hold Co and FS Holdco 2

As at the reporting date, UK Hold Co had an interest bearing loan receivable from FS Holdco 2 totalling £74,893,885 (2016: £nil), on which interest of £3,221,463 accrued during the year. As at the reporting date total interest of £88,302 (2016: £nil) was receivable.

As at the reporting date, UK Hold Co also had non-interest bearing loans receivable from FS Holdco 2 totalling £3,734,017 (2016: £nil).

As at the reporting date UK Hold Co had an interest bearing loan payable to FS Holdco 2 totalling £28,970,000 (2016: £nil), on which interest of £nil (2016: £nil) accrued during the year.

As at the reporting date UK Hold Co also had an interest bearing loan payable to FS Holdco 2 totalling £13,000,000 (2016: £nil), on which interest of £169,178 (2016: £nil) was accrued during the year, all of which was outstanding at year end (2016: £nil).

### Transactions between UK Hold Co and FS Holdco 4

As at the reporting date UK Hold Co had an interest bearing loan receivable from FS Holdco 4 totalling £28,970,000 (2016: £nil), on which interest of £nil (2016: £nil) was accrued during the year.

As at the reporting date UK Hold Co also had non interest bearing loans receivable from FS Holdco 4 totalling £12,481,519 (2016: £nil), on which interest of £162,430 (2016: £nil) was accrued during the year, all of which was outstanding at year end (2016: £nil).

### Transactions between UK Hold Co and FS Debtco

As at the reporting date UK Hold Co had an interest bearing loan receivable from FS Debtco totalling £55,000,000 (2016: £nil) on which interest of £2,019,178 (2016: £nil) accrued during the year, all of which was outstanding at year end (2016: £nil).

### Transactions between FS Holdco, FS Debtco 2, FS Holdco 4 and their SPVs

All of the SPVs are cash generating solar farms. On occasion revenues received and expenses are paid on their behalf by FS Holdco, FS Debtco and FS Holdco 4. All of these transactions are related party transactions. FS Holdco made the following net transactions on behalf of SPVs during the year and had the following net amounts payable or receivable at year end (none payable and receivable to FS Debtco or FS Holdco 4):

Opening Balance receivable/	Amounts paid on behalf of	Amounts received	Net amount (payable)/
--------------------------------	------------------------------	---------------------	--------------------------

	(payable) 1 January 2017 £'000	SPV 2017 £'000	from SPV 2017 £'000	receivable as at 31 December 2017 £'000
Atherstone	-	1,323	(1,323)	-
Bournemouth	-	3,699	(3,699)	-
Castle Eaton	-	1,572	(3,772)	(2,200)
Copley	116	3,214	(3,330)	-
High Penn	-	741	(1,927)	(1,186)
Highfields	-	1,031	(2,582)	(1,551)
Hunters Race	-	931	(931)	-
Kencot	(293)	2,412	(3,686)	(1,567)
Landmead	-	4,032	(4,174)	(142)
Membury	(758)	1,564	(1,416)	(610)
Paddock Wood	-	854	(854)	-
Pitworthy	-	989	(2,863)	(1,874)
Port Farms	-	2,843	(2,843)	-
Southam	-	890	(890)	-
Spriggs	-	1,052	(1,870)	(818)
Wymeswold	-	3,736	(5,225)	(1,489)
	(935)	30,883	(41,385)	(11,437)

	Opening Balance receivable (payable) 1 January 2016 £'000	Amounts paid on behalf of SPV 2016 £'000	Amounts received from SPV 2016 £'000	Net amount receivable/ (payable) as at 31 December 2016 £'000
Atherstone	-	764	(764)	-
Bournemouth	-	1,866	(1,866)	-
Castle Eaton	-	872	(872)	-
Copley	-	2,383	(2,267)	116
High Penn	-	540	(540)	-
Highfields	-	483	(483)	-
Kencot	-	2,108	(2,401)	(293)
Landmead	-	2,640	(2,640)	-
Membury	-	1,398	(2,156)	(758)
Paddock Wood	-	487	(487)	-
Pitworthy	-	796	(796)	-
Port Farms	-	857	(857)	-
Southam	-	546	(546)	-
Spriggs	-	69	(69)	-
Wymeswold	-	1,370	(1,370)	-
	-	17,179	(18,114)	935

#### Other

During the year under review, UK Hold Co made use of a tax credit of £1,646,395 (2016: £1,003,322) availed by its subsidiary, FS Holdco, to reduce the tax liability of the Group at the reporting date.

#### 24. Transactions with the manager

Foresight Group CI Limited, acting as investment manager to the Group in respect of its investments, earned fees of £4,276,808 during the year (2016: £3,053,551), of which £1,257,741 was outstanding as at 31 December 2017 (2016: £17,066).

Foresight Group CI Limited charged fees to FS Hold Co, FS Holdco 2, FS Debtco, FS Holdco 3 and FS Holdco 4 of £Nil (2016: £680,000) during the year in relation to the arrangement and transaction advice of the long term refinancing of the Group, of which £Nil (2016: £Nil) was outstanding as at year end.

Foresight Group LLP, a related party of Foresight Group CI, charged asset management fees to the underlying projects of £587,333 during the period (2016: £512,000), of which £65,850 was payable at year end.

Brighter Green Engineering, a related party of Foresight Group LLP, charged fees to the underlying projects under both the O&M contracts and EPC defect remedial work of £4,015,368 during the period (2016: £853,203), of which £Nil was payable at year end.

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 to the Company amounted to £771,254 (2016: £213,644).

## **25. Commitments and contingent liabilities**

There are no commitments or contingent liabilities (2016: £Nil).

## **26. 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 Company with a view to gaining economic benefits from its direction.

## **27. Post balance sheet events**

There were no post balance sheet events requiring disclosure.

# **AIFMD Disclosures (unaudited)**

## **ALTERNATIVE INVESTMENTS FUND MANAGER DIRECTIVE REPORT**

In accordance with the Alternative Investments Fund Manager Directive Report (the “**Directive**”), the Company is required in its capacity as the Alternative Investment Fund Manager (“**AIFM**”) and the Alternative Investment Fund (“**AIF**”) to disclose specific information in relation to the following aspects of the Company’s management:

### **OVERVIEW OF INVESTMENT ACTIVITIES**

The Company’s investment activities during the year is disclosed in full in the Investment Manager’s Report on page 20 of the Annual Report.

The Company’s portfolio’s performance during the year is disclosed in full in the Asset Manager’s Report on page 36 of the Annual Report.

A list of the Company’s portfolio holdings is included on page 16 of the Annual Report.

### **LEVERAGE AND BORROWING**

Leverage is defined as any method by which the Company increases its exposure through debt, borrowed capital or the use of derivatives.

The Company and its subsidiaries’ leverage position and third party debt arrangements are disclosed in full in the Investment Manager’s Report on page 20 of the Annual Report.

‘Exposure’ is defined in two ways – ‘Gross method’ and ‘Commitment method’ – and the Company must not exceed maximum exposures under both methods.

The Directors are required to calculate and monitor the level of leverage of the Company, expressed as a ratio between the exposure of the Company and its Net Asset Value (Exposure/NAV), under both the Gross method and the Commitment method.

‘Gross method’ exposure is calculated as the sum of all positions of the Company (both positive and negative), that is, all eligible assets, liabilities and derivatives, including derivatives held for risk reduction purposes.

‘Commitment method’ exposure is also calculated as the sum of all positions of the Company (both positive and negative), but after netting off derivative and security positions as specified by the Directive.

For the “Gross method”, the following has been excluded:

- the value of any cash and cash equivalents which are highly liquid investments held in the local currency of the Company that are readily convertible to a known amount of cash, subject to an insignificant risk of changes in value and which provide a return no greater than the rate of the 3-month high quality government bond;

- cash borrowings that remain in cash or cash equivalents as defined above and where the amounts of that payable are known.

The total amount of leverage calculated as at 31 December 2017 is as follows:

Gross method: 22%

Commitment method: 32%

## **LIQUIDITY**

Liquidity risk is the risk that the Company 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 Company's liquidity requirements to ensure there is sufficient cash to meet the Company's operating needs.

The financial position of the Company, its cash flows, liquidity position and borrowing facilities are referred to in the Chairman's Statement, Strategic Report and Notes to the Accounts. In addition, the financial statements include the Company's objectives, policies and processes for managing its capital; its financial risk management objectives; and its exposures to credit risk and liquidity risk.

The Company has sufficient financial resources together with investments and income generated. As a consequence, the Directors believe that the Company is able to manage its business risks.

## **RISK MANAGEMENT POLICY NOTE**

Please refer to Principal Risks report on page 43 of the Annual Report.

## **REMUNERATION**

As AIFM, the Company is subject to a remuneration code which is consistent with the requirements of the FCA which apply to the AIFM. The remuneration policy is designed to ensure that any relevant conflicts of interest can be managed appropriately at all times and that the remuneration of the Directors and senior management is in line with the risk policies and objectives of the funds managed by the AIFM.

The Company does not directly employ any staff members. The services in this regard are provided by staff members of Foresight Group LLP.

In accordance with the AIFMD, information in relation to the remuneration of the Company's AIFM is required to be made available to investors. In accordance with the Directive, the AIFM's remuneration policy and the numerical remuneration disclosures in respect of the AIFM's relevant reporting period (year ending December 2017) are available from the AIFM on request.

# **Advisors**

## **ADMINISTRATOR & COMPANY SECRETARY**

JTC (Jersey) Limited  
JTC House  
28 Esplanade  
St. Helier Jersey  
JE4 2QP

## **REGISTRAR**

Computershare Investor Services (Jersey)  
Queensway House  
Hilgrove Street  
St. Helier Jersey  
JE1 1ES

## **CORPORATE BROKER**

Stifel Nicolaus Europe Limited (formerly Oriel Securities)  
150 Cheapside  
London  
EC2V 6ET

**INVESTMENT MANAGER**

Foresight Group CI Limited  
PO Box 156  
Dorey Court  
St. Peter Port  
Guernsey  
GY1 4EU

**LEGAL ADVISORS TO THE COMPANY AS TO ENGLISH LAW**

Dickson Minto W.S.  
Broadgate Tower  
20 Primrose Street  
London  
EC2A 2EW

**LEGAL ADVISORS TO THE COMPANY AS TO JERSEY LAW**

Ogier  
Ogier House  
The Esplanade  
St. Helier  
Jersey  
JE4 9WG

**LEGAL ADVISORS TO THE COMPANY AS TO THE ACQUISITION OF SOLAR ASSETS**

Osborne Clarke  
One London Wall  
London  
EC2Y 5EB

**INDEPENDENT AUDITOR**

KPMG LLP  
15 Canada Square  
London  
E14 5GL

## Glossary of Terms

AEMO	Australian Electricity Market Operator
AIC	The Association of Investment Companies
AIC Code	The Association of Investment Companies Code of Corporate Governance
AIC Guide	The Association of Investment Companies Corporate Governance Guide for Investment Companies
AIFMD	The Alternative Investment Fund Management Directive
ARENA	The Australian Renewable Energy Agency (ARENA) is an independent agency of the Australian federal government, established in 2012 to manage Australia's renewable energy programs, with the objective of increasing supply and competitiveness of Australian renewable energy sources
Asset Manager	The Company's underlying investments have appointed Foresight Group LLP, a subsidiary of Foresight Group CI, to act as Asset Manager

BEIS	The Department for Business, Energy & Industrial Strategy
BEPS	Base Erosion and Profit Shifting
Brexit	Departure of the UK from the EU
CfD	Contract for Difference
Company	Foresight Solar Fund Limited
CEFC	The Clean Energy Finance Corporation (CEFC) is an Australian Government-owned Green Bank that was established to facilitate increased flows of finance into the clean energy sector
DCF	Discounted Cash Flow
DECC	The Department of Energy and Climate Change
DNO	Distribution Network Operator
EPC	Engineering, Procurement & Construction
EU	The European Union
FAC	Final Acceptance Certificate
FiT	Feed-in Tariff
GAV	Gross Asset Value on Investment Basis including debt held at SPV level
Group Borrowing	Group Borrowing refers to all third-party debt by the Company and its subsidiaries.
GWh	Gigawatt hour
IAS	International Accounting Standard
IFRS	International Financial Reporting Standards as adopted by the EU
Investment Manager	Foresight Group CI Limited
IPO	Initial Public Offering
KID	Key Information Document
KPMG LLP	KPMG is the Company's Auditor

LCF	Levy Control Framework
LD	Liquidated Damages awarded to renewable energy projects in relation to their clean energy production which were typically monetised under PPA contracts to offset levies due under the Climate Change Levy to energy suppliers.
LGC	Large-Scale Generation Certificate
LIBOR	London Interbank Offered Rate
Listing Rules	The set of FCA rules which must be followed by all companies listed in the UK
Main Market	The main securities market of the London Stock Exchange
MIDIS	Macquarie Infrastructure Debt Investment Solutions
MWh	Megawatt hour
MWp	Megawatt peak
NAV	Net Asset Value
NEG	National Energy Guarantee
NEM	National Electricity Market
Official List	The Premium Segment of the UK Listing Authority's Official List
O&M	Operation and Maintenance contractors
PID	Potential Induced Degradation. PID is a widely acknowledged module defect that, if not resolved, causes the PV modules to degrade faster than would usually be expected, reducing their efficiency over time. The effects of PID can be stopped or reversed through the implementation of site-specific technical solutions.
PPA	Power Purchase Agreements
PR	Performance Ratio
PRIIPS	Packaged Retail and Insurance-Based Investment Products
PV	Photovoltaic
RET	Renewable Energy Target
RO Scheme	Energy suppliers meet their obligations by presenting Renewable Obligation Certificates (ROCs) to Ofgem. Where suppliers do not have sufficient ROCs to cover their obligation, a



payment is made into the buy-out fund.

ROC Renewable Obligation Certificates

RPI The Retail Price Index

SPV The Special Purpose Vehicles which hold the Company's investment portfolio of underlying operating assets

UK The United Kingdom of Great Britain and Northern Ireland