Foresight

FOR A SMARTER FUTURE

FORESIGHT SOLAR FUND LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

OUR PURPOSE

Foresight Solar Fund Limited is a closed-ended investment company investing in a diversified portfolio of ground-based solar PV and battery storage assets in the UK and internationally.

The Company aims to deliver sustainable investment returns to investors alongside strong environmental, social and governance ("ESG") benefits.

INVESTMENT OBJECTIVES

Deliver a **sustainable**, progressive quarterly dividend

Develop geographical **diversity**

Preserve and enhance **capital value**

CONTENTS

HIGHLIGHTS
AS AT 31 DECEMBER 2021

£660.0m

NET ASSET VALUE ("NAV")
(31 December 2020: £582.2m)

108.2p

NAV PER SHARE
(31 December 2020: 95.8p)

£1,172.0m

GROSS ASSET VALUE ("GAV")
(31 December 2020: £1,054.6m)

6.98p

DIVIDEND PER SHARE DECLARED RELATING TO THE PERIOD
(Full year to 31 December 2020: 6.91p)

£618.5m

MARKET CAPITALISATION
(31 December 2020: £622.9m)

5.9%

ANNUALISED TOTAL SHAREHOLDER RETURN SINCE IPO
(31 December 2020: 5.9%)

7.3%

ANNUALISED TOTAL NAV RETURN SINCE IPO
(31 December 2020: 5.2%)

- NAV increased to £660.0 million (31 December 2020: £582.2 million), driven by strong UK power prices, above budget inflation and a reduction in discount rates resulting in a 12.9% increase in NAV per share to 108.2 pence (31 December 2020: 95.8 pence). Total NAV return for the year, assuming reinvest of dividends paid, was 21.4%
- Although electricity generated by the global portfolio was 5.3% below base case for 2021, strong power prices meant total revenues and EBITDA were 16% and 22% ahead of budget. Earnings per share were 19.7 pence for the period (31 December 2020: -1.2 pence)
- UK operational assets, accountable for 76% of electricity generated by the total portfolio in 2021, performed strongly. The assets benefited from higher irradiation levels, resulting in the portfolio generating 1.0% above budget
- The Australian portfolio experienced challenges with low irradiation, curtailment and negative pricing, resulting in electricity generation ending the year 20.7% below budget. However, the situation is expected to improve in the first half of 2022 as specific grid issues are resolved
- First investment in battery storage systems with the 50% acquisition of 50MW Sandridge project in May 2021
- The Company successfully acquired the remaining 51% interests in Oakey 1 and Longreach operational solar farms in Queensland, Australia (24MW)
- Construction of the Company's Spanish projects progressed well during the year, with site facilities now substantially complete at each of the four locations. Furthermore, a ten-year Power Purchase Agreement was signed for the 98.5MW Lorca project in Granada.
- The portfolio generated 903,000MWh of clean electricity, enough to power 311,379 UK homes and avoid 697,116 tonnes of carbon emissions
- Total dividends of 6.98 pence per share were declared for the year with a target dividend of 7.12 pence per share for FY2022, an increase of 2.0% compared with 2021. Dividend cover for 2021 was 1.21x and for 2022 is forecast as 1.25x based on contracted revenues alone

GEOGRAPHIC FOOTPRINT

Our diversified portfolio consists of 59 assets with a total global net peak capacity of 1.043GW.

UK

Assets:

1	Wymeswold
2	Castle Eaton
3	Highfields
4	High Penn
5	Pitworthy
6	Hunters Race
7	Spriggs Farm
8	Bournemouth
9	Landmead
10	Kencot Hill
11	Copley
12	Atherstone
13	Paddock Wood
14	Southam
15	Port Farm
16	Membury
17	Shotwick
18	Sandridge
19	Wally Corner
20	Coombeshead
21	Park Farm
22	Sawmills
23	Verwood
24	Yardwall
25	Abergelli
26	Crow Trees
27	Cuckoo Grove
28	Field House
29	Fields Farm
30	Gedling
31	Homeland
32	Marsh Farm
33	Sheepbridge
34	Steventon
35	Tengore
36	Trehawke
37	Upper Huntingford
38	Welbeck
39	Yarburgh
40	Abbey Fields
41	SV Ash
42	Bilsthorpe
43	Bulls Head
44	Lindridge
45	Manor Farm
46	Misson
47	Nowhere
48	Pen Y Cae
49	Playters
50	Roskrow
51	Sandridge

51

Assets

In 2021, the portfolio has been further diversified with the first battery storage acquisition.

Australia

Assets:

1	Bannerton
2	Longreach
3	Oakey 1
4	Oakey 2

4

Assets

Spain

Assets:

1	Virgen del Carmen
2	Los Llanos
3	Los Salinas
4	Los Picos

4

Assets

CHAIRMAN'S STATEMENT

The Company performed strongly in 2021 benefiting from robust asset availability, rising power prices and increased short-term forward power prices.

Alexander Ohlsson
Chairman

On behalf of the Board, I am pleased to present the audited Annual Report and Financial Statements for Foresight Solar Fund Limited (the "Company" or the "Fund") for the year ended 31 December 2021.

The Company performed strongly in 2021 benefiting from robust asset availability, rising power prices throughout the period and increased short-term forward power prices. A total Net Asset Value ("NAV") return for the year of 21.4% and earnings per share of 19.7 pence represent excellent financial performance well ahead of base case. Strong cash generation has comfortably allowed payment of the target dividend to Shareholders with 1.21 times dividend cover. The Fund continues to implement its diversification strategy with its first investment in battery storage systems ("BSS") in May 2021. Good progress is being made on the construction of its Spanish portfolio of solar assets.

As pandemic restrictions around the world eased, industrial and commercial activity ramped up, leading to increased demand for electricity. Power prices, already at pre-pandemic high levels at the start of 2021, continued to rise during the fourth quarter resulting in record high wholesale energy prices in the UK and western Europe. This was predominantly driven by the reduced supply of natural gas, coupled with low reserves, higher pent-up demand and low wind levels in northern Europe during the summer months.

The Company remained well protected from downside risk in the electricity markets during the pandemic as it secured a high proportion of its revenues through advanced fixed price agreements. The Company actively seeks to maintain an element of its revenues with exposure to merchant power prices kept 26% of generation unhedged in 2021, a decision which proved beneficial given rising energy prices. The Fund further capitalised on the current power price environment by increasing the level of future fixed rate power price agreements at prices significantly above forecasts. As at 31 December 2021 contracted revenues represented 78% for 2022, compared with 69% for 2023 and 65% for 2024 and the Company has continued to fix forward contracts at attractive rates since then.

Operational performance across the global portfolio was 5.3% below budget for the year, producing approximately 903MWh of clean electricity across the 54 operating assets (2020: 969MWh on generation, 8.4% above budget). Lower than forecast total generation was primarily attributable to the Australian assets, whilst strong production and high-power prices in the UK resulted in financial performance significantly above budget for the whole portfolio.

In Spain, good progress has been made on the four subsidy-free solar projects acquired in late 2020 with construction works substantially complete at all sites. The projects are now undergoing the administrative commissioning phase where bottlenecks with the authorities have been observed across the wider market, however, the assets are currently expected to become fully operational and contributing to portfolio generation in the first half of 2022. In the UK, the design and build of the Sandridge battery storage project has commenced with the facility scheduled to become operational by the fourth quarter of the year.

Development of these greenfield assets is an important step forward in the Company's strategy of geographic and revenue diversification. The Company continues to see potential in sourcing investments in both the solar and battery storage markets at attractive risk-adjusted returns.

Key financials

In 2021, the NAV per Ordinary Share increased by 12.9% to 108.2 pence (31 December 2020: 95.8 pence).

In contrast with the previous year, the Company's financial performance in 2021 was positively impacted by strengthening UK wholesale power price forecasts, particularly in the short term, and strong asset availability. This resulted in significant improvement in both consolidated revenue and EBITDA which ended the year 16% and 22% ahead of budget respectively at underlying asset level.

UK power prices hit all-time highs during the fourth quarter of 2021 and near-term upward pressure remains. Revenues in the period were above budget due to the ability to fix prices above existing power curves and elevated merchant power prices. Higher UK power price forecasts also increased forecast revenues, resulting in total power-related updates contributing 5.9 pence per share of NAV uplift for the year. Inflation remained significantly above the Company's assumption of 3% for the year, resulting in an uplift on NAV of 3.6 pence per share. The Company's inflation forecast remains unchanged and accordingly, if high inflation persists during 2022 this can be expected to have a further net positive impact on the Company's NAV during the year ahead.

The Board's decision to decrease the UK discount rate by 50 basis points to 6.00% and reduce the weighted average discount rate for the Australian assets from 8.41% to 7.88% had a positive impact on NAV of 4.0 pence per share. It is the opinion of management that these revisions reflect the current fair market value of the investments.

CHAIRMAN'S STATEMENT CONTINUED

Operational performance

The Fund's UK solar portfolio delivered another year of strong operational performance with electricity generation 1.0% above base case following good asset availability and strong irradiation in the first half of 2021. The portfolio continues to perform well, with the Asset Manager having developed a well-structured process for sourcing major components and repairing assets to minimise downtime.

The Australian portfolio experienced several challenges during 2021 including lower than budgeted irradiation, curtailment and negative pricing events which impacted assets that are otherwise performing to technical specifications. Operations in Queensland were significantly impacted in the year by prolonged outages for State-level interconnector works, resulting in final generation for the year of 217MWh, 20.7% below budget (2020: 230MWh). Portfolio performance is expected to improve for 2022 as works on the national grid infrastructure are scheduled to complete. On a global basis production was therefore 5.3% below budget.

Portfolio optimisation initiatives by the Asset Manager continued with a focus on string monitoring and the sourcing of spare parts to minimise downtime from repairs. The benchmarking or retendering of multiple operations and maintenance contracts also commenced in the period and will conclude in 2022. This is viewed as an opportunity to improve contractual terms whilst retaining value for money.

Acquisitions

In May 2021, the Company announced its first move into the battery storage market with the acquisition of a 50% equity stake in the 50MW Sandridge lithium-ion BSS project. The project is scheduled to become operational in the fourth quarter of 2022 and will support the diversification of portfolio revenue streams. On 31 December 2021, the Company completed the acquisition of the remaining 51% stakes in the Oakey 1 (30MW) and Longreach (17MW) solar farms in Queensland, Australia. Together these three acquisitions have added a further 49MW of generating capacity to the portfolio.

Dividends

The Company has declared total dividends of 6.98 pence per share for the year, in line with its target. The fourth and final FY2021 dividend of 1.745 pence per share will be paid on 27 May 2022.

Dividend cover for the period on a cash basis was 1.21x, including the impact of the scrip dividend programme and after paying £32.9 million of debt service at asset and Group level. Excluding the benefit of scrip dividends, the equivalent was 1.15x cash cover.

I am pleased to declare a target dividend of 7.12 pence per share for FY2022, an increase of 2.0% compared with 2021. In establishing the 2022 dividend target the Board has sought to balance the near-term benefits of higher forward power prices, inflation, and cash generation with uncertainty over macroeconomic factors and power price forecasts over the long term.

Based on contracted revenues alone, the 2022 target dividend is 1.25x cash covered.

Debt facilities

As at 31 December 2021, the total outstanding debt of the Company and its subsidiaries amounted to £512.0 million (31 December 2020: £472.4 million), with long-term debt representing £388.6 million (December 2020: £391.55 million). Total gearing decreased to 43.7% of Gross Asset Value ("GAV") (please refer to the Alternative Performance Measures ("APMs") shown on page 140), (December 2020: 44.8%), following drawdowns of £42.5 million of short-term debt during the year.

Long-term structural gearing represented 33.2% of GAV (2020: 37.1%), well within the 40% long-term debt target set by the Board. The Company's net debt position, considering available cash balances, represented 37.9% of GAV.

The Company's revolving credit facilities ("RCF") totalled £123.4 million at 31 December 2021. On 28 February 2022, the Company announced it had refinanced and replaced the two existing RCFs with a new £150 million RCF. At the date of this report, the RCF totalled £123.4 million, with £26.6 million remaining undrawn.

The Board believes the current level of Company debt to be appropriate to the size and revenue profile of the portfolio.

Listing of Investment Manager

The Company's Investment Manager, Foresight Group LLP, successfully listed on the London Stock Exchange as Foresight Group Holdings Ltd (FSG) on 9 February 2021. The Board welcomes the additional visibility and opportunities that this has given its Investment Manager along with the continued high standard of services it provides to the Company.

Sustainability update

2021 saw the 26th UN Climate Summit (COP26) take place in Glasgow where the need to move away from fossil fuels was, for the first time, enshrined in an internationally upheld climate agreement. Whilst there is almost unanimous agreement that the phasing down of fossil fuels may have had greater ambition, the final deal agreed goes a long way to further strengthen the case for continued mass deployment of renewable generation assets worldwide.

The year also saw increased focus on the protection of human rights in the solar supply chain. The Company has been proactive both in industry engagement, through Solar Energy UK's "Responsible Sourcing Task Group", and in its own due diligence processes, appointing the consultancy ethiXbase to conduct enhanced sustainability and ESG due diligence on the Company's primary counterparties.

Following the Company's decision to attain external validation of representative solar assets against the EU Taxonomy, the Fund is pleased to announce that 100% of its assets are assessed to be fully aligned with the EU Taxonomy's criteria for sustainable activities.

CHAIRMAN'S STATEMENT CONTINUED

Sustainability update continued

The Company also recognises the importance of assessing climate-related risks that have the potential to materially impact its business. As such, it supports the recommendations and has made a commitment to acting on climate change through the Task Force on Climate-related Financial Disclosures ("TCFD"). The Company has voluntarily made its first disclosures under the framework this year, which are set out in the risk management section of this report.

Finally, after nearly two years of COVID-imposed restrictions, it has been particularly gratifying to resume the programme of educational site visits. The Company's assets played host to more than 250 local schoolchildren across six separate site visits this year, helping to educate them about the benefits of renewable energy as part of the national energy infrastructure and about more localised biodiversity.

The portfolio has grown consistently since the Company's inception in 2013 providing energy suppliers, companies and households with renewable electricity. The electricity generated in 2021 alone equated to enough clean energy to power 311,379 UK homes.

Outlook

The Company is looking forward with confidence to 2022 and beyond.

COP 26 culminated in the Glasgow Climate Pact, a package of commitments designed to build on the Paris Agreement and covering financing, reporting transparency and market mechanisms for affecting change. It required all countries revisit and strengthen the 2030 targets in their own Nationally Determined Contributions ("NDCs") to provide greater confidence in meeting existing pledges.

Ahead of the summit the UK Government revealed its strategy for achieving net zero with its "Build Back Greener" plan, including the commitment to delivering a fully decarbonised power system by 2035. Achieving this will require a significant investment in both solar and battery storage.

Declining construction costs in recent years have improved the economic case for the deployment of subsidy-free solar at scale in the UK. In reality, this would have been achieved far sooner had it not been for the pandemic and the subsequent squeeze on raw materials costs. The Company sees the UK solar market as primed to recommence significant growth and is well positioned to capitalise on the opportunity with the Investment Manager holding preferential rights on a pipeline of projects in excess of 400MW once they reach "Ready to Build" status.

Alongside this there is a burgeoning market for corporate Power Purchase Agreements ("PPAs") in the UK, highlighted by the strength of the counterparties with "blue-chip" corporates, financial services and public sector entities all seeking clean energy provision. This is a natural and welcome development offering the potential to achieve long-term price fixes for the existing portfolio and new investments.

The battery storage market is witnessing a stream of greenfield projects being brought to the market by developers for 2022 and beyond. The energy storage sector is expected to be one of the primary beneficiaries of the roll-out of intermittent renewable energy generation and the intra-day trading opportunities that result. The Investment Manager also continues to evaluate many solar projects in the Spanish market and internationally.

Given the opportunities available to invest in projects that are accretive to NAV, the Company will actively consider recycling capital from the sale of existing assets where it sees a clear rationale to rebalance the portfolio for long-term resilience and to reinvest proceeds at attractive returns.

The Asset Manager is committed to its approach of continuous improvement of the operational performance of the portfolio with the primary focus on ensuring strong asset availability. The Company is also pursuing several initiatives via the Asset Manager including formal lease extensions, benchmarking of operations and maintenance contracts and the implementation of sustainability KPIs.

The Company continues to prioritise the health and safety of all its stakeholders, and its commitment to sustainable strategies, alongside the strength of its financial and operational performance.

Annual General Meeting

We look forward to meeting Shareholders at the Company's next Annual General Meeting ("AGM") on 15 June 2022 at 9:30am. Details of how Shareholders may participate will be set out in the Notice of Annual General Meeting that will be published in due course.

Alexander Ohlsson

Chairman

8 March 2022

MARKET CONTEXT

Market developments

United Kingdom

In advance of COP26 the UK Government published its strategy for achieving net zero with its "Build Back Greener" strategy, including its commitment to delivering a fully decarbonised power system by 2035. The deployment of renewable energy generation is expected to remain at the core of Government policy to achieve this goal with the continuing retirement of coal and nuclear generation capacity.

It is expected that virtually all new solar deployment in the UK will be developed on a subsidy-free basis. Whilst solar was eligible to tender in the fourth round of the Contracts for Difference ("CfD") subsidy auction in December 2021, the total support available to both solar and onshore wind amounted to only £10 million. The reality is that following years of falling construction prices and ever-increasing investment demand for renewable energy projects, solar development in the UK is no longer reliant on Government support with over 1GW of solar deployed since the renewable obligation mechanism was removed.

In 2021, 730MW of new solar was installed in the UK, of which around 50% was ground-mounted utility scale[1]. This represents a 34% increase compared to 2020 and the third consecutive year of growth for the market. The fourth quarter saw over 150MW of ground-mounted solar assets installed, which likely reflects a catch up from earlier in the year following a rise in the price of solar modules. Having readjusted, the market appears primed to push ahead in 2022 with the pipeline of UK projects now exceeding 18GW.

In parallel, the UK battery storage market has been successfully developing without subsidies since the beginning. The Investment Manager has sight of a large pipeline of late-stage development projects coming to the market that present attractive investment opportunities. With significant and increasing deployment of solar and wind projects, intermittency will rise, thereby increasing the need for storage solutions.

Australia

The Australian market is continually adapting as the energy grid transitions away from a centralised system of large coal and gas generation, towards a mixture of smaller scale, widely dispersed wind and solar generators supported by battery storage.

At Federal level, the Energy Security Board ("ESB") released its final advice to State and Federal Ministers on the "Post-2025 Market Design" in the third quarter of 2021. Attention has focused on the proposed introduction of a capacity market to the National Electricity Market ("NEM"), a fundamental shift in NEM's design, albeit still at an early stage. On 1 October 2021, the five-minute settlement rule change made by the Australian Energy Market Commission ("AEMC") in 2017 became operational. This reform aligns operational dispatch and financial settlement to five minutes and is expected to reward technologies that can more quickly respond to changes in supply and demand such as battery storage assets.

At State level, the Victorian ("VIC") Government tendered for 600MW of renewable energy capacity in 2021 through CfDs to deliver on commitments to source all the Government's energy from renewable sources by 2025, as well as achieving Victoria's renewable energy targets ("VRET") of 35% by 2020, and 40% by 2025. In June 2021 the Queensland Government announced that it would invest A$2 billion (up from a previously announced A$0.5 billion) into renewable energy and hydrogen jobs as part of both its COVID-19 economic recovery plan and its achievement of the State's renewable energy target ("QRET").

1. Source: Solar Power Portal (17 February 2022).

In New South Wales ("NSW"), the Government continues to develop their renewable energy zones and incentivise investment across three categories: generation, long duration storage ("LDS") and firming projects. The tenders will support the NSW Government's legislated objectives of 12GW of large-scale renewables and 2GW of LDS by 2030.

Spain

In January 2021 the Spanish Government announced the result of the first "pay-as-you-bid" renewable energy auction since 2017, with a total awarded capacity of approximately 3GW from a total participation pool of 9.7GW of projects. Solar PV projects represented approximately 2GW of the total capacity awarded.

This was closely followed in October 2021 with the results of a second "pay-as-you-bid" renewable auction in which solar PV projects totalling 866MW secured awards with the auction settling on a weighted average price of €31.65/MWh. By comparison, prices in the Spanish wholesale electricity market were running at €200/MWh at the time.

Provisional data from Red Eléctrica de España ("REE") for 2021 shows that 2.1GW of solar PV capacity was installed in the Spanish peninsular during the year, along with 493MW of wind capacity. This represents growth of 19% for solar PV for the year with total capacity installed reaching 13.6GW.

Spain's Integrated National Energy and Climate Plan aims to add 60GW of additional renewable capacity across the country by 2030, of which 39GW is expected to be solar PV. This ambitious plan would require the installation of 2.8GW of solar PV every year for the next nine years.

Power prices

United Kingdom

Wholesale power prices through 2021 have been the strongest since the inception of the Fund, reaching record levels in the fourth quarter and remaining high throughout the period. The N2EX day ahead auction prices averaged £117/MWh through 2021, a 3.3 times rise on the £35/MWh average in 2020. Pricing was strong through the entire period while the second half of the year saw the highest increases, with the index averaging £166/MWh in H2 2021 (4 times increase versus the £42/MWh H2 2020 average).

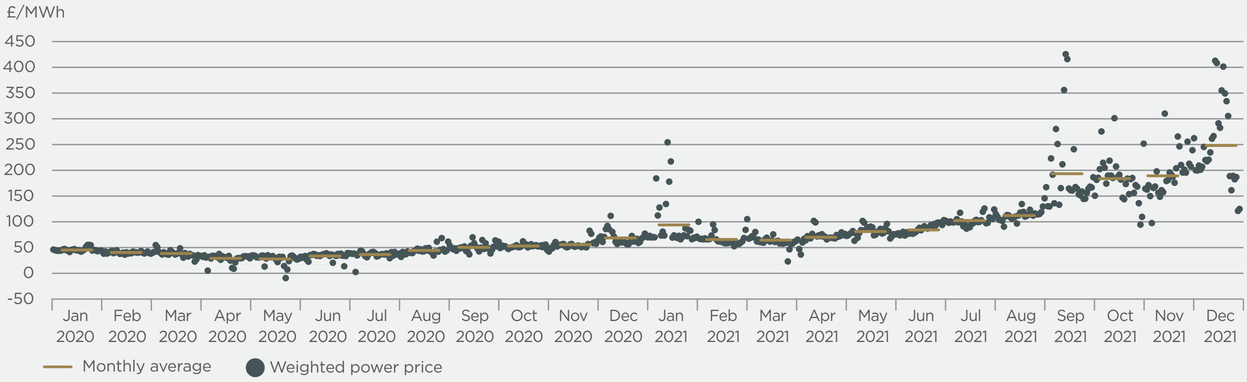
As reported in the Interim Report, high prices are primarily a function of the commodity market, most notably gas which remains one of the most significant drivers of wholesale power prices. Gas prices in Europe have remained at record high levels, driven by multiple factors including low inventories, tightening supply in Europe, strong demand from Asia and economic activity recovering to pre-COVID-19 levels.

Lower output from domestic sources, especially wind, also contributed to higher pricing as UK gas production through 2021 was impacted by pipeline and field maintenance in addition to companies deferring new projects as a result of the pandemic.

The average power price achieved across the UK portfolio during the period, including fixed price arrangements, was £67.93/MWh, versus £37.05/MWh in 2020, an increase of 83% year-on-year.

As a result of the positive power price environment, the Company has identified the opportunity to increase the percentage of annual contracted revenues by entering new fixed price arrangements for specific portfolio assets for periods up to 2026. The fixed price arrangements were entered into at prices above forecasts for the respective periods. The Company continually monitors forward electricity prices and has continued to enter new fixed price arrangements at attractive prices into 2022.

Daily and monthly generation weighted spot electricity prices at UK portfolio level (£/MWh)



MARKET CONTEXT CONTINUED

Power prices continued

Australia

Whilst the National Electricity Market ("NEM") was relatively less impacted by a decreased electricity demand during COVID-19 than UK and European markets, the time-weighted average power price across the NEM saw a 20% year-on-year increase to A$57.6/MWh (A$47.8/MWh in 2020).

A particularly strong rebound in the wholesale electricity price was observed during the second quarter of 2021 with the average price of A$84.8/MWh representing the highest quarterly average in almost two years. This also occurred in what is typically a lower-priced quarter for the market. The increase was largely driven by higher operational demand across the NEM, especially in Queensland, resulting from: 1) increased heating requirements due to colder-than-average temperatures; 2) the lifting of COVID-19 restrictions; and 3) power used for increased LNG production in Queensland to meet the increased demand for LNG exports.

This rebound was followed by a drop in the third quarter of 2021 driven by a drop in gas prices combined with lower demand due to milder weather and the re-implementation of COVID-19 restrictions. Additionally, the NEM has seen high levels of negative prices in the second half of the year, principally during peak solar output periods. Incidents of negative pricing have been particularly pronounced in Queensland whilst works on the interconnector with neighbouring New South Wales have been undertaken during the second half of 2021.

Queensland is a net generator of energy and the inability to export to the New South Wales market resulted in an energy oversupply in State when the interconnector was out of action, leading to falling and negative prices. The situation was relieved as interconnector works paused for the summer months and the grid operator is due to recommence and finalise the outstanding works in March-April 2022.

Overall, 16% of NEM trading intervals were zero or negative which is a material uplift on the previous record of 7% in the fourth quarter of 2020.

Subsidy revenues

The Renewables Obligation Certificate ("ROC") buy-out price for the 2021-22 annual compliance period increased to £50.80 (2020-21 compliance period: £50.05), reflecting the average monthly percentage change in RPI during 2021. On average, the Company received 1.42 ROC/MWh across the UK portfolio. The 2021-22 Feed-in Tariff ("FiT") rate for the Yardwall asset is £74.30/MWh (2020-21: £73.50/MWh).

In Australia, the average Large-Scale Generation Certificate ("LGC") price secured by the portfolio assets for the full year was A$30.29 per certificate. The sale of LGCs for Bannerton and Oakey 2 that were contracted at a fixed price with Origin Energy until 2030 contributed to providing improved debt terms when Bannerton converted its debt in June 2021.

Power price forecasts

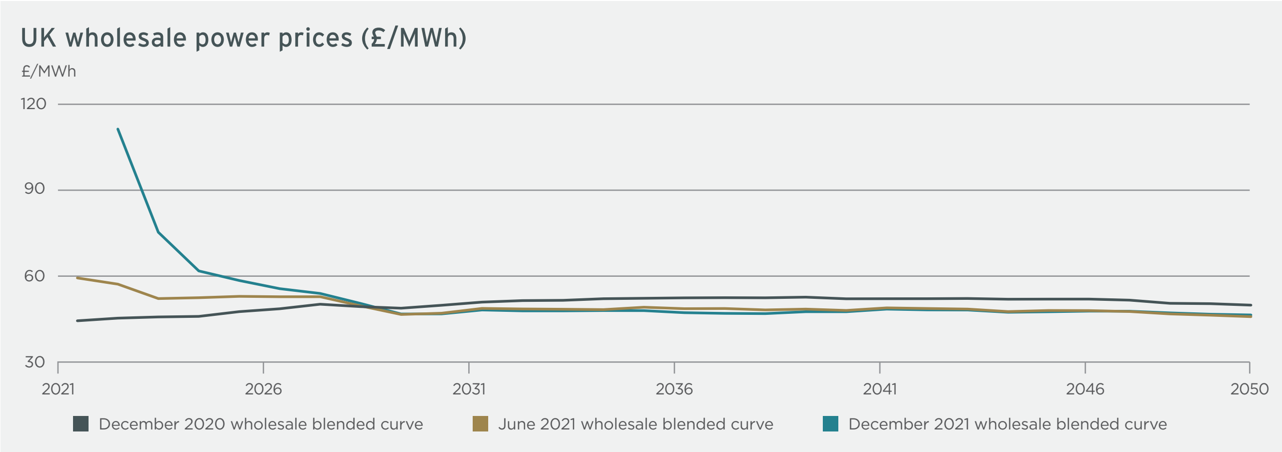
The Investment Manager uses forward-looking power price assumptions to assess the likely future income of the portfolio assets for valuation purposes. The Company's assumptions are formed from a blended average of the forecasts provided by three third-party consultants, adjusted by the Investment Manager for the expected capture price discounts for solar generation as deemed appropriate. For assets with fixed price arrangements in place, the contracted values are used in place of the blended forecast. For assets with subsidy arrangements in place for a period shorter than the assumed useful economic life of the asset, the blended forecast is used for the remaining period.

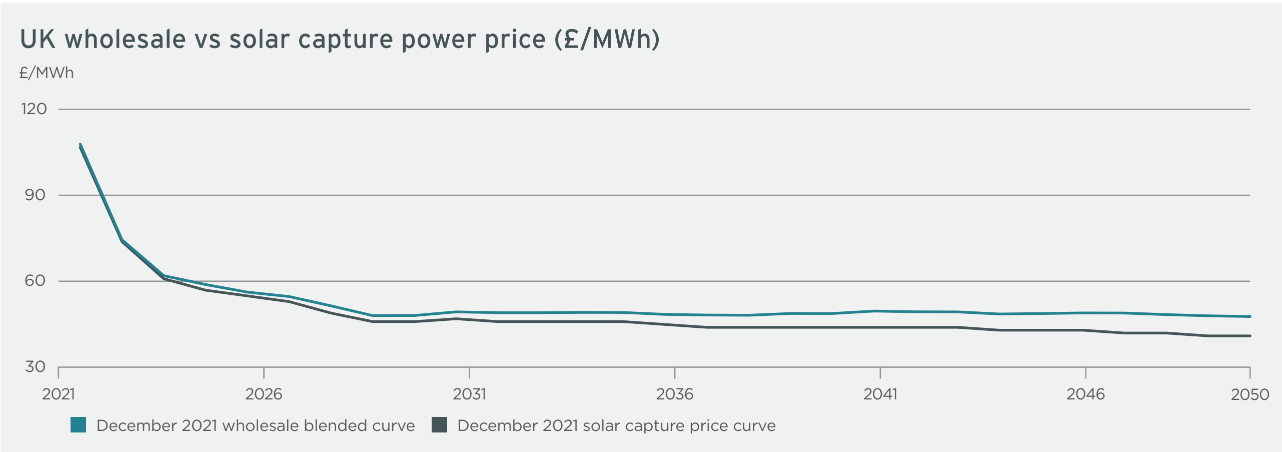
United Kingdom

When compared against June 2021 forecasts, the long-term average annual power price forecasts used for December 2021 valuations increased by 3.8% across the duration of the curves used to model the Company's projected cash flows. This was largely due to movements in the short term as a result of the current pricing environment mentioned earlier in this report.

The Company's forecasts over the short to medium term assume a decrease in prices in real terms of 9.5% per annum as the current market is expected to revert to historical levels. From 2030 onwards, prices then flatten off with a 0.6% per annum decline forecast as solar capture price discounts are expected to become more prominent.

Where the assumed asset life extends beyond 2050, the Investment Manager has assumed no real growth in forecast power prices.


UK wholesale power prices (£/MWh)
£/MWh
120
90
60
30
2021
2026
2031
2036
2041
2046
2050
December 2020 wholesale blended curve
June 2021 wholesale blended curve
December 2021 wholesale blended curve


UK wholesale vs solar capture power price (£/MWh)
£/MWh
120
90
60
30
2021
2026
2031
2036
2041
2046
2050
December 2021 wholesale blended curve
December 2021 solar capture price curve

Power price forecasts continued

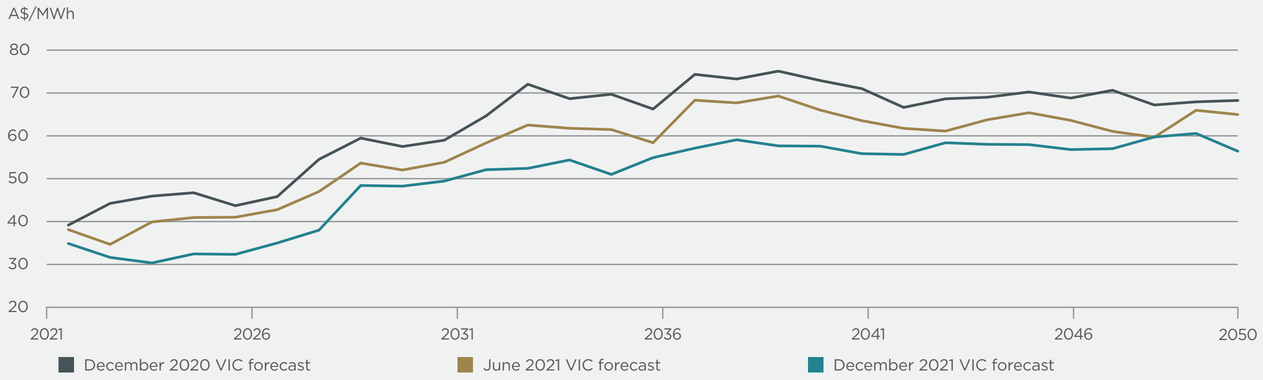
Australia

The wholesale power price is expected to increase steadily in the 2020s driven by the increase in supply of State-backed renewables and a recovery from low gas prices. Post 2030, stabilisation is expected as coal-fired plants are retired and other flexible and storage technologies are priced up to the marginal cost of the marginal unit of generation.

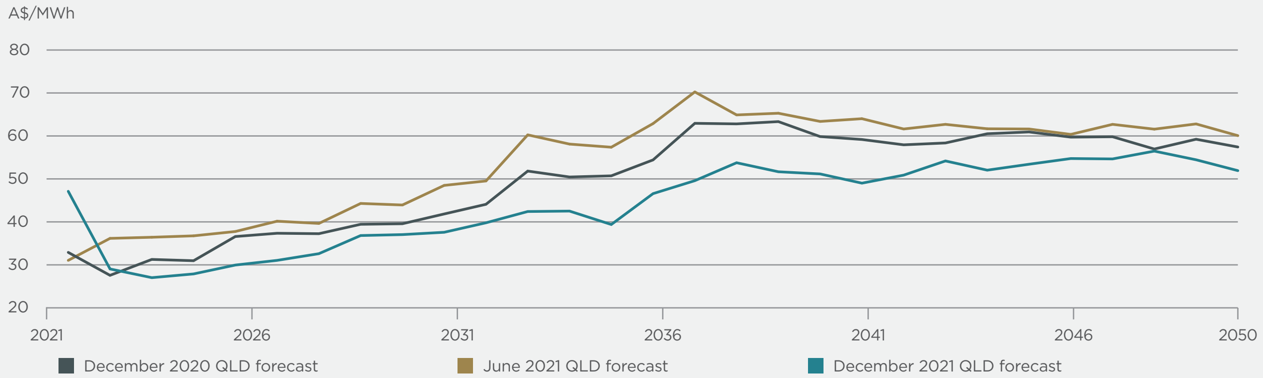
However, the solar capture price discount to the baseload price is forecast to widen as solar (including rooftop solar) continues to build throughout the forecast period and increases the price cannibalisation.

Australia wholesale power prices (A$/MWh)

Victoria wholesale power prices (A$/MWh)



Queensland wholesale power prices (A$/MWh)



Revenue analysis

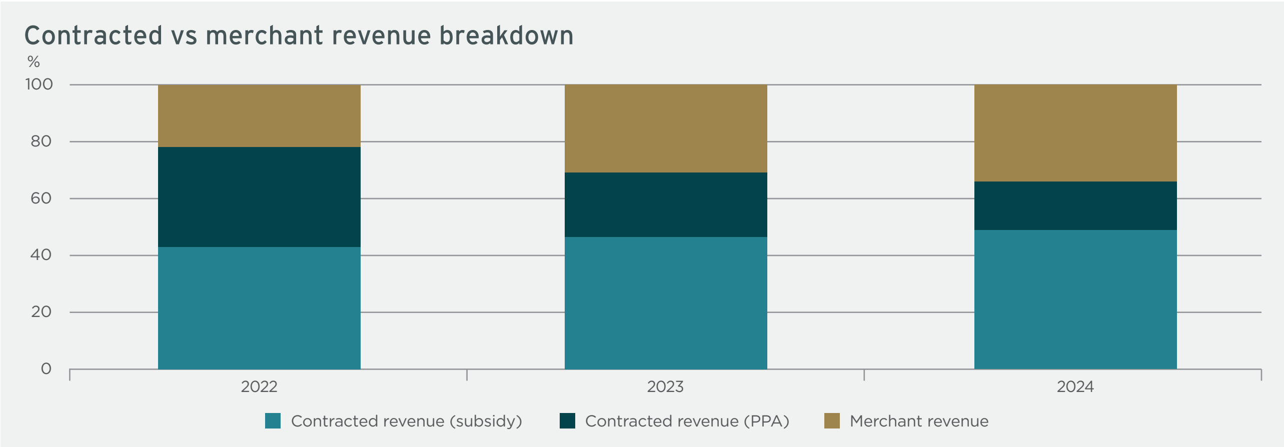
The Company's revenues are generated at solar asset level from the export of electricity into the grid. The revenues predominantly arise from the regulatory support mechanisms available in the markets in which the Company operates and the sale of electricity to third-party offtakers either at fixed or merchant prices.

In 2021, approximately 51% of revenue was derived from subsidies, with the remaining 49% from the sale of electricity. However, given fixed price contracts secured on UK PPAs, 74% of revenues in 2021 were considered contracted, with the remaining 26% considered merchant.

For 2022, 81% of the total expected revenues for the UK portfolio is considered contracted. The equivalent number for the total portfolio is 78%. At the time of writing, the weighted average contracted price (under PPAs) for 2022 stands at £82.11 per MWh.

On an NPV basis as at 31 December 2021, contracted revenues over the entire investment period represented 52% of the total forecasted revenues.

The Company intends to minimise the impact of power price volatility on future cash flows by entering fixed price arrangements for the sale of electricity to achieve a high percentage of annual fixed revenues in the short and medium term. This will be predominantly achieved by actively managing the power price exposure of the UK portfolio on a periodic basis, primarily by fixing electricity sales in summer seasons due to the seasonal production profile of solar assets, to support the Company dividend policy while allowing the Company to capture potential upsides from power price volatility.



STRATEGIC REPORT
GOVERNANCE
FINANCIAL STATEMENTS

FUND STRUCTURE

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's Initial Public Offering on 24 October 2013 raised £150 million, creating the largest solar investment company listed in the UK at the time. Following multiple equity raises since launch, the Company has grown steadily and now owns a portfolio with a Gross Asset Value of £1,172.0 million as at 31 December 2021.

As at 31 December 2021, the Company had 609,958,720 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.

Operating structure

As an investment company, the Company has no direct employees and outsources all operations to a number of key service providers.

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

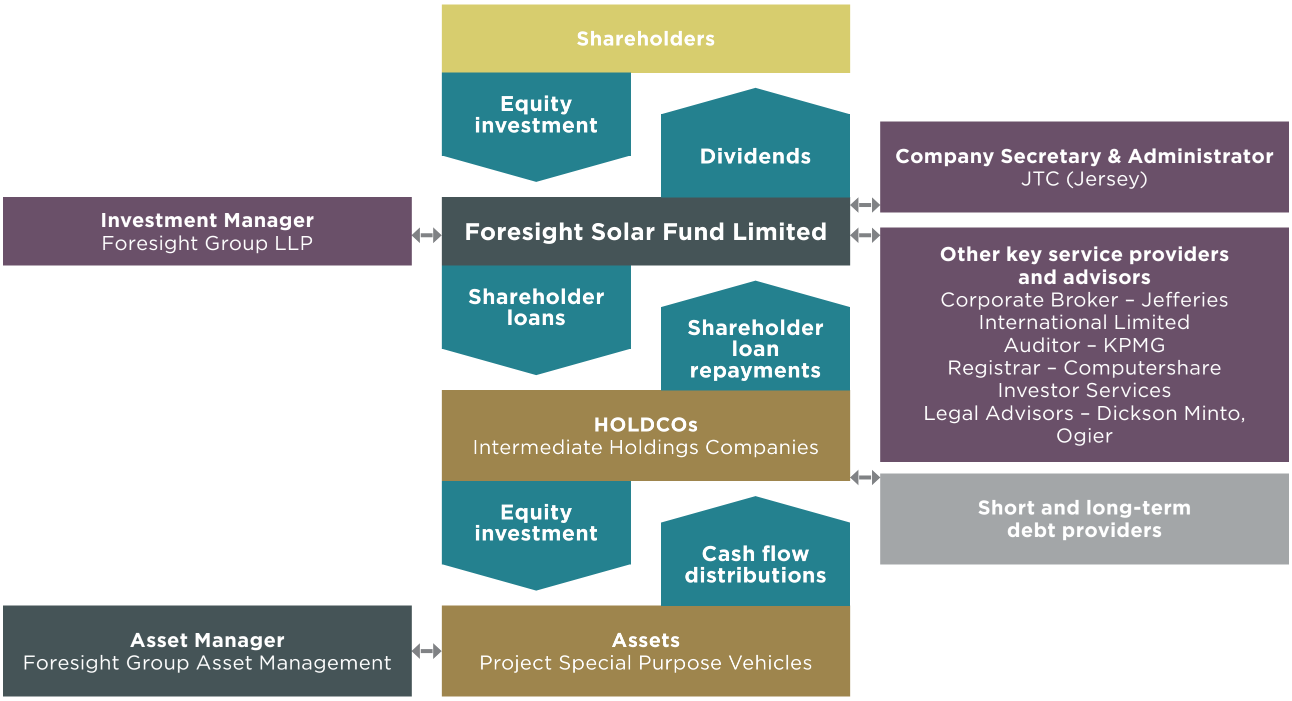
The operating structure and key service providers are detailed in the graphic below:

Investment objective

The Company's objective is to provide investors with a sustainable, progressive quarterly dividend and enhanced capital value, through investment in ground-based solar and BSS predominantly located in the UK.

Investment policy

The Company pursues its investment objective by acquiring ground-based, operational solar power plants.
The Company is also permitted to invest in utility scale battery storage systems up to a limit of 10% of the GAV of the Company, calculated at the time of investment.



Investments in assets which are, when acquired, still under construction will be limited to 25% of the GAV of the Company and subsidiaries, calculated at the time of investment.

Investments outside the UK will be limited to 25% of the GAV of the Company and subsidiaries, calculated at the time of investment.

Investment strategy

The Company's continuing aim is to build a diversified portfolio of assets by acquiring majority or minority stakes in individual ground-based solar assets and BSS.

When investing in a stake of less than 100% in a solar power plant or BSS SPV, the Company will secure its shareholder rights through shareholders' agreements and other legal transaction documents.

PPAs will be entered into between each of the individual solar power plant SPVs in the portfolio and creditworthy offtakers. Under the PPAs, the SPVs will sell solar-generated electricity and/or green benefits to the designated offtaker. The Company may retain exposure to power prices through PPAs that do not include mechanisms such as fixed prices or price floors.

Investment may be made in equity, debt or intermediate instruments but not in 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.

Investment restrictions

In order to spread risk and diversify its portfolio, at the time of investment no single asset shall exceed 30% of the Company's GAV post-acquisition. If the investment is an additional stake in an existing investment, the combined value of both the existing stake and the additional stake acquired should also not exceed 30%.

The GAV 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, engineering, procurement and construction ("EPC") contractors, operations and maintenance ("O&M") contractors, panel manufacturers, landlords and distribution network operators.

The Articles provide that gearing, calculated as Group borrowing (including any asset-level gearing) as a percentage of the Company's GAV, will not exceed 50% 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. borrowing between members of the Group) and revolving credit facilities) as a percentage of the Company's GAV will not exceed 40% at the time of drawdown.

Investments in BSS will be limited to 10% of the GAV of the Company and subsidiaries, calculated at the time of investment.

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.

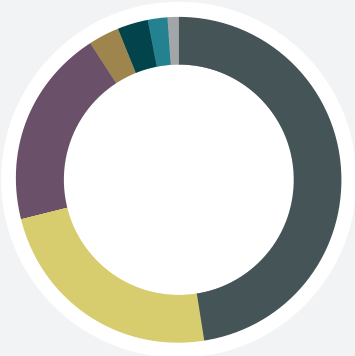
Alternative Investment Fund Management Directive ("AIFMD")

The AIFMD, which was implemented across the EU on 22 July 2013, 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 Alternative Investment Fund Manager.

The Company is located outside the European Economic Area ("EEA") but the Company's marketing activities in the UK are subject to regulation under the AIFMD and the National Private Placement Regime.

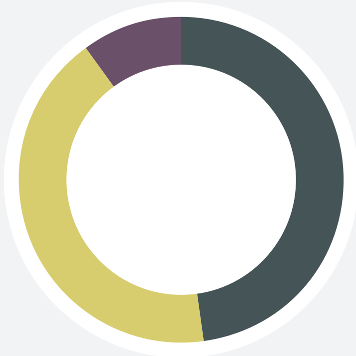
PORTFOLIO ANALYSIS

2021 global portfolio revenue split



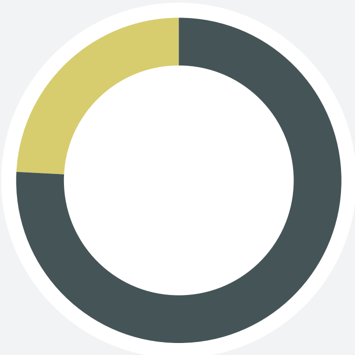
Key:
- UK subsidy income – **48%**
- UK electricity sales – Fixed – **24%**
- UK electricity sales – Merchant – **20%**
- AUS subsidy – Merchant – **3%**
- AUS electricity sales – Merchant – **3%**
- AUS electricity sales – Fixed – **2%**
- AUS subsidy – Fixed – **<1%**

Global portfolio revenue split – NPV basis



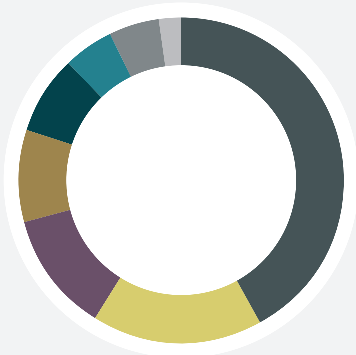
Key:
- Electricity sales – Merchant – **48%**
- Subsidy – **42%**
- Electricity sales – Contracted – **10%**

Countries by 2021 production



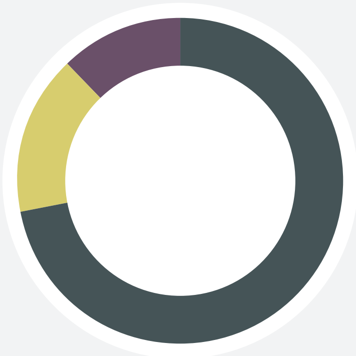
Key:
- UK – **76%**
- Australia – **24%**

O&M contractors by capacity



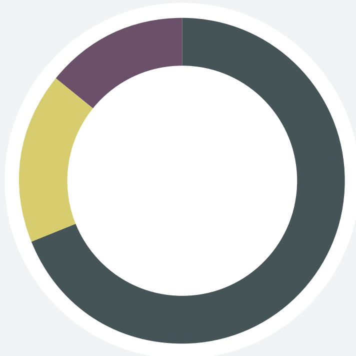
Key:
- Brighter Green Engineering Limited – **42%**
- Anesco Limited – **17%**
- IM2 – **12%**
- Canadian Solar – **9%**
- Belectric Solar Limited – **8%**
- Lightsource – **5%**
- UGL – **5%**
- Other – **2%**

Countries by installed capacity



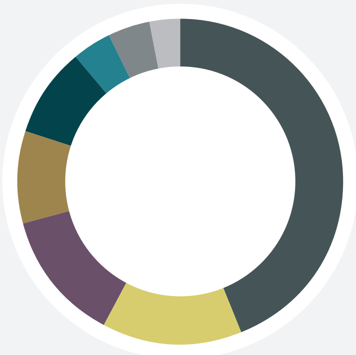
Key:
- UK – **72%**
- Australia – **16%**
- Spain – **12%**

Installed capacity by revenue type



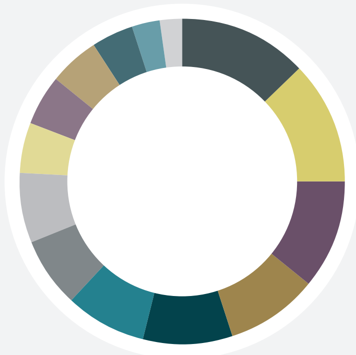
Key:
- ROC – **69%**
- LGC – **17%**
- Subsidy-free – **14%**

Inverters by capacity



Key:
- SMA – **44%**
- Power Electronics – **14%**
- ABB – **13%**
- Other – **9%**
- Schneider Electric – **9%**
- Bonfiglioli – **4%**
- GE Power Conversion – **4%**
- LTI ReEnergy – **3%**

Solar panel suppliers by capacity



Key:
- Canadian Solar – **13%**
- Trina Solar – **12%**
- JA Solar – **11%**
- Renesola – **9%**
- REC Solar – **9%**
- First Solar – **8%**
- Other – **7%**
- Jetion – **7%**
- SunEdison – **5%**
- Hanwha – **5%**
- S-Energy – **5%**
- Astronergy – **4%**
- Yingli Solar – **3%**
- Talensun – **2%**

INVESTMENT PORTFOLIO

Current portfolio

	Type	Asset	Installed peak capacity (MW)	Operational/ under construction	Acquisition cost[1] (£m)	Subsidy/ subsidy free
UK						
1		Wymeswold[2]	34	Operational	45.0	Subsidy
2		Castle Eaton	18	Operational	22.6	Subsidy
3		Highfields	12	Operational	15.4	Subsidy
4		High Penn	10	Operational	12.7	Subsidy
5		Pitworthy	16	Operational	19.3	Subsidy
6		Hunters Race	10	Operational	13.3	Subsidy
7		Spriggs Farm	12	Operational	14.6	Subsidy
8		Bournemouth	37	Operational	47.9	Subsidy
9		Landmead	46	Operational	52.4	Subsidy
10		Kencot Hill	37	Operational	49.5	Subsidy
11		Copley	30	Operational	32.7	Subsidy
12		Atherstone	15	Operational	16.2	Subsidy
13		Paddock Wood	9	Operational	10.7	Subsidy
14		Southam	10	Operational	11.1	Subsidy
15		Port Farm	35	Operational	44.5	Subsidy
16		Membury	16	Operational	22.2	Subsidy
17		Shotwick	72	Operational	75.5	Subsidy
18		Sandridge	50	Operational	57.3	Subsidy
19		Wally Corner	5	Operational	5.7	Subsidy
20		Coombeshead	10	Operational	36.6 (Acquired as portfolio)	Subsidy
21		Park Farm	13	Operational		Subsidy
22		Sawmills	7	Operational		Subsidy
23		Verwood	21	Operational		Subsidy
24		Yardwall	3	Operational		Subsidy
25		Abergelli	8	Operational	3.7	Subsidy
26		Crow Trees	5	Operational	1.8	Subsidy
27		Cuckoo Grove	6	Operational	2.5	Subsidy
28		Field House	6	Operational	3.1	Subsidy
29		Fields Farm	5	Operational	1.7	Subsidy
30		Gedling	6	Operational	1.9	Subsidy
31		Homeland	13	Operational	5.2	Subsidy
32		Marsh Farm	9	Operational	4.0	Subsidy

	Type	Asset	Installed peak capacity (MW)	Operational/ under construction	Acquisition cost[1] (£m)	Subsidy/ subsidy free
UK continued						
33		Sheepbridge	5	Operational	1.9	Subsidy
34		Steventon	10	Operational	4.2	Subsidy
35		Tengore	4	Operational	1.3	Subsidy
36		Trehawke	11	Operational	4.7	Subsidy
37		Upper Huntingford	8	Operational	3.1	Subsidy
38		Welbeck	11	Operational	4.4	Subsidy
39		Yarburgh	8	Operational	3.4	Subsidy
40		Abbey Fields	5	Operational	1.5	Subsidy
41		SV Ash	8	Operational	3.4	Subsidy
42		Bilsthorpe	6	Operational	1.9	Subsidy
43		Bulls Head	6	Operational	2.2	Subsidy
44		Lindridge	5	Operational	1.7	Subsidy
45		Manor Farm	14	Operational	6.1	Subsidy
46		Misson	5	Operational	2.0	Subsidy
47		Nowhere	8	Operational	3.7	Subsidy
48		Pen Y Cae	7	Operational	2.9	Subsidy
49		Playters	9	Operational	4.0	Subsidy
50		Roskrow	9	Operational	3.7	Subsidy
51		Sandridge	25	Under construction	12.7	Subsidy free
		UK subtotal	**748**		**697.8**	
Australia						
1		Bannerton	53[3]	Operational	22.9	Subsidy
2		Longreach	17	Operational	5.7	Subsidy
3		Oakey 1	30	Operational	9.2	Subsidy
4		Oakey 2	70	Operational	34.0	Subsidy
		Australia subtotal	**170**		**71.8**	
Spain						
1		Virgen del Carmen	26	Under construction	18.0	Subsidy free
2		Los Llanos	49	Under construction	64.2 (Acquired as portfolio)	Subsidy free
3		Los Salinas	30	Under construction		Subsidy free
4		Los Picos	20	Under construction		Subsidy free
		Spain subtotal	**125**		**82.2**	
		Total	**1,043**		**851.8**	

1. Original equity cost at time of acquisition, including transaction costs. For assets under construction, this includes estimated construction costs to start of operations. International acquisition costs converted to GBP including transaction costs at the applicable rate at the time of acquisition.
2. Includes the 2MW extension acquired in March 2015.
3. Accounts for the 48.5% stake the Company holds of Bannerton (110MW).

INVESTMENT PORTFOLIO CONTINUED

Portfolio summary

As at 31 December 2021, the Company's portfolio comprised 59 assets with a total net peak capacity of 1.043GW, of which 150MW remains under construction. In the UK, the Company has an operational portfolio of 51 assets representing a total installed capacity of 748MW, including the battery storage project. The Company owns a further four operational assets in Australia which account for 170MW of installed capacity.

Two acquisitions in 2020, comprising an additional four subsidy-free assets in Spain, will add 125MW upon completion of construction.

The Company's UK assets all benefit from regulatory support and are accredited under the Renewables Obligation ("RO") scheme, with the exception of Yardwall which is a Feed-in Tariff ("FiT") scheme accredited asset (representing less than 1% of the UK portfolio). The Australian assets benefit from subsidies in the form of Large-Scale Generation Certificates ("LGCs").

The Company's greenfield Spanish projects do not benefit from regulatory support; however, the investment assumption was that these projects would bid into the long-term Power Purchase Agreement ("PPA") market to provide a high proportion of contracted revenues. In December 2021, the Company entered into a ten-year PPA for the electricity to be generated from the 98.5MW solar Lorca portfolio in Granada, Spain.

Acquisitions

Sandridge

In May, the Company announced the acquisition of a 50% equity stake in Sandridge Battery Storage Limited, a 50MW lithium-ion BSS located in the UK, its first acquisition in the sector and one which will provide portfolio diversification and operating efficiencies. The asset is adjacent to the Sandridge solar park owned by the Company and is expected to become operational in the fourth quarter of 2022.

The acquisition will represent a total investment of up to £12.7 million, including the anticipated construction costs, and will be funded using the Company's existing revolving credit facilities ("RCF").

The project is expected to begin construction in the first quarter of 2022.

Longreach and Oakey 1 solar farms

In December, the Company acquired the remaining 51% interests in the Oakey 1 (30MW) and Longreach (17MW) solar farms in Queensland, Australia for a consideration of A$14.5m. Both assets are fully operational and complete ownership provides the Company with full management control over future optimisation initiatives.

The assets currently have senior debt facilities in place from the Bank of Tokyo-Mitsubishi, Ltd ("MUFG") and the Clean Energy Finance Corporation ("CEFC"). The senior debt facilities expire in April 2022 and are expected to be refinanced during the first quarter of 2022.

Both Longreach and Oakey 1 benefit from Power PPAs for the sale of electricity and LGCs with the Queensland Government. These are under a contract-for-difference structure for a period of 20 years from the date of commissioning, delivering highly contracted revenues and operational cash flows.

INVESTMENT MANAGER'S REPORT

Investment Manager's outlook

The operational portfolio has demonstrated its resilience to the worst economic shocks of the COVID-19 pandemic. More generally, the wider renewable generation sector has held up well during the uncertainties of the last two years, adding further support to the already significant demand for the asset class.

The economic case for subsidy-free solar in the UK has strengthened, encouraging developers to bring forward a significant pipeline of projects. There is currently over 18GW of solar sites in planning, with a large volume at "ready to build" stage, due to come to the market in 2022. A significant proportion of this volume represents an overhang resulting from the pandemic. This is a result of falling power prices and an increase in solar panel prices for the first time in many years, due to supply chain imbalances, which caused many projects to be placed on pause.

Decisions on development have been supported by the recovery in electricity prices across the UK, Europe and much of the developed world, from the lows caused by the COVID-19 pandemic during 2021. Many countries are now grappling with the onset of record high energy prices that have predominantly been driven by supply imbalances in the natural gas market, which itself acts at the "price-setter" for wholesale energy prices in most markets. While prices have pulled back from the peak seen in late 2021, most factors that influence the price of natural gas point to upward pressure on the market remaining over the near term. One outcome is the observed growth in the market for corporate PPAs, especially in the UK where businesses are keen to lock-in fixed pricing with clean energy providers.

In Spain, the Company has made good progress in the construction of the four subsidy-free assets it acquired in late 2020 with each of the sites reaching substantial completion during the fourth quarter of 2021. The projects are now undergoing commissioning with the Spanish authorities, where there is a backlog of applications affecting the entire industry due to high demand. This has the potential to cause a regulatory delay that would push back final completion, however, the current expectation is that all projects will be connected during H1 2022.

The Investment Manager continues to monitor the Spanish market for further attractive subsidy-free assets.

In Australia, the Company is in the process of restructuring the capital structure of the operating assets and will then review opportunities to add further resilience to the portfolio.

In battery storage, the market has also witnessed the impact of supply chain pressures with lithium prices more than tripling during 2021, alongside cost increases for shipping and other raw materials. This has inevitably led to the delay of projects as the market adjusts to the new pricing points. The UK battery storage market is well placed to forge ahead in 2022 with a significant number of standalone and co-location projects being developed. Australia remains an attractive market for battery projects and the Spanish Government has approved an energy storage strategy targeting 20GW of storage capacity by 2030.

The Asset Manager continues to focus on improving and maintaining high operational availability and strong performance. Alongside this it will also focus on delivering value enhancement and protection initiatives including lease extensions, contract re-tenders and other operational efficiencies.

Management's approach will continue to be sustainability driven and aims to deliver best-in-class initiatives with the co-operation of local communities and counterparties.

Key investment metrics

	31 December 2021	31 December 2020
Market capitalisation	**£618.5 million**	£622.9 million
Share price	**101.4 pence**	102.5 pence
Dividend declared per share for the year	**6.98 pence**	6.91 pence
Gross Asset Value ("GAV")	**£1,172.0 million**	£1,054.6 million
Annualised total return (NAV) since IPO	**7.3%**	5.2%
Annualised total shareholder return since IPO	**5.9%**	5.9%
Net Asset Value ("NAV")	**£660.0 million**	£582.2 million
NAV per share	**108.2 pence**	95.8 pence
Profit/(loss) after tax for the year	**£117.9 million**	(£7.2 million)

The purpose and calculation methodology of the key APMs are shown on page 140.

Movements in Net Asset Value

The Company's NAV per share increased from 95.8 pence to 108.2 pence during the year. A breakdown in the movement of the NAV is shown in the table below.

	NAV	NAV per share
NAV as at December 2020	£582.2m	95.8p
Dividends paid	**(£40.0m)**	**(6.6p)**
Fund costs	**(£10.5m)**	**(1.7p)**
Other adjustments	**£6.8m**	**1.1p**
Forex	**(£2.4m)**	**(0.4p)**
Time value	**£36.0m**	**5.8p**
Project actuals	**£6.6m**	**1.1p**
PPA fixes	**£13.5m**	**2.2p**
Power forecasts	**£16.1m**	**2.6p**
Inflation	**£22.2m**	**3.6p**
Corporation tax	**(£7.9m)**	**(1.3p)**
Discount rates	**£23.0m**	**3.7p**
Asset life	**£5.0m**	**0.8p**
Other	**£9.4m**	**1.5p**
NAV as at December 2021	**£660.0m**	**108.2p**

Valuation methodology

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 examination and challenge. Valuations are undertaken quarterly. A broad range of assumptions is used in the valuation models. These assumptions are based on long-term forecasts and generally are not materially affected by short-term fluctuations, economic or portfolio technical performance. Significant change to long-term forecasts typically have a greater impact.

It is the policy of the Investment Manager to value with reference to discounted cash flows ("DCF") from the date of acquisition. Assets under construction are valued at cost until the date of commissioning and start of operations. Revenues accrued during construction or the commissioning process do not form part of the DCF calculation in making a fair 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 (page 110) as well as the International Private Equity and Venture Capital ("IPEV") Valuation Guidelines.

The Company's Directors review and challenge the operating and financial assumptions, including the discount rates, used in the valuation of the Company's portfolio before approval, based on the recommendation of the Investment Manager.

Discount rates for valuation

During the period, the Investment Manager undertook a review of the discount rates applied to the valuation of the portfolio as a result of the valuation information received from participating in multiple tender processes to acquire UK operational assets. As a result of this analysis, discount rates for the UK portfolio have been reduced by 0.50% from 6.50% to 6.00% on a levered basis in order to bring valuations in line with the expected market pricing for operational assets. In terms of assessing the climate change risk, the Investment Manager benchmarks the discount rate against a similar asset base to ensure the underlying climate risk exposure is factored into the analysis.

The discount rate used for UK asset cash flows which have received lease extensions beyond the initial investment period of 25 years is 7.00% for subsequent years, reflecting the merchant risk of the expected cash flows beyond the initial 25-year period.

For the Australian portfolio, assets are valued using a discount rate which is dependent on the level of contracted revenues in place. Following a review of comparable transactions, the weighted average discount rate across the Australian portfolio was reduced from 8.14% to 7.88% on a levered basis.

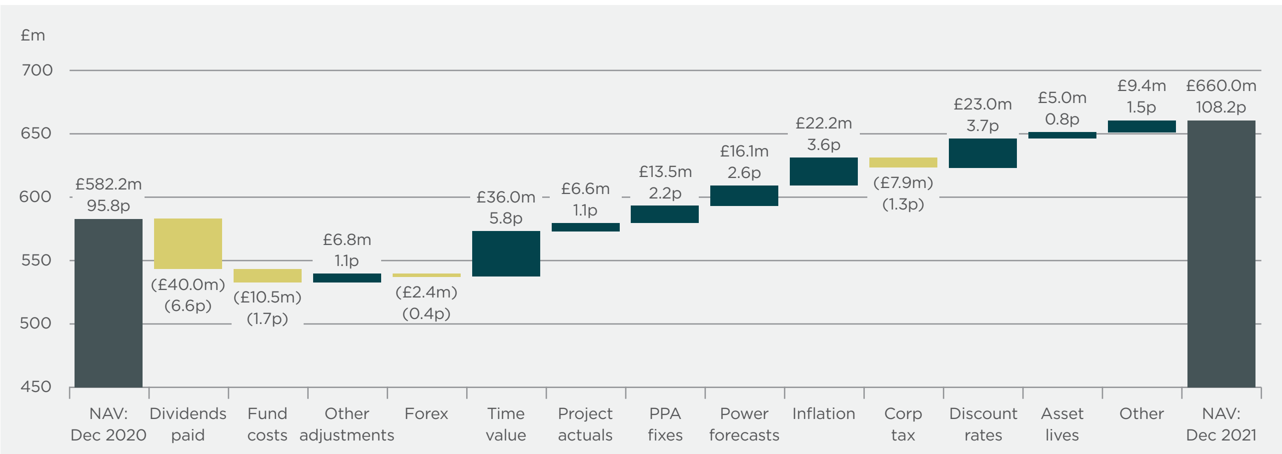
The Spanish portfolio of assets, currently in construction, will be valued on a discounted cash flow basis once they are fully commissioned. The Investment Manager has good visibility on the discount rates used to value comparable operational assets in the Spanish market via its Madrid office.

The weighted average levered discount rate across the portfolio is now 6.26% compared to 6.74% as at 31 December 2020.

Other assets under construction, such as the Sandridge battery project, are valued at cost and will continue to be held at cost until the assets are connected to the grid and fully operational, at which point they will be valued on a DCF basis.

Non-UK assets valuations are updated quarterly to reflect movements related to exchange rates.

Movements in Net Asset Value (£m and pence per share)



Asset life

The expected weighted average life of the UK portfolio as at 31 December 2021 is 30.6 years (31 December 2020: 30.6 years) from the date of commissioning. This represents a remaining portfolio useful life of 23.8 years when the historical operational periods are taken into consideration.

The average useful economic life across 40 of the 50 operational UK assets goes beyond 25 years, averaging 32.0 years from the date of commissioning. Conservative operational and lifecycle costs are incorporated into the extended useful life period. The useful economic life for assets located in Australia increased to 40 years within land restrictions, which compares to the 30-year assumption at the date of acquisition.

Dividends paid

The Company paid dividends of £40.0 million during the year to 31 December 2021.

Fund costs

Total costs of £10.5 million, which predominantly include management fees, financing costs and corporation tax incurred by the Company and its subsidiaries on a consolidated basis during the year.

Other adjustments

Exceptional movements in the year include the net release of £6.8 million from compensation accounts under the existing debt facilities for historical rectification works.

Foreign exchange movements

Fluctuations in the exchange rate over the period impacted the GBP valuation of the Australian assets.

Time value

A value uplift resulting from moving the valuation date forward and therefore bringing future cash flows closer to the present date (and therefore discounting them less).

Project actuals

Cash generation from UK projects exceeded modelled forecasts by £6.6 million in the year due to base case outperformance, which is predominantly a function of the high power prices achieved across the portfolio.

Power price forecasts

The Company uses forward-looking power price assumptions to assess the likely future income of the portfolio assets for valuation purposes. The Company's assumptions are based upon a blended average of the forecasts provided by third-party consultants which are updated on a quarterly basis. The valuation change during the period includes the impact of both the UK and Australian price forecasts.

Inflation forecasts

This update reflects actual inflation for 2021 which has been in excess of the 3% forecast used in the valuation modelling. The forecast for inflation remains unchanged (3% from 2022-2030, dropping to 2.25% thereafter to reflect the convergence of RPI to CPIH).

Corporation tax

The corporation tax forecasts now assumes 25% from April 2023 and for the duration of the asset lives.

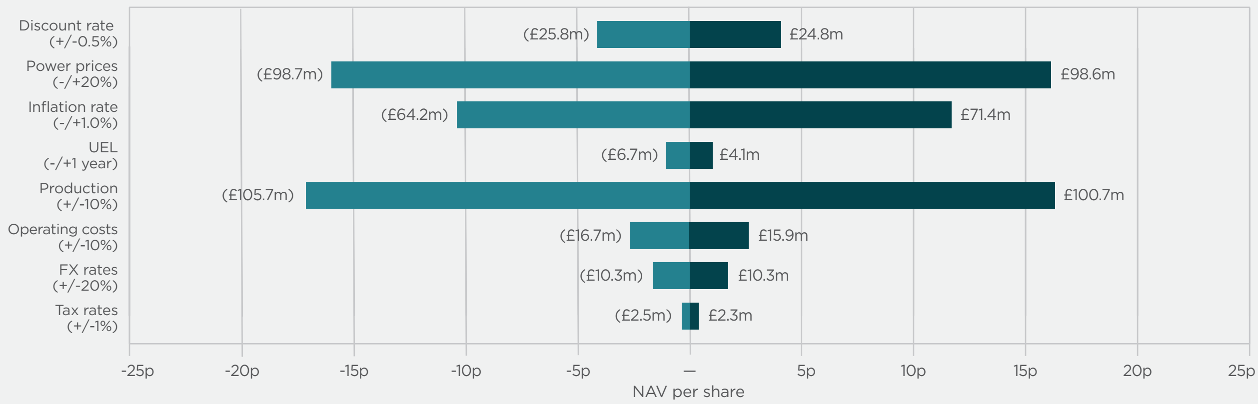
Other

The Company has adjusted the generation forecast at a selection of assets which have displayed consistent overperformance above budget. The Company has also recognised operating running cost reductions where deemed appropriate. The £4.0 million value generated from the successful refinancing of the Australian asset Bannerton is also included within this step.

Valuation sensitivities

Where possible, assumptions are based on observable market and technical data. In many cases, such as forward power prices, independent advisors are used to provide evidenced information, enabling the Investment Manager to adopt a prudent approach. The Investment Manager has set out the inputs which it has ascertained would have a material effect upon the NAV in note 16 of the Financial Statements. All sensitivities are calculated independently of each other.

Impact on NAV per share



OPERATIONAL REVIEW

UK portfolio performance

The UK portfolio continued to outperform expectations during the period with electricity generation above base case by 1.0%, when adjusted for financial compensation received, reflecting annual irradiation 0.6% above base case. The overperformance has also been driven by the prompt resolution of several material incidents across the portfolio leading to high levels of asset availability. An increase in unexpected DNO outages was seen over the summer months which led to some underperformance at a small number of assets.

The impact on the operation of the portfolio due to the COVID-19 pandemic remained negligible. Corrective maintenance required to resolve faults was unaffected, as asset operators were still able to act quickly and safely when issues arose during the period. Where it was not possible to complete preventative maintenance at the required time, operators were still able to complete all required preventative maintenance across the portfolio within the timelines of the contractual framework.

Health and safety

During 2021, the provision of health and safety services to the SPVs has been enhanced by the implementation of third-party reviews via independent consultancy services that offers an additional level of support to the project.

Competency assessments were performed on the portfolio O&M contractors to ensure their health and safety management systems adhered to good practice and a programme of site audits was completed across every site in the portfolio.

The Asset Manager continues to monitor health and safety incidents and uses the feedback from these events to raise awareness and drive improvement of key health and safety risks.

Ofgem audits

In previous years, Ofgem continue to carry out RO accreditation audits across the portfolio. To date, several audits have been fully closed with no further action and a limited number remain open awaiting feedback from Ofgem.

Optimisation

During the period, technical optimisation of the assets continued with a greater focus on areas such as string monitoring and repair times to enhance performance. Key spare parts have continued to be reviewed and purchases made accordingly to further improve the availability given the success of this strategy to date.

At a commercial level there has been a review of lease extensions and multiple discussions are being held with landlords across the portfolio to determine where these may be extended. This approach will continue in 2022 with the aim of realising the value of these extensions in the valuation of the assets.

Post Final Acceptance Certificate ("FAC") remedial works at Shotwick identified during the FAC process are well advanced, with completion targeted for the end of the second quarter of 2022. Further optimisation under review at the site includes the real-time monitoring of the main 132kV transformer at the site, anticipated to be completed in the first quarter of 2022.

Previous initiatives such as critical spare parts have continued to contribute to the stable performance of the portfolio during the year and will continue to be evaluated. With this experience, the Asset Manager can feed this practical knowledge back into new projects being developed and constructed, including construction management, site design, key component quality control, warranty terms improvement and key contractual terms for both EPC and O&M contracts.

Australian portfolio update

During 2021, the Queensland assets (Oakey 1, Oakey 2 and Longreach) experienced significant levels of generation reduction due to negative prices in the central hours of the day. Incidents of negative pricing have increased due to the Queensland-New South Wales interconnector outages, resulting from specific upgrade activities by the transmission network service provider. Whilst the interconnector is down, there is no opportunity for Queensland producers to sell electricity to its neighbouring state and thus oversupply has been common at peak production times.

The interconnector works are paused for the peak summer months (October–March), which saw the frequency of negative pricing significantly reduced. Works on the interconnector are expected to recommence and conclude in the second quarter of 2022.

Bannerton's performance has been affected by network outages, network constraints and irradiation levels below budget in the second half of the year. The Asset Manager has also been working with the tracker manufacturer to implement a new tracker algorithm, to increase energy yield in diffused light conditions and early/late winter sun hours, which is expected to be implemented in the first half of 2022.

Spanish portfolio update

Virgin del Carmen (under construction)

The construction of the asset was substantially completed in the fourth quarter of 2021 and the project has now entered the administrative process for grid connection, allowing first electricity export, which is expected before the end of the second quarter of 2022.

OPERATIONAL REVIEW CONTINUED

Spanish portfolio update continued

Virgin del Carmen (under construction) continued

It should be noted, however, that due to the significant level of projects reaching completion in Spain, there is currently a backlog of grid applications awaiting approval by the authorities. This has the potential to impact the wider market and, whilst it is believed the Company's portfolio of assets is already sufficiently well advanced, the construction management team is constantly monitoring progress.

Lorca portfolio (under construction)

Construction of the three assets is progressing well and is expected to be finalised in February 2022. The portfolio remains on track to be grid connected and exporting electricity by June 2022.

The portfolio entered into a ten-year fixed price Power Purchase Agreement ("PPA") with Statkraft, Europe's largest producer of renewable energy, which develops, builds and operates solar, hydro, wind and gas assets.

The PPA provides the portfolio with a long-term hedge for c.70% of its annual production and increases the Company's revenue visibility.

Following the execution of the PPA, the Company is in discussions to secure a senior project finance facility for the Lorca portfolio.

Electricity generation

The generation figures below have been adjusted, where relevant, for events where compensation has been, or will be, received.

UK

Site	Connection date	MW	Total electricity generation (MWh)	Generation variance vs base case	Irradiation variance vs base case
Abbey Fields	March 2016	4.9	4,684	-6.3%	-1.8%
Abergelli	March 2015	7.7	6,863	-5.2%	-1.2%
Atherstone	March 2015	14.8	13,710	1.8%	0.4%
Bilsthorpe	November 2014	5.7	5,486	3.7%	2.4%
Bournemouth	September 2014	37.3	39,001	1.0%	-2.6%
Bulls Head	September 2014	5.5	5,235	3.9%	-0.3%
Castle Eaton	March 2014	17.8	16,639	5.8%	3.3%
Coombeshead	December 2014	9.8	9,970	-0.6%	2.0%
Copley	December 2015	30.0	27,765	1.2%	2.1%
Crow Trees	February 2016	4.7	4,309	1.4%	2.8%
Cuckoo Grove	March 2015	6.1	6,315	-5.2%	-5.5%
Field House	March 2016	6.4	6,038	-4.7%	-3.4%
Fields Farm	March 2016	5.0	4,900	5.4%	0.9%
Gedling	March 2015	5.7	5,259	2.2%	3.3%
High Penn	March 2014	9.6	10,744	-2.8%	-3.1%
Highfields	March 2014	12.2	9,059	1.8%	0.9%
Homeland	March 2014	13.2	13,332	-2.3%	-4.8%
Hunters Race	July 2014	10.3	10,327	-0.6%	-2.5%
Kencot Hill	September 2014	37.2	34,700	-1.2%	-1.7%
Landmead	December 2014	45.9	42,108	0.8%	3.1%
Lindridge	January 2016	4.9	3,588	-22.2%	-2.4%
Manor Farm	October 2015	14.2	12,251	-1.0%	-1.0%
Marsh Farm	March 2015	9.1	9,142	0.6%	-0.2%
Membury	March 2015	16.5	15,663	1.2%	-3.1%
Misson	March 2016	5.0	4,465	-4.2%	-0.3%
Nowhere	March 2015	8.1	8,166	3.8%	1.7%
Paddock Wood	March 2015	9.2	9,090	0.1%	-2.8%
Park Farm	March 2015	13.2	11,625	-0.6%	-0.8%

Site	Connection date	MW	Total electricity generation (MWh)	Generation variance vs base case	Irradiation variance vs base case
Pen Y Cae	March 2015	6.8	6,203	-1.9%	2.1%
Pitworthy	March 2014	15.6	15,186	8.4%	1.6%
Playters	October 2015	8.6	8,277	-1.8%	-1.0%
Port Farm	March 2015	34.7	32,811	1.5%	-0.3%
Roskrow	March 2015	8.9	8,960	-0.6%	0.7%
Sandridge	March 2016	49.6	45,696	-2.6%	-0.1%
Sawmills	March 2015	6.6	6,666	1.1%	0.5%
Sheepbridge	December 2015	5.0	4,589	-1.0%	2.9%
Shotwick	March 2016	72.2	67,525	6.9%	5.5%
Southam	March 2015	10.3	9,724	2.4%	0.7%
Spriggs Farm	March 2014	12.0	11,380	-0.6%	-6.2%
Steventon	June 2014	10.0	9,735	0.0%	0.4%
SV Ash	March 2015	8.4	8,353	10.0%	6.7%
Tengore	February 2015	3.6	3,626	1.5%	0.0%
Trehawke	March 2014	10.6	10,958	3.6%	3.5%
Upper Huntingford	October 2015	7.7	7,529	4.7%	1.8%
Verwood	February 2015	20.7	20,826	0.5%	0.5%
Wally Corner	March 2017	5.0	4,821	-0.7%	-1.7%
Welbeck	July 2014	11.3	10,481	-0.2%	3.3%
Wymeswold	March 2013	34.5	31,456	2.0%	1.5%
Yarburgh	November 2015	8.1	7,622	-1.3%	0.7%
Yardwall	June 2015	3.0	3,101	-0.9%	0.1%
Total		**723.1**	**685,960**	**1.0%**	
Weighted total					**0.6%**

Australia

Site	Connection date	MW	Total electricity generation (MWh)	Generation variance vs base case	Irradiation variance vs base case
Bannerton	July 2018	53.4	77,650	-14.4%	-3.5%
Longreach	March 2018	8.5	15,634	-16.4%	3.0%
Oakey 1	February 2019	14.5	22,709	-21.2%	-2.7%
Oakey 2	May 2019	70.0	101,243	-25.4%	-12.7%
Total		**146.5**[1]	**217,236**	**-20.7%**	
Weighted total					**-7.4%**

Overall portfolio

	MW	Total electricity generation (MWh)	Generation variance vs base case	Irradiation variance vs base case
Total	**869.6**	**953,417**	**-5.3%**	**-1.9%**

1. Please note this is based on the percentage holding prior to 31 December 2021, when the remaining acquisition of Oakey 1 and Longreach took place.

CASE STUDY

ASSETS UNDER CONSTRUCTION

PROJECT LORCA

Investment overview	
Site location	Ventas de Huelma and Escúzar, Granada, Spain
Technology	Fixed ground-mounted structure
Project size	98.5MW
Status	Fully constructed
Target operations start date	June 2022
Regulatory regime	Unsubsidised
Total investment amount	Total transaction costs are expected to amount to approximately €72 million once construction is completed and include the acquisition of development rights for approximately €15 million

Rationale

Project Lorca comprises a portfolio of three solar projects located in the province of Granada, Spain, with a total planned installed capacity of 98.5MW. The project provides:

- An opportunity to increase the international diversification of the portfolio
- An increased presence in the Spanish subsidy-free solar market
- The ability to secure a high proportion of contracted revenues. The project entered a ten-year Power Purchase Agreement ("PPA") with Statkraft in December 2021
- Having signed the PPA, there is now an opportunity to further optimise the capital structure of the portfolio by introducing a conservative level of project finance debt

Background

The Company acquired Project Lorca in December 2020, which provides an attractive addition to the Spanish portfolio following the acquisition of Virgen del Carmen in September 2020. The sites are located in the municipalities of Ventas de Huelma and Escúzar, in the southern province of Granada.
The location offers excellent conditions for the installation of a photovoltaic ("PV") solar plant as the south of the Iberian Peninsula has some of the highest irradiation levels in continental Europe.

Project	Location	Capacity (MWp)	Surface (hectares)	Technology
Los Llanos	Ventas de Huelma, Granada	49.062	79.138	Fixed ground-mounted
Las Salinas	Ventas de Huelma, Granada	29.703	50.013	Fixed ground-mounted
Los Picos	Escúzar, Granada	19.735	33.625	Fixed ground-mounted
Total		**98.5**	**162.776**	

The three projects share the same connection point to the national grid with a target connection date set for June 2022. Construction of all three sites was substantially completed in the fourth quarter of 2021 with final commissioning works due to finish in the first quarter of 2022. The project has made a positive contribution to the local economy during the construction phase as well, via the use of the local workforce and suppliers.

The acquisition represents a fully sustainable investment as the project meets the environmentally sustainable criteria by contributing towards renewable electricity generation and therefore the reduction of CO_2 emissions. The development of the Spanish portfolio has increased the international diversification and enhanced the Company's growth prospects and will support the progressive dividend policy.

The Spanish electricity market is one of Europe's most active markets for the development of new renewable projects. This is the consequence of the global fall in PV costs combined with strong primary resources (both irradiation and wind speed) and the availability of land. PPA agreements have experienced huge growth in Iberia, which is now one of the most active long-term PPA markets for renewable assets in Europe.

As a result, the project will benefit from a ten-year fixed price PPA with Statkraft which, as Europe's largest producer of renewable energy, is developing, building and operating solar, hydro, wind and gas assets. The PPA provides the portfolio with a ten-year fixed price for c.70% of its annual production, increasing the Company's revenue visibility.

SUSTAINABILITY AND ESG

2021 marked a year of significant development in how the Company embeds sustainability and ESG considerations in the way it does business.

Approach

Sustainability and Environmental, Social and Governance ("ESG") considerations are firmly at the centre of the Company's strategy, helping to inform its investment process and its asset management operations.

2021 marked a year of significant development in terms of how the Company embeds sustainability and ESG considerations in the way it does business to achieve sustainable growth, recognising that such factors are also of increasing importance to global investors.

The nature of the Company's business means it is well positioned to serve the needs of those investors seeking to achieve positive environmental and social outcomes alongside attractive financial returns.

Sustainable development contribution

How do the assets contribute to global sustainability?

How can this be tracked against the UN's SDGs?

Environmental footprint

Do the assets follow good practice for limiting or mitigating their environmental impact, in the context of its industry?

How do they encourage the responsible use of the world's resources?

Social welfare

What impact do the assets have on their stakeholders and society as a whole?

Are they taking steps to improve the lives of others, either directly, such as through job creation, or indirectly?

Governance

Do the assets and their leadership team demonstrate integrity?

Are the correct policies and structures in place to ensure they meet legislative and regulatory requirements?

Third-party interactions

Is the principle of corporate responsibility evidenced in the assets' supply chain?

How do the assets promote ESG values and share best practice?

2021 highlights

- Generated 903,00MWh of clean electricity, enough to power 311,379 UK homes
- Avoided 697,116 tonnes of carbon emissions that would have been emitted by traditional carbon-intensive energy sources such as coal
- EU Taxonomy compliance independently verified for three portfolio assets in the UK, Australia and Spain
- Increased focus on reducing the risk of forced labour within the solar supply chain, with the Investment Manager publishing its own Modern Slavery Statement in September 2021 and appointing a third party, ethiXbase, to perform due diligence on modern slavery with all key counterparties
- Reported on the first set of key quarterly sustainability KPIs for each individual asset in September 2021
- Contributed £135,643 to the communities in which it operates via community benefits payments to local authorities
- The Company is also reporting its findings under the guidance of the Task Force on Climate-related Financial Disclosures ("TCFD") for the first time in this Annual Report

GREEN ECONOMY LONDON STOCK EXCHANGE

EU Taxonomy asset accreditation

The EU Taxonomy is a classification system that stipulates a list of environmentally sustainable economic activities as a means of enabling the scale up of sustainable investment to help implement the European Green Deal. It intends to create security for investors and protect them from greenwashing, while helping to move capital to where it is most needed.

In 2020 the Company took the landmark step of seeking independent validation of its compliance with the EU Taxonomy for Sustainable Finance framework. The Company submitted two of its assets for validation with leading environmental consultant Aardvark Consulting Ltd, both of which were declared compliant with the Taxonomy in December 2020. This approach has continued for new assets, with the Virgen del Carmen project achieving validation in May 2021, and work is underway to assess and validate both Project Lorca and the Sandridge Battery Storage System.

Additionally, the Company has now undertaken an internal assessment of the entire portfolio's level of alignment. Based on this assessment, the Company is pleased to report that 100% of its assets are assessed to be fully aligned to the EU Taxonomy's criteria for sustainable activities, further consolidating FSFL's sustainability credentials. Details of the EU Taxonomy for Sustainable Activities are available on the European Commission website:

https://ec.europa.eu/info/business-economy-euro/banking-and-finance/sustainable-finance/eu-taxonomy-sustainable-activities_en

Reducing risk of forced labour and modern slavery within the solar supply chain

When acquiring a project, Foresight Group instructs third parties to carry out technical due diligence checks on the module manufacturer from which the EPC is sourcing products. For greenfield projects these typically include obtaining documentation around health and safety, remuneration, training, working conditions and environmental issues relating to the module manufacturing facilities. To date, checks have not been carried out on companies further down the supply chain, such as those that produce solar cells, wafers or polysilicon. Wafer manufacturers usually blend polysilicon from different suppliers, which means that a solar cell can contain polysilicon from various sources. Panel manufacturers sometimes also source solar cells from various suppliers.

It is widely recognised that the supply chain that supports the manufacture of solar panels is complex and that it is particularly difficult to have full visibility over the procurement of every material used in panel production. To promote greater transparency, Foresight Group signed a statement issued by the trade association, Solar Energy UK, on 12 April 2021. This statement condemns any human rights abuses taking place anywhere in the global energy supply chain and calls for the development of a supply chain transparency protocol. Signed by many of the UK's leaders in solar energy, the aim is to raise the profile of this issue and encourage greater transparency throughout the broader supply chain. Furthermore, during the second half of 2021, the Investment Manager worked with a consultant to develop its own Modern Slavery Statement which was published in September 2021. This has been shared with our key counterparties and is publicly available on the Foresight Group website.

As members of Solar Energy UK's "Responsible Sourcing Task Group" the Investment Manager has now appointed ethiXbase, an organisation that provides a range of due diligence services covering key ESG areas including anti-corruption, human rights, labour and environment. ethiXbase will be conducting enhanced ESG due diligence across three key counterparty categories:

1. **Operations and maintenance contractors**
2. **Inverter manufacturers**
3. **Panel/module manufacturers**

In addition to this, ethiXbase have developed a Modern Slavery Questionnaire in collaboration with global law firm Norton Rose Fulbright, which requests information directly around modern slavery policies, practices and responsible procurement processes. This questionnaire is sent to all suppliers that fall within the above three categories, helping to identify risk areas and suppliers that may require further support or work to ensure their processes are more robust.

Where risks or poor performance are identified through this due diligence process, direct engagement with the supplier will take place to request further clarity to enable an informed decision as to whether the issue can be rectified, and the working relationship can continue.

SUSTAINABILITY AND ESG CONTINUED

Sustainability Key Performance Indicators ("KPIs")

During the second half of 2021 the Company can confirm the establishment of a number of sustainability and ESG-related KPIs. The KPIs will help inform strategic and operational decision-making to support the Company in continually improving its sustainability and ESG performance. In 2022, the Investment Manager will look to set sustainability objectives and targets based on the data collected.

Key themes:

Natural capital and environmental impacts	• Enhance biodiversity and the natural environment at each of our asset locations • No environmental incidents or legal breaches as a result of the operation of our assets
Carbon and greenhouse gas emissions	• Reduce scope 1 direct emissions • All operations to import 100% renewable energy and reduce scope 2 emissions
Circular economy and waste	• 100% diversion from landfill of all non-hazardous waste
Climate change mitigation	• Mitigate against climate change through renewable energy generation and low emission alternative technologies
Community engagement	• Foster a positive relationship with the local community
Socio-economic impact	• Promote productive employment and decent work for all • Support community initiatives
Skills, employment and work practices	• All staff to have access to adequate training for their role
Health, safety and well-being	• Increased near miss reporting for decreased accidents
Supply chain and risk management	• Strengthen reputation as a high-performing sustainability-led investment manager • Conduct regular audits at asset and supplier level

Contribution to Sustainable Development Goals

Demonstrating Foresight Group's commitment to sustainability is the Company's ability to report against the United Nations Sustainable Development Goals ("SDGs"). The SDGs, which were adopted by all United Nations member states in 2015, comprise the most urgent economic, social and environmental issues to be addressed for peace and prosperity for people and the planet.

To be achieved by 2030, they recognise that ending poverty must go hand-in-hand with strategies that build economic growth and address a range of social needs including education, health, social protection and job opportunities, while tackling climate change and environmental protection. The following table represents the Company's contribution to the SDGs for 2021:

Goal	SDG target	Contribution
3 GOOD HEALTH AND WELL-BEING	**3.9** Substantially reduce the number of deaths and illnesses from hazardous chemicals and air, water and soil pollution and contamination.	During the year, the Company enabled CO_2 pollutant savings of: • **487,616kg of NOx** (nitrous oxide) • **357,585kg of SOx** (sulphur dioxide) • **8,452kg of PM10** (µm10 particulate matter) • **3,901kg of PM2.5** (µm2.5 particulate matter)
7 AFFORDABLE AND CLEAN ENERGY	**7.2** Increase substantially the share of renewable energy in the global energy mix.	The Company produced: • **903GWh of renewable energy** • Enough electricity to power **311,379 homes**
9 INDUSTRY, INNOVATION AND INFRASTRUCTURE	**9.1** Develop quality, reliable, sustainable and resilient infrastructure, including regional and transborder infrastructure, to support economic development and human well-being, with a focus on affordable and equitable access for all.	The Company added: • **880MW** of renewable generation capacity to the electricity grid
13 CLIMATE ACTION	**13.3** Improve education, awareness-raising and human and institutional capacity on climate change mitigation, adaptation, impact reduction and early warning.	The Company raises awareness and improves institutional capacity on climate change mitigation. • **697,116 tonnes of CO_2e** vs the equivalent amount of coal-fired generation
15 LIFE ON LAND	**15.5** Take urgent and significant action to reduce the degradation of natural habitats, halt the loss of biodiversity and protect and prevent the extinction of threatened species.	Contributing to the avoidance of fossil fuel use, the Company has saved: • **110,920 TCE** (tonnes of coal equivalent) • **77,644 TOE** (tonnes of oil equivalent)

The Company's is well positioned to serve the needs of those investors seeking to achieve positive environmental and social outcomes alongside attractive financial returns.

Sustainability and ESG priorities and progress in 2021

As has been stated in previous Annual Reports, Foresight's Sustainability Evaluation Tool ("SET") is used as a means of assessing an asset's sustainability credentials. Over the course of 2021, the scoring methodology was updated using more quantitative data, making the assessment less subjective. The five SET criteria are:

- **Sustainable Development Contribution**
- **Environmental Impact**
- **Social Welfare**
- **Governance**
- **Third-Party Interactions**

The Company's adherence, and contribution, to these themes is assessed as follows.

1. Sustainable Development Contribution

This theme supports reporting on the development of affordable and clean energy, improved resource and energy efficiency and contributions to the fight against climate change.

In 2021, the Company's operational portfolio produced 903GWh of renewable energy. Furthermore, using Ofgem's assessment that the average UK household consumes 2.9MWh per year, it can be inferred that the Company's portfolio generated enough clean electricity to power c.311,379 UK homes during the period.

2. Environmental Footprint

Each asset is closely monitored for its localised environmental impact. As such, this criterion assesses potential environmental impacts such as emissions to air, land and water, effects on biodiversity and noise and light pollution. The Asset Manager ensures that solar power plants are managed in a manner that maximises the agricultural, landscape, biodiversity and wildlife potential, which can also contribute to lowering maintenance costs and enhancing security.

The Asset Manager has continued to pursue a number of initiatives to ensure the solar power plants are being effectively managed for agriculture, landscape and biodiversity. Such schemes include:

- **Hedgerow and tree planting –** To date, more than 35km of hedgerows have been planted across the portfolio. With hedgerow planting now complete, the hedgerows are managed to ensure they develop into dense species-rich habitats. Hedgerows help to promote biodiversity, absorb carbon, improve both drainage and soil quality and reduce site exposure to extreme weather conditions.
- **Building of animal refuges –** Hibernacula, log piles and "insect hotels" have been established at Kencot Hill, Crow Trees and Sheepbridge, and ponds and swales have been installed or restored at Bilsthorpe, Castle Eaton, Crow Trees, Gedling, Atherstone, Fields Farm, Paddock Wood, Sandridge, Sheepbridge, Southam and Upper Huntingford to provide natural habitat as well as to help improve natural drainage.
- **Bat and bird boxes –** The Asset Manager installs bird and bat boxes to attract local species to the sites.
- **Sheep grazing –** Numerous sites have been either built or adapted through the installation of barriers and the protection of cabling, to ensure their suitability for continued sheep grazing.
- **Beehive installation –** The Asset Manager continues to work with local beekeepers to install hives as a means of helping to restore the native bee population, support crop pollination and honey production. The Asset Manager also encourages the productivity of these hives through the planting of nectar-rich wildflower species.
- **Climate change risk –** Flood risk assessments have been carried out for all sites. Panels are installed above the "worst-case scenario" water level and land drains, swales and ponds are also maintained to ensure safe working conditions and good soil conditions which further promotes diverse grass and wildflower growth.
- **Grassland management –** A grassland cutting timetable is being implemented to limit cutting in the summer months. This promotes the growth, flowering and seed spreading of wildflowers to encourage biodiversity and forage for insects and birds.
- **Ecosystem services study –** A study is being carried out by Lancaster University to assess and quantify how much solar parks contribute to net gains in biodiversity and soil quality. The study will provide valuable information to assess, and subsequently improve, environmental performance. Furthermore, as the study applies a unified sampling framework across a range of sites, it will enable identification of the potential for ecosystem enhancements under specific site conditions and different land management approaches, as well as providing independent industry-wide evidence to feed into policy.

3. Social Welfare

During the acquisition process, and throughout an asset's lifecycle, the Company engages with contractors, local residents, community organisations, landowners and local authorities to promote public support for the project, maximise the local benefit and minimise any actual or perceived negative effects. This has been achieved through a number of initiatives:

- **Community engagement –** The Asset Manager regularly conducts visits with O&M providers, landowners and construction companies to encourage community engagement and education. This ensures that local stakeholders understand the Asset Manager's expectations of site management and to discuss areas of improvement in management techniques.
- **Community investment –** The Company supports community benefit schemes which assist local communities in developing and maintaining community assets and organisations. In 2021, approximately £135,643 of grants were provided to local communities throughout the UK. Examples of community work to which the grants have contributed include improvements to sports grounds, parks, ponds, classrooms and community halls. Furthermore, the installation of CCTV facilities in a local community will help to improve public safety. Smaller investments, still important to the lives of rural communities, include bus shelters, upgraded street lighting, and installation of technology to assist the police in detecting speeding vehicles.
- **Educational initiatives –** A large part of generating public support comes as a result of educational initiatives, which help to promote an understanding and appreciation of the benefit of solar power generation. Once COVID restrictions relaxed, the Company's solar sites played host to six separate school visits across Coombeshead, Verwood and Park Farm. More than 250 schoolchildren visited the various sites throughout the summer of 2021, learning about both solar power and the sites' biodiversity.
- **Health and well-being –** The management and monitoring of health and safety on site is a top priority for O&M contractors, which are responsible for recording and reporting all health and safety-related incidents to the Asset Manager on an ongoing basis. Furthermore, to improve the management of safety, health, environmental and quality, and to reinforce best practice and ensure regulatory compliance, the Asset Manager appoints independent professionally accredited health and safety consultants. Consultants ensure that contractors are appointed on the basis of their health and safety competence and regularly visit the sites to ensure they are meeting industry and legal standards.

4. Governance

The Asset Manager actively reviews the regulatory and property consents of every solar asset to ensure compliance with the permissions and conditions attached to each site and actively engages with local government organisations to ensure ongoing compliance. In addition to ensuring the Company is protected from potential legal issues, this promotes trust with the sites' local communities.

In February 2021, all of the Company's UK assets adopted a suite of sustainability and ESG-focused policies. These policies included:

- **Health & Safety policy**
- **Anti-Modern Slavery policy**
- **Anti-Bribery & Corruption policy**
- **Sustainability & ESG policy**

These policies were reviewed and approved by the Board of each SPV and will continue to be adopted on an annual basis. Additionally, a General Data Protection Regulation ("GDPR") policy is currently being developed and will be reviewed for adoption by the Board of each SPV at the Board meeting in February 2022.

Compliance

Integral to the maintenance of the Company's reputation is its regulatory compliance and adherence to relevant laws. The Company is committed to carrying out business fairly, honestly and in compliance with laws and regulations and the Investment Manager has established policies and procedures to prevent bribery within its organisation. The Company is also committed to a policy to conduct all its business in an honest and ethical manner, taking a zero-tolerance approach to facilitation of tax evasion, whether under Jersey law, UK law or under the law of any foreign country.

As a means of ensuring that sustainability considerations are at the forefront of the investment process, the Investment Manager delivers "Best Practice" sessions to its staff. These sessions focus on how the sustainability performance of a given asset can be assessed, measured and improved, while also demonstrating how good ESG management can result in financial benefits. Foresight Group's staff are taken on induction tours of the assets and educated on how the sites are managed for biodiversity and habitat gain, as well as the processes undertaken to ensure the sites are in compliance with environmental and planning laws.

More details of the Company's approach to governance are contained in the Corporate Governance Report.

5. Third-Party Interactions

Counterparty due diligence forms an essential part of ensuring that key counterparties are reputable, experienced, competent and that they have robust and sustainable supply chains and have an approach to governance, compliance and ESG aligned with the Company, which must be evidenced by appropriate policies.

Two initiatives are being undertaken by the Company to further enhance these processes, with a view to improving overall asset performance and protecting the Company against reputational risk.

- **Enhanced supplier and counterparty checks –** The Company now contracts out due diligence to an expert third party. Using a highly specialised legal advisory and consultancy firm enables a greater depth of analysis to be conducted in a shorter space of time, thus speeding up the acquisition process and providing a higher degree of assurance that the counterparties involved are both legally and financially sound.
- **Active supplier engagement –** The Company has established an O&M Sustainability Agreement which has been signed by a number of the Company's largest operational counterparties. The Investment Manager will monitor compliance with this agreement on an annual basis via direct engagement and seek to implement improvements in O&M working practices where necessary.

  While the Company actively tracks data pertaining to the above criteria on an internal basis, it also seeks external validation of its performance through third-party organisations.
- **Principles for Responsible Investment ("PRI") –** The Investment Manager has been a signatory to the United Nations-backed PRI since 2013. The PRI is a globally recognised voluntary framework concerned with the incorporation of ESG considerations into the investment decision-making process. As a signatory, the Investment Manager reports annually on its responsible investment activities by responding to asset-specific modules in the PRI's Reporting Framework.

  In its most recent assessment, the Investment Manager achieved an A+ level rating for both "Strategy and Governance" and "Infrastructure", the highest possible rating in each category and surpassing the peer average.

STAKEHOLDERS

The Board seeks to encourage a culture that promotes integrity and openness, values diversity and is responsive to the views of shareholders and wider stakeholders.

Stakeholder engagement

Directors are required to act in good faith at all times and to act in a way that promotes the long-term success of the Company for the benefits of stakeholders as a whole. While the Company is an investment company with no employees, the Company has identified its key stakeholders. A description of these key stakeholders, their interests and how the Board has taken these interests into account when making decisions is set out below.

Shareholders

Shareholders are the Company's primary stakeholders and all key decisions are carefully considered by the Board with their long-term interests in mind. The Company, supported by its Investment Manager, communicates with its Shareholders through a variety of means and welcomes their views at all times. This includes the publication of comprehensive Annual and Interim Reports, market announcements, investor factsheets, and through the Company's dedicated website.

All Shareholders are normally invited to the Annual General Meeting where they have the opportunity to ask questions of the Directors, including the Chairman, as well as the chairmen of the Audit and Risk, Remuneration, Nomination and Management Engagement Committees. However, during this year and given the social distancing measures and latest Government guidance, Shareholders were encouraged not to attend the AGM in person in order to ensure the health, well-being and safety of the Company's Shareholders and Officers. Shareholders were, however, invited to submit questions to the Company, its Directors and the Investment Manager in advance of the AGM, in order to maximise this opportunity for engagement around the AGM.

The Board also makes itself available to meet with key Shareholders at their request and welcomes this engagement with Shareholders.

During the year, the Chair and Senior Independent Director met with a major Shareholder to discuss the Company's strategy and its growth ambitions. The Chair reinforced the Company's intention to continue to pursue growth opportunities that would support the Company's financial return and dividend cover requirements. The Investment Manager undertakes Shareholder roadshows following the publication of Annual and Interim results, giving Shareholders the opportunity to meet key members of the team responsible for portfolio management. The Investment Manager also makes itself available to meet Shareholders and analysts throughout the year as required.

During the year, the Investment Manager and the Company's broker held a number of direct engagement sessions with major Shareholders. The main topics covered during these sessions were the Company's move into battery storage as a complementary investment strategy, performance of the Company's international portfolio, and the anticipated impact of increases to corporation tax. Consistent with previous years, Shareholders were also interested in understanding the Company's view on power prices, the Company's growth ambitions in the UK and internationally, dividend growth and dividend cover.

In addition, the Investment Manager and the Company's broker report to the Board on at least a quarterly basis and provide the Board with an overview of feedback and recommendations on how to address any issues raised.

Investment Manager

The Company, supported by its Management Engagement Committee, conducts an annual review of the Investment Manager's performance and the terms of engagement of the Investment Manager. This review is focused on constructive engagement with the Investment Manager in order to ensure that the expectations of the Shareholders are being met and that the Board is cognisant of challenges being faced by the Investment Manager.

The Board and the Investment Manager maintain an ongoing and open dialogue on key issues facing the Company with a view to ensuring that recommendations by the Investment Manager and key decisions taken by the Board are aligned with achieving long–term Shareholder value. More details on the Management Engagement Committee's review of the Investment Manager can be found in the report from this Committee on pages 78 and 79.

Communities

The Company remains committed to proactively engaging with the communities within which it operates. Details of the Company's community initiatives can be found on page 38.

Business partners and key service providers

The Company, supported by its Management Engagement Committee, reviews all key service providers and the terms of their engagement. During the year, the Company enhanced its review process by proactively seeking positive feedback from its key service providers.

This process allows for two-way engagement between the Board and key service providers on service delivery expectations and feedback on important issues experienced by service providers during the year. The intention of the Company is to maintain and develop high standards of business conduct across all key service providers.

Summary of key stakeholders

STAKEHOLDER GROUP	KEY STAKEHOLDERS	KEY STAKEHOLDER INTERESTS	KEY DECISIONS IMPACTING STAKEHOLDER GROUP DURING PERIOD
Shareholders	Institutional and retail Shareholders	• Delivery of a sustainable, progressive quarterly dividend • Investment into a diversified portfolio of ground-based solar power plants in the UK and internationally • Financial and operational performance	• Achieved dividend target of 6.98 pence per share for 2021 • Acquisition of the remaining 51% interests in the Oakey 1 (30MW) and Longreach (17MW) solar farms in Australia • Acquisition of the Company's first UK utility scale battery storage project • Concluded a ten-year PPA for 98.5MW solar portfolio in Spain
Lenders	Banks	• Diversification of, and resilience of, income streams • Quality of security provided for liabilities • Ability to meet debt servicing requirements	• Refinancing of RCF facility
Investment Manager	Foresight Group	• Maintain a strong, long-term commercial relationship • Growth of the Company's portfolio • Improved financial performance • Effective management of the Company's portfolio • Resilience of business model to ensure mutual long-term success	• Accretive acquisitions in UK, Australia and Spain • Additional flexibility to develop battery storage projects under investment mandate
Commercial service providers	• Administrator and Company Secretary • Corporate broker • Legal advisors • Public Relations agency • Tax advisors	• Maintenance of long-term commercial relationships • Open and transparent engagement • Resilience of business model to ensure mutual long-term success	• Retained services of all key service providers • Open engagement with service providers through the Company's Management Engagement Committee

STAKEHOLDERS CONTINUED

Summary of key stakeholders continued

<table>
<tr><th>STAKEHOLDER GROUP</th><th>KEY STAKEHOLDERS</th><th>KEY STAKEHOLDER INTERESTS</th><th>KEY DECISIONS IMPACTING STAKEHOLDER GROUP DURING PERIOD</th></tr>
<tr><td>Regulators</td><td>Jersey Financial Services Commission</td><td>• Maintain Jersey's position as a leading international finance centre with high regulatory standards
• Financial services businesses adhere to high regulatory standards aimed at:
  • Reducing risk to the public of financial loss due to dishonesty, incompetence, malpractice or the financial unsoundness of financial service providers
  • Protecting and enhancing the reputation and integrity of Jersey in commercial and financial matters
  • Safeguarding the best economic interests of Jersey
  • Countering financial crime both in Jersey and elsewhere</td><td>• Ongoing oversight of all services providers engaged by the Company to support the Company's regulatory reporting
• Quarterly reporting from the Company's Compliance Officer on compliance monitoring and updates to the Jersey Regulations, Codes and Handbook
• Open and transparent engagement with the JFSC on regulatory matters</td></tr>
<tr><td>Asset-level counterparties</td><td>• Operations and Maintenance (O&M) contractors
• Supply chain counterparties
• Landowners
• PPA counterparties</td><td>• Maintenance of long-term commercial relationships
• Frequent communication with O&M providers to ensure adequate oversight of portfolio operations
• Focused engagement on value enhancement opportunities, including rationalisation of service provision for cost savings and/or improved services
• Increased scrutiny of and resource allocation to emerging risks identified
• Monitoring of counterparty creditworthiness and exposure</td><td>• Continued engagement, through the Investment Manager
• Growth of commercial relationships through new acquisitions and development opportunities</td></tr>
<tr><td>Local communities</td><td>• Local authorities and agencies
• Community funds
• Landowners
• Local environment</td><td>• Frequent engagement with local authorities to ensure safe and compliant operation of our assets
• Actively engage with local authorities on construction planning and obtaining necessary planning permissions
• Regular interaction between the owners of land on which our assets operate and the Investment Manager's asset management team
• Conduct educational site visits for local community schools and colleges</td><td>• Details of the Company's community initiatives can be found on page 38</td></tr>
</table>

RISK AND RISK MANAGEMENT

Risks are identified according to the Company's investment objectives and existing policies, with the levels of risk tolerance ultimately defined by the Board.

The Company is exposed to multiple risks that have the potential to materially affect the Company's valuation, reputation and financial or operational performance. The nature and levels of risk are identified according to the Company's investment objectives and existing policies, with the levels of risk tolerance ultimately defined by the Board.

The Investment Manager and the Administrator have a comprehensive Risk Management Framework in place which is reviewed on a regular basis by the Company's Audit and Risk Committee and then by the Board, with the objective of reducing the likelihood and the impact of principal and emerging 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 and maintain an up-to-date risk register. Risk management is regularly reviewed by the Board and the Audit and Risk Committee reviews the risks in detail annually.

Climate change related risk and Task Force on Climate-related Financial Disclosures ("TCFD") reporting

The Company recognises that risks traditionally considered to be non-financial, such as climate change, have the potential to impact upon long-term shareholder returns across many sectors. While the Board believes that the Company's investments are making a meaningful contribution towards decarbonisation efforts in the countries in which it operates, the Company is working with its manager to assess climate-related risks and opportunities within its portfolio. As a result, the Company is voluntarily reporting on the Task Force on Climated-related Financial Disclosures in the 2021 Annual Report. This will continue to develop over time to identify and share both risks and opportunities the Company faces as a result of climate change.

The Company operates a diversified portfolio consisting of 59 assets with a total global net peak capacity of 1.043GW. In 2021, the Company's operational portfolio produced over 903GWh of renewable energy and avoided 697,116 tonnes of carbon emissions. Furthermore, using Ofgem's assessment that the average UK household consumes 2.9MWh per year, it can be inferred that the Company's portfolio generated enough clean electricity to power c.311,379 UK homes during the period.

The Company currently does use a level of import power across the portfolio, which is necessary at times when the assets are not generating themselves (i.e. at night). After discounting all clean energy import tariffs in place, the Company's net electricity usage is 2,982MWh for the year, which represents around 0.3% of the portfolio's production for 2021 of 903,000MWh to put into context. As part of its transition plan towards carbon neutrality and net zero, the Company aims to reduce its electricity usage from non-clean energy production, which is captured in its scope 2 emissions reporting.

Task Force on Climate-related Financial Disclosures

The Company recognises climate change as one of the defining challenges of our time and is supportive of the framework established by the Task Force on Climate-related Financial Disclosures. TCFD creates a uniform approach for organisations to report on how they expect climate-related risks and opportunities to impact upon their business over time.

The Company has sought to ensure that the consideration of climate-related matters is appropriately embedded throughout its governance, strategy and risk management processes. The Company has responded to all 11 of the recommended disclosures for the period to December 2021, whilst also recognising that its TCFD reporting will continue to develop and be enhanced in the future.

Task Force on Climate-related Financial Disclosures continued

Governance

Disclose the Company's governance around climate-related risks and opportunities.

- Describe the Company's governance around climate-related risks and opportunities
- Describe management's role in assessing and managing climate-related risks and opportunities

Board governance

The Board assumes overall responsibility and accountability for the management of the Company's climate-related risks and opportunities. It also sets the risk appetite for new investments and provides oversight for the management of the existing portfolio where physical and other risks are monitored.

In conjunction with the Investment Manager, the Board shapes the Company's strategy, reviews performance reports and authorises new initiatives. A key aspect of the Board's role is to ensure that sustainability and ESG considerations, along with the frameworks to manage them, are incorporated within the Company's investment processes and the asset management activities are appropriate and market-leading.

Meeting once a quarter, or more frequently as required, the Board and the Investment Manager discuss broader strategic risks and opportunities, ensuring these are both monitored and managed. Climate-related risks are incorporated within the Company's Business Risk Assessment ("BRA") framework, are reported against on an ongoing basis and are considered in respect of the Company's broader strategy and specific assets.

The Board monitors the performance of the Investment Manager, which is formally reviewed by the Management Engagement Committee on an annual basis. The Investment Manager's performance on tracking climate-related risks and opportunities forms part of this review.

Role of the Investment Manager

The Company's consideration of climate-related risks covers both the existing portfolio and the assessment of new investment opportunities.

In targeting new investments, the Investment Committee ("IC") of the Investment Manager is ultimately responsible for considering the market, regulatory and physical issues pertaining to climate-related risks relevant to a given investment and the opportunities open to that investment. The IC will formally assess each deal during a series of IC meetings that will apply increasing scrutiny as a deal progresses towards completion.

It is the responsibility of the Investment Manager to track all sustainability and climate change related issues and collaborate with both the deal teams assessing new transactions and the IC to ensure that material issues are systematically integrated into the investment, asset management and reporting processes. The Investment Manager's in-house sustainability function also supports the process of due diligence for sub-contractors on new investments, such as liaising as appropriate with third-party consultants to undertake supply chain auditing.

Role of the Asset Manager

The asset management team is responsible for closely monitoring the performance of, and risks relating to, the Company's assets and reviewing climate-related factors that may pose a threat to long-term project forecasts or present new opportunities.

This includes regular inspections of the physical assets themselves and where specific issues become more frequent, highlighting a potential systemic risk, the Asset Manager would act proactively to mitigate such risks. For example, on certain project sites the Asset Manager has overseen the installation of cooling systems to equipment such as transformers in response to changing irradiation patterns and higher average temperatures.

The Asset Manager also collects key sustainability performance indicators for the operational portfolio, including data for scope 1 and 2 emissions. This enables the Company to directly monitor aspects of its impact on climate change whilst its solar and battery assets significantly reduce reliance on fossil fuel technologies. It is acknowledged at this stage that further work is required to better understand scope 3 emissions and the ability to reduce them. As this considers emissions created by third-party providers, this will naturally require working with our partners such as operations and maintenance providers to understand their own carbon footprint and plans to reduce it. The Investment Manager is also working with external consultants to develop a framework to evaluate scope 3 emissions for the 2022 reporting cycle.

To assist with fully assessing the sustainability impact of an investment and asset, the Investment Manager has developed its own in-house Sustainability Evaluation Tool ("SET") (please refer to page 50 for further details on the SET).

Strategy

Disclose the actual and potential impacts of climate-related risks and opportunities on the Company's business, strategy and financial planning where such information is material.

- Describe the climate-related risks and opportunities the Company has identified over the short, medium and long term
- Describe the impact of climate-related risks and opportunities on the Company's businesses, strategy and financial planning
- Describe the resilience of the Company's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario

Impacts of climate-related risks and opportunities on the Company

The Company recognises that climate change presents both risks and opportunities for the Fund, its investments and asset managers and its investors. The Company's business objective is aligned with investing in the opportunities created by the deployment of renewable energy technology and energy efficiency, specifically in the solar and battery storage markets.

The table below sets out a non-exhaustive list of the strategic climate-related opportunities and risks that the Company has identified over the short, medium and long term:

	Opportunities	Risks
Short term (0-5 yrs)	• Increased capital flows directed towards sustainable investing • Significant deployment of capital into solar and battery storage • Enhanced focus on battery storage to enable the continued build out of renewables • Political and societal support for the energy transition • A supportive regulatory and planning environment • Further development of renewable markets in Europe and other OECD markets • Growth of sustainability-linked credit facilities • Increasing volatility in power prices benefits the trading strategies of battery storage assets	• Extreme weather-related events causing damage to Company assets or negatively impacting their production (e.g. heat stress, flooding, poor irradiation, storms, bush fires) • Significant competition for investments as the number of investment funds and corporates focused on renewable assets increases • Lower than forecast power prices due to warmer winters or over-deployment of generating assets will place pressure on the revenue streams of the generating assets
Medium term (5-10 yrs)	• Greater promulgation of and alignment to international regulation that supports decarbonisation and sustainable investment	• Climate change placing a greater strain on natural resources required for the construction and operation of Company assets
Long term (10+ yrs)	• Technological developments in energy generation and storage that complement the existing Company portfolio	• Changing climate patterns fundamentally altering the availability of renewable resource • Displacement of existing assets of the Fund by new technologies • Over-deployment of renewables resulting in mass power price cannibalisation

The business of the Company is to invest in solar power plants and battery storage facilities with the intention of holding the assets for the long term as part of a growing portfolio. Strategically, the business seeks to continue to grow the Fund via organic growth whilst continuing to deliver a stable and progressive dividend.

Task Force on Climate-related Financial Disclosures continued

Strategy continued

Existing portfolio

With respect to the existing portfolio there is a risk that extreme weather conditions may become more commonplace in the future, affecting both the assets directly and the markets they operate in. The UK has experienced a higher frequency of severe flooding in recent years than has previously been the case. The Asset Manager continues to carry out flood risk assessments across the assets as part of its operational due diligence on a periodic basis.

In countries such as Australia, severe drought and bush fires may become increasingly frequent. Even in more temperate climates such as the UK, higher temperatures can lead to heat stress on key critical equipment such as inverters and transformers. Where this has been observed, fans have been fitted to force cool the transformers. This has been completed at Spriggs Farm and High Fields. With heat stress likely to become a bigger issue in the future the sites have been adapted to counter this.

In extreme heat the efficiency of the solar panels can also be reduced.

Volatility in wholesale power prices is forecast to increase with the retirement of coal, and nuclear baseload generation and intermittent renewable generation will deliver an increasing proportion of electricity. Such high volatility is beneficial to the arbitrage trading strategies of battery storage projects and is likely to become an increasingly relevant component of their revenue stack.

Over the longer term the Company will have to monitor new technologies to ensure that the core assets of the Fund are not displaced by new technologies. Solar is currently well placed, offering one of the most cost-effective sources of energy generation, but generating technologies will continue to evolve.

Strategy

In the short term, renewable energy is expected to enjoy continued political and societal support for further investment to drive energy transition. The regulatory and planning environments for solar and battery storage in target markets are also expected to continue to develop favourably. Alongside the ever-greater focus on sustainability, increased flows of capital are being directed into all areas of renewable energy investment. Significant further investment into solar and battery storage is forecast in the Company's core markets. This creates an environment supportive of continued growth for the Company on the basis it can continue to source investments with attractive returns and acceptable risk profiles. Assuming so, these factors should also help to improve the Company's success in attracting further capital.

The associated risk with high levels of investment into both solar and battery storage is that competition for assets is also likely to intensify as more renewable-focused investment funds are launched in the drive towards decarbonisation and net zero. Greater competition for renewable assets could place pressure on returns and heighten the risk of overpaying for assets. In this regard maintaining investment discipline is key to ensuring that the Company continues to make investments that are value accretive to the Fund.

Financial planning

The impact of climate-related changes and the energy transition presents both opportunities and challenges for the Company's finances.

Increasing power price volatility represents both an opportunity and a risk. A prolonged fall in power prices and the associated merchant revenues for the generating solar portfolio presents a significant risk. The Company manages this by securing a significant proportion of revenues with fixed power prices agreements up to four years ahead, whilst retaining a level of merchant exposure.

Significant deployment of renewable energy generation during a short period of time could lead to greater power price cannibalisation in the future. Power price forecasters used by the Company currently present a stagnation of real power price growth in the medium to long term. A significant build out of renewable generation at marginal cost may push those forecast power prices well below expected levels; however, this will likely result in a fall in the number of new projects developed as many would become economically unviable, thus self-balancing development.

The Company has entered into an ESG-linked credit facility, which provides the opportunity to achieve savings on margins if several sustainability criteria are met.

Enhanced disclosure of sustainability metrics itself presents an opportunity for clean energy investors to further differentiate their offering to current and prospective Shareholders. It is reasonable to assume that investors will begin to screen opportunities and allocate capital based on sustainable criteria, including TCFD, and it is therefore reasonable to assume that those that score well on sustainability will be more successful in attracting capital-seeking sustainable outcomes.

Analysis of climate-related scenarios on the Company's resilience

Overview

The Investment Manager has engaged an external consultant, Independent Commodity Intelligence Services ("ICIS"), and has reviewed various climate change scenarios under differing assumptions.
For the purposes of this resilience analysis, a climate scenario based on internationally recognised standards for climate modelling and research is presented.

The basis for the analysis is the Representative Concentration Pathways ("RCPs") which have been adopted by the Intergovernmental Panel on Climate Change ("IPCC"). They represent a wide range of possible changes in future anthropogenic greenhouse gas emissions and their impact on atmospheric concentrations.
The RCPs range from RCP 1.9 to RCP 8.5 as follows;

- RCP 1.9: The pathway that limits global warming to below 1.5°C, the aspirational goal of the Paris Agreement
- RCP 4.5: A scenario under which global emissions peak around 2040 and then decline by 2045. It is considered by the IPCC as an intermediate scenario under which global temperatures rise between 2-3°C
- RCP 8.5: Considered to be a worst-case scenario under which emissions continue to rise throughout the century

Between RCP 1.9 and 8.5 are a range of scenarios. The following analysis has been based on RCP 4.5 as the central case, which assumes that combined efforts to limit global warming to 1.5°C will fall short; however, this can be considered a realistic outcome if nations are currently behind schedule on delivery for achieving net zero.

ICIS has provided power price forecasts for the period 2021-50 for both its base case and a specific climate case based on RCP 4.5.

Base case power forecasts take into consideration the current available power price and commodity forwards and in the medium-term model renewable capacity is modelled based on the pipeline of projects, future CfD auction schedules and government targets.

The climate change scenario principally changes two key variables in the modelling of the power price forecast, relating to electricity demand and renewable generation, both of which are expected to place downward pressure on power prices.

In brief:

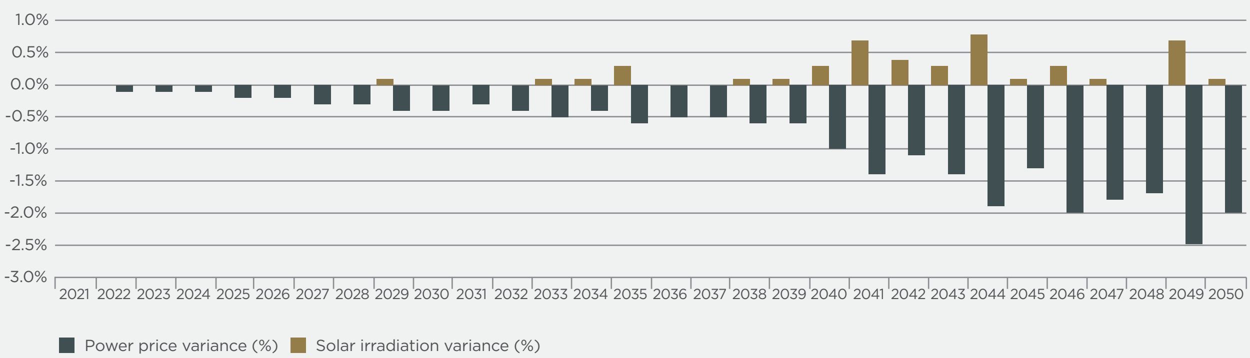
- Electricity demand: In general, rising global temperatures result in reduced winter demand and increased summer demand although the net annual impact is a reduction (some exceptions such as Southern Europe)
- Renewable generation: Impacts on renewable generation are more mixed dependent on the region; however, generally this predicts an increase in renewable energy deployment above the base case

The output of the analysis is a base case power curve forecast to 2050 and a climate case that shows a reduction in prices over the medium to long term factoring in the assumptions above. The Investment Manager has taken the delta between the ICIS cases and applied this to its own blended power curve forecast to estimate the impact.

The results of the modelling are as follows:

- Reduced power prices over the forecast period averaging a 0.2% reduction per annum versus base case up to 2030 and a 1.1% average annual reduction post 2030
- Immaterial irradiation impact prior to 2040 with post-2040 irradiation increasing versus base case by 0.4%

Scenario modelling based on RCP 4.5



STRATEGIC REPORT
GOVERNANCE
FINANCIAL STATEMENTS

Task Force on Climate-related Financial Disclosures continued

Strategy continued

Analysis of climate-related scenarios on the Company's resilience continued

Overview continued

The results of the climate change scenario point to a potential £4 million reduction to NAV (0.6% of total or 0.6 pence per share), which should be considered a purely indicative example. Whilst this result may appear low, there are two factors worth considering. Firstly, although immaterial, the climate change scenario does include an increase in irradiation post 2040 that specifically benefits solar production. The outcome for other renewable energy generators may not be as favourable. Secondly, it is acknowledged that the central case of RCP 4.5 assumes insufficient renewable capacity is installed during the forecast period to achieve a pathway that limits global warming to below 1.5°C. Should deployment into clean energy investment greatly exceed the assumptions in the climate case, or current forecasts, then there is the potential for greater pressure on forecast power prices.

At this stage, such climate change modelling requires making many assumptions on which it is difficult to place a high degree of confidence. The Investment Manager will, however, continue to build on this indicative analysis of climate-related risk as forecasts are revised and will include the output of further downside scenarios.

Risk management

Disclose how the Company identifies, assesses and manages climate-related risks.

- Describe the Company's processes for identifying and assessing climate-related risks
- Describe the Company's processes for managing climate-related risks
- Describe how processes for identifying, assessing and managing climate-related risks are integrated into the Company's overall risk management

The Investment Manager is responsible for creating and managing the framework that ensures the systematic integration and assessment of climate-related risks and opportunities. The primary system for achieving this is Foresight's proprietary Sustainability Evaluation Tool ("SET") (described on page 50) which ensures that a given asset's resilience to climate-related risk is considered from the earliest stages of due diligence during the investment process. This is covered under the "Climate Change Resilience" parameter within the tool and is completed for all assets both at the investment stage and during each asset's periodic review as part of ongoing asset management.

Climate-related risks are identified in the BRA framework for the Company (please also refer to the Governance section above).

As is industry standard, the Company's climate-related risks can be categorised to two principal ways which will impact the portfolio returns and growth of the Fund:

A. Transition risks: Risks related to the transition to a lower-carbon economy, including:

	Policy and legal	Technology	Market	Reputation
Transition risks	• Increased pricing of greenhouse gas ("GHG") emissions • Enhanced emissions-reporting obligations • Mandates on, and regulation of, existing products and services • Exposure to litigation	• Substitution of existing products and services with lower emissions options • Costs to transition to lower emissions technology	• Changing customer behaviour • Uncertainty in market signals • Increased cost of raw materials • Increased competition for solar and battery assets	• Shifts in consumer preferences • Stigmatisation of sector • Increased stakeholder concern or negative stakeholder feedback

Table of transition climate risks as shown in the TCFD Final Recommendations Report

B. Physical risks: Risks related to the physical impacts of climate change, including:

	Temperature related	Wind related	Water related	Solid mass related
Chronic	• Changing temperatures • Heat stress	• Changing wind patterns	• Changing precipitation	• Landslide
Acute	• Heat wave • Wildfire	• Storm	• Heavy precipitation/ Flood	

Table of identified potential physical climate risks for the Company's current portfolio

Physical risks identified as relevant are scored using a risk heatmap (see the solar risk heatmap below). A suite of tools can then be employed to assess the severity of an asset's susceptibility to the most material risks and identify mitigation measures to reduce the overall risk score.

SOLAR		Impact				
		1 Negligible	**2 Minor**	**3 Major**	**4 Hazardous**	**5 Catastrophic**
Probability	**5 Almost Certain**					
	4 Likely			Changing precipitation patterns Heat stress/ Changing temperatures Heat wave		
	3 Possible		Storm	Changing wind patterns		
	2 Unlikely			Landslide Heavy precipitation/ Flood Wildfire		
	1 Rare					

Scenario analysis

The Investment Manager currently uses the Carbon Brief scenarios of 1.5, 2 and 3+ degrees centigrade of global warming to incorporate scenario analysis into its investment and asset management processes. These open-source scenarios use data from c.70 peer-reviewed climate studies to show how global warming is projected to affect the world and each region. The Investment Manager's active asset management approach then ensures the scenarios detailed above can be applied to existing assets within the portfolio as a means identifying areas of enhanced climate-related risks.

The Investment Manager is also currently working with a number of market advisors to co-develop a scenario-based forecasting tool that will allow for the integrated analysis of transition risks and the evaluation of regional climate and weather impacts on asset and portfolio performance going forward.

Task Force on Climate-related Financial Disclosures continued

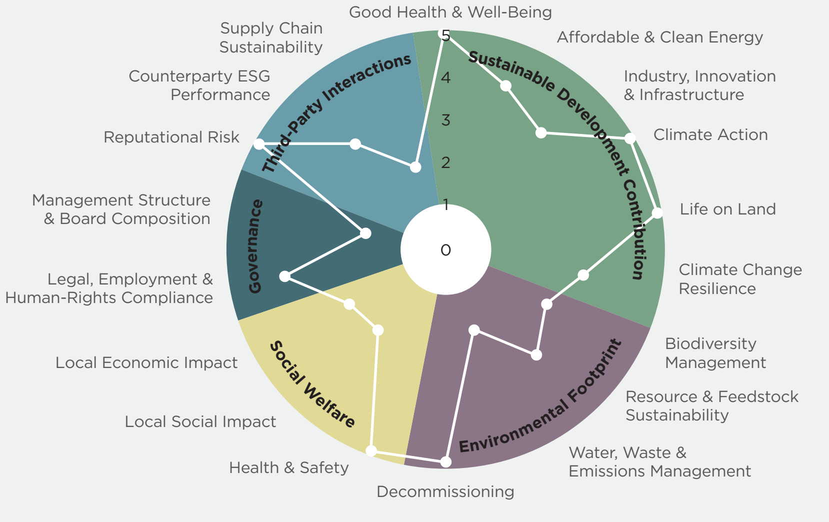
Risk management continued

Managing climate risk

All potential investments are evaluated in accordance with the SET to ensure that all potential investments undertaken meet the Investment Manager's definition of sustainable infrastructure, and that climate-related risks are systematically identified, assessed and subsequently managed. The SET comprises five criteria that cover the key areas of sustainability and ESG considerations to be assessed:

- **Sustainable Development Contribution:** The contribution made towards the global sustainability agenda, including an assessment of its resilience to climate change-related risk and opportunity
- **Environmental Footprint:** The environmental impacts of an investment
- **Social Welfare:** The interaction with local communities and the welfare of employees
- **Governance:** The compliance with relevant laws and regulations
- **Third-Party Interactions:** The sustainability of key counterparties and the broader supply chain

The SET is an evolving tool. It has been designed with flexibility in mind, making it adaptable to new sectors, industry frameworks and impact standards as sustainability, ESG and climate-change agendas continue to develop. The materiality of certain issues within each of these areas is subject to change, therefore a framework that can adapt easily to reflect these changes is important. The Investment Manager carries out regular in-house consultations to decide on the individual "weighting" for each KPI within parameters. The weighting dictates the materiality of the KPI in the overall asset score, which can be updated based on new information obtained.



Asset score in Year 1 (2021)

The tool draws on IRIS+ indicators, which are an aggregation of several widely recognised sustainability and climate-related frameworks to measure, manage and optimise sustainability and climate-related performance. These frameworks include GRESB, the Global Reporting Initiative ("GRI"), the Sustainability Accounting Standards Board ("SASB"), the UN SDGs, the Global Impact Investing Network ("GIIN") and Principles for Responsible Investment ("PRI").

The final SET assessment, and the asset's corresponding "Sustainability Web", are produced as part of investment due diligence. An example of this web is shown above.

Before any new investment proceeds, an assessment of both physical and transition climate-related risk is made in the Climate Change Resilience assessment parameter of the SET.

This parameter is made up of multiple KPIs, with each weighted based upon internal materiality assessments and scored in line with response bands corresponding to the five-point scale below:

- 5 = High performance
- 4 = Above average
- 3 = Average performance
- 2 = Below average
- 1 = Low performance

An average is then calculated to produce an overall score for the Climate Change Resilience parameter, which is reviewed and updated periodically by the asset management team to track an asset's sustainability performance. This can be tabled at the Company's Board meetings to enable implementation of an asset-specific plan to manage any material risks as required.

Every solar or battery asset the Company invests in must be justified as contributing to a set of measurable sustainability goals and must demonstrate how its resilience to climate change related risk has been assessed. If the information required to complete the assessment is not readily available through project documentation, Technical Advisors may be tasked with conducting further investigation to address any sustainability or climate change related specific queries.

The above-mentioned physical risks are assessed as part of the Climate Change Resilience assessment parameter. A Climate Risk Heatmap is then produced which is used to identify the most material physical risks the assets of the Company face from climate-related extreme weather events, allowing for further investigation to be conducted or mitigation measures to be put in place.

During the investment stage, it is the responsibility of the Investment Manager's deal team to complete the SET and use it to inform their understanding of a given asset's sustainability credentials, including its exposure to climate-related risks. Furthering this understanding may require augmenting the scope of a Technical Advisor during due diligence to comment on and assess specific risks. Crucially, it will need to be satisfactorily addressed in the final submission to the Investment Committee with an accompanying risk re-profiling or mitigation measures detailed as appropriate. Via the various IC processes, relevant issues will be reported to the Investment Manager's senior leadership, wherein any updated thinking can be more effectively applied across the wider portfolio of assets.

Once the investment has been made, the asset undergoes a comprehensive handover to the Asset Management team wherein the responsibility for identifying and assessing climate-related risks and opportunities also transfers. It is the role of this team to ensure periodic updates of the SET are completed as a means of systematically reassessing the physical and transition risks the asset is exposed to.

The Investment Manager is responsible for the periodic review of the portfolio assets' exposure to risk, ranging from health and safety to climate change. Material changes to the risk rating of any risk are considered in line with the periodic reassessment and, where possible, are mitigated accordingly.

Metrics and targets

Disclose the metrics and targets used to assess and manage relevant climate-related risks and opportunities where such information is material.

- Disclose the metrics used by the Company to assess climate-related risks and opportunities in line with its strategy and risk management process.

TCFD core metrics

The Company's focus for quantitative reporting of exposure to climate-related risk is achieved using the universally accepted core metrics, as recommended by the TCFD. These include the following metrics, the calculation methodologies for which can be found here:

- Weighted average carbon intensity
- Total carbon emissions
- Carbon footprint
- Carbon intensity
- Exposure to carbon-related assets

In line with current FCA guidance, the calculation of these metrics will be performed using scope 1 and scope 2 emissions only, with scope 3 emissions to be incorporated in future reports. The Investment Manager is currently working with external consultants to better understand and prepare to report on scope 3 emissions. In using these core metrics, the Company is not only able to compare performance amongst its own assets but against those of its wider peer group, further incentivising the decarbonisation of the Company's portfolio.

Data drawn from the calculation of the core metrics will be used as an aid to driving decarbonisation across the portfolio and to highlight carbon hotspots in specific business areas as a means of influencing decision-making across the business.

Task Force on Climate-related Financial Disclosures continued

Metrics and targets continued

For the Company, the results are as follows:

TCFD core metrics				
Weighted average carbon intensity (tCO_2e/£m revenue)	**Total carbon emissions (tCO_2e)**	**Carbon footprint (tCO_2e/£m invested)**	**Carbon intensity (tCO_2e/£m revenue)**	**Exposure to carbon-related assets (%)**
Portfolio's exposure to carbon-intensive assets, expressed in tonnes CO_2e/£m revenue. If using another denominator, like MWh, please specify	The absolute greenhouse gas emissions associated with the portfolio, expressed in tonnes CO_2e. Please specify scope 1 and scope 2	Total carbon emissions for a portfolio normalised by the market value of the portfolio, expressed in tonnes CO_2e/£m invested	Volume of carbon emissions per £m of revenue (carbon efficiency of a portfolio), expressed in tonnes CO_2e/£m revenue	The amount or percentage of carbon-related assets in the portfolio, expressed in £m or percentage of the current portfolio value
10.66	1252.69	1.90	10.66	0.00

Asset carbon intensity, carbon savings and sustainable impact data

The Investment Manager uses an in-house Sustainability Calculator to provide reporting on lifecycle emission intensities of the sectors it invests in. This further allows for the calculation of carbon savings data for each of the Company's infrastructure assets under management. The calculations draw on the data presented in the IPCC's Special Report on Renewable Energy ("SRREN")[1], which uses a wide variety of peer-reviewed research papers to establish median figures for the lifecycle CO_2 intensities of different renewable energy technologies (measured in $kgCO_2e$/MWh).

The Investment Manager tracks and reports both the carbon savings and the more holistic sustainable impact of all portfolio investments, which are assessed to be contributing significantly to climate change mitigation through net avoidance of carbon emissions.

For calendar year 2021, the Company contributed to the below carbon savings and the associated sustainable impact:

Asset	Production (MWh)	CO_2 saving (tCO_2e)	Tonnes of coal equivalent	UK homes powered
Solar	903,000	697,116	110,920	311,379

EU Taxonomy alignment

The EU Taxonomy for sustainable activities defines the criteria that an investment must meet for it to be considered sustainable. By setting out transparent, science-based, industry-specific criteria to direct investment flows, the EU Taxonomy provides assurance for projects that are making a genuine contribution to climate change mitigation and global sustainability targets. Following internal review of the EU Taxonomy's performance thresholds, the Investment Manager decided there would be merit in independent, third-party validation of its investments' alignment with the Taxonomy.

In 2020 the Investment Manager sought independent validation of its compliance with the EU Taxonomy for Sustainable Finance framework. The Investment Manager initially submitted two assets for validation with environmental consultant Aardvark Consulting Ltd, both of which were declared compliant with the Taxonomy in December 2020. This approach has been continued and the Company's investment in the Virgen del Carmen project achieved validation in May 2021. Following this, the Company has now also undertaken an internal assessment of the whole portfolio's level of alignment (please refer to the "Sustainability update" in the Chairman's Statement for further details).

In an environment where greenwashing represents a significant reputational risk, the Company views this independent approach to Taxonomy validation as providing enhanced disclosure.

1. Annex III: https://www.ipcc.ch/site/assets/uploads/2018/02/ipcc_wg3_ar5_annex-iii.pdf

Disclose scope 1, scope 2 and, if appropriate, scope 3 greenhouse gas ("GHG") emissions and the related risks

The Greenhouse Gas Protocol separates emissions into the following categories:

Scope 1	Scope 2	Scope 3
• All direct emissions from the activities of a company under its control • Includes fuel combustion on site such as gas boilers, fleet vehicles and air-conditioning leaks	• Indirect emissions from electricity purchased and used by the Company • Emissions are created during the production of the energy eventually used by the Company	• All other indirect emissions, occurring from sources that are not owned or controlled • Includes purchased goods and services, business travel, employee commuting, waste disposal, use of sold products, transportation, distribution and investments

Details on the Company's scope 1 and 2 greenhouse gas emissions are shown in the table below. As mentioned above, scope 3 emissions will be incorporated at a later date as the Investment Manager works with external consultants in order to gain a more thorough understanding.

Scope	2021
Scope 1	0
Scope 2	1173.92
Total	**1173.92**

The scope 2 emissions split reflects as 42.2% for the UK assets and 57.8% for the Australian assets.

The National Grid Intensity applied to the UK import power prices: 233.1 gCO_2e/kWh

The National Grid Intensity applied to the Australian power prices: 790 gCO_2e/kWh. This is significantly higher than the factor applied to UK projects based on the higher reliance of the Australian grid on coal power generation.

The Company follows the methodology that the Task Force recommends asset owners and asset managers and can be viewed in the below link: **E09 – Carbon footprinting – metrics.pdf (tcfdhub.org)**

At present, more than half of the portfolio assets have contracts for electricity import with providers whose energy is sourced from clean energy sources (green tariffs). The Company will seek to increase the proportion of green tariffs across the portfolio as it develops a clear plan to achieve net zero.

Describe the targets used by the Company to manage climate-related risks and opportunities and performance against targets

Asset level

A workstream is currently underway to develop methodologies to calculate the carbon footprints of the Company's assets, which will help to further inform the portfolio decision-making and target-setting processes. The TCFD's recommended core metrics are also used as part of this process to identify where decarbonisation needs to happen the most.

In accordance with the TCFD's Carbon Footprinting and Exposure Metrics and the Science Based Targets Initiative ("SBTi"), the targets being considered include:

- Reduction in the carbon intensity of portfolio investments
- For the Fund to be carbon neutral for scope 1 and 2 emissions from 2022
- To increase the percentage of the portfolio on green tariffs by volume

The Company already tracks and reports the GHG savings delivered by all clean energy investments assessed to be contributing significantly to climate change mitigation through net avoidance of carbon emissions and other pollutants.

RISK AND RISK MANAGEMENT CONTINUED

Emerging risks

Risks that are characterised by a degree of uncertainty are regularly reviewed by the Board, with the support of the Investment Manager, the Administrator and other relevant advisors. During the period, risks relating to global pandemics, such as COVID-19, and the potential future impact on operational performance and cash flow generation in the short and medium term have been reviewed and continue to be closely monitored. The risk is still considered material by the Investment Manager, however the disruption to the portfolio operations to date has been minimal.

The Directors also note the emerging risk of heightened geopolitical tensions in recent weeks and the economic volatility that may likely arise as a consequence. The Directors continue to monitor and review the macro-political environment and its impact on the Company under its risk management framework.

Principal risks

Set out below are the principal risks and uncertainties which the Company believes are most relevant, given the nature of its business, together with their mitigants.

More information on the risks that should be considered before investing in the Company are contained within the Prospectus, which is available at **https://fsfl.foresightgroup.eu/investor-relations/publications/prospectus/**

Business area	Risk summary	Control	Trend and outlook
1 **Risks relating to regulatory changes, including changes to subsidies**	Changes in political support for renewable energy may result in variations to the levels of subsidy and incentives for renewable generation, whether on a prospective or retrospective basis. This may have a material adverse effect on the Company's financial results, operations and valuation of the existing portfolio. In the current environment of heightened wholesale energy prices, there remains the risk that Government attempts to enact a clawback mechanism on energy producers and one that does not fully consider the existing offtake arrangements in place. The latter was evident in the Spanish market in the fourth quarter of 2021 until corrected.	Despite the early closure of the UK RO scheme for new installations, 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 significant change, the Government has avoided making changes with retrospective character. In addition, the UK Government remains committed to meeting its renewable generation targets and carbon emission reductions under the Climate Change Act. In September 2021, the Spanish Government passed a law introducing a mechanism for a temporary cut in remuneration for electricity producers to reduce what they viewed as windfall profits on the back of high gas and carbon prices. This resulted in an immediate response from industry to clarify how the measure would affect producers with hedge agreements (e.g. PPAs) and thus may not directly benefit from the elevated power prices. The Government subsequently clarified that the legislation would not affect generators with fixed agreements already in place or those executing hedge agreements of longer than 12 months. This example demonstrates that whilst Governments may be tempted to enact mechanisms to offset price pressures in a time of high-power prices, that a heavy-handed approach to the PPA market would have a negative impact on new renewable energy projects and reverse the momentum toward meetings deployment targets.	The UK and Europe have already experienced record high wholesale energy prices in the fourth quarter of 2021 will little sign of downward pressure. Greater geopolitical uncertainty can only be expected to exacerbate the upward pressure on natural gas and wholesale energy prices.

Business area	Risk summary	Control	Trend and outlook
2 **Risks relating to long-term energy prices**	Downward adjustments to long-term power forecasts have the potential to negatively impact NAV and the Fund's ability to meet its future obligations and dividend payments. Power curve forecasters generally assume that the mass deployment of renewable energy generators with a low marginal cost of generation will limit real price increases as they penetrate the market to a greater extent. The real risk to the Fund is a significant reduction in long-term power prices from current levels.	The Company can readily fix power prices under its current PPAs out to around five years. The Fund also benefits from some existing longer hedging arrangements and is actively exploring options in the developing PPA market, however, at present the maximum length of these arrangements would be 10-15 years. Long-term power price forecasts (i.e. post 2030) for the UK and Europe are tied to consultants' assumptions based on increased supply from the deployment of renewable and rising demand for electricity as governments move to fully decarbonise. These power price forecasts are inherently cautious with respect to electricity demand resulting from widespread decarbonisation across transportation, heavy industry and heating. Notwithstanding the above, risk remains that the long-term power curves drop significantly.	Long-term power prices remain difficult to predict as they remain the function of a changing picture of supply and demand. There is certainly incentive to deploy renewable generation at scale. Whether at current levels it is sufficient to meet 2030 targets is unclear. In parallel, demand for electricity continues to rise and there is greater evidence of prices remaining above current forecasts in the medium term.
3 **Near-term energy prices**	In the near term the Fund's revenue and ability to pay dividends may be significantly affected by fluctuations in energy prices. Generally, the price at which a solar PV plant sells its electricity is determined by market prices. Risks relating to the price of electricity can broadly be separated into supply side risks, demand side risks and regulatory risk. A decline in the market price of electricity could materially and adversely affect the price of electricity generated by solar PV assets and the Company's financial position.	In the short to medium term the Company manages energy price risk via an active approach to price hedging by entering fixed price arrangements for the sale of electricity to achieve a minimum percentage of annual fixed revenues of 60% of expected total annual revenues for the year ahead. The Fund will generally target a percentage of annual fixed revenues of 75% of expected total annual revenues on a two-year rolling basis. Contracted revenues represented 74% of total income for 2021 and are forecast at 78% for 2022. The Investment Manager continually monitors the Company's merchant exposure to power price movements and, depending on the market conditions, will seek to fix pricing up to five years ahead. Looking over the viability assessment period, the Fund has already fixed above the minimum 60% target for total annual revenues and does not perceive there to be a significant risk in fixing further amounts at attractive rates in the near term high price environment. Given the concentration of hedging agreements with several offtakers, the Company regularly monitors the counterparty risk and credit of its hedge providers.	Supply-demand imbalances and the impacts of greater geopolitical uncertainty can be expected to increase upward pressure on UK and European power prices in the short term.

RISK AND RISK MANAGEMENT CONTINUED

Principal risks continued

Business area	Risk summary	Control	Trend and outlook
4 New market participants	The Company faces significant competition for assets in the solar power sector from an array of international investors. There are many established players as well as new entrants with lower returns requirements. Whilst the market is increasing, so too is competition which may reduce the number of opportunities available and adversely affecting the terms upon which investments can be made by the Fund, thereby limiting the growth potential of the Company. The Investment Manager believes that this risk is more pronounced in the solar market than for battery storage projects at present. Greater competition for assets can potentially lead to a risk of overpaying for new investments in competitive processes.	The Investment Manager regularly updates the Board on the options available to the Fund to respond to the changing market and the strategic positioning of the Fund within the competitive landscape. The Fund's strategy is reviewed at the quarterly Board meetings and periodically in dedicated strategy updates. The Investment Manager continuously monitors the Fund's competitiveness in bidding processes and believes the Company remains well placed to compete in competitive processes in its core markets for greenfield solar and battery storage projects. The Investment Manager also restricts itself to pricing that meets the Fund requirements (based on all reasonable assumptions at the time) so the risk of overpaying is viewed as limited. Alongside this, the Company can also make further changes to the Investment Mandate, noting that this requires shareholder approval.	Notwithstanding the forecast significant increase in renewable deployment, it can be expected that competition for assets will remain high in markets such as the UK and Spain.
5 Access to capital	There has been a significant growth in the number and variety of investment vehicles competing within the renewable energy space since the Fund initially launched in 2013. This increased universe of investment vehicles creates far greater competition for capital and ability for investors to diversify than existed previously. The primary risk for the Fund is weaker demand for its shares due to either a perceived opportunity to earn greater capital growth from new listings or existing investors selling down to diversify their portfolios.	The growth of the renewable energy fund sector was predictable as technologies became more established and investors sought greater exposure to green investments. In many ways this can be viewed as a validation of the sector, which the Fund and its peers at the time were early entrants to. There will always be interest in funds launched to target what are perceived to be new growth sectors, however, many of these platforms have yet to establish themselves. The Company has a strong track record delivering dividend growth and offering an attractive yield. It is well placed to invest in yield accretive projects in both greenfield solar development and battery storage, whilst there remains a sizeable level of value enhancement still to be realised.	A significant number of new funds have listed in recent years targeting both established markets and new segments. The trend looks set to continue although it remains to be seen which will be successful.

Business area	Risk summary	Control	Trend and outlook
6 **Risks relating to the construction of assets**	The Fund invests in solar and battery storage projects in the pre-construction phase. This involves various risks including delays in the construction timetable which result in the relevant project not reaching a stage where it is able to start producing power and generating revenue. Poor workmanship, including faulty components or insufficient structural quality, may result in loss of value without full or any recourse to insurance or construction warranties.	The Investment Manager carries out due diligence on the third parties that it contracts with for the construction of assets. The risks associated with the delegation of responsibility to a third party (such as non-performance) are mitigated through the negotiation of detailed construction contracts where the risks of delivery are borne by the construction contractor. Contractual risks will typically be mitigated by the presence of performance bonds and the use of milestone payments, with funds only being transferred once certain conditions are met. In addition, the Investment Manager employs a dedicated in-house asset management team to oversee the construction 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.	Many contractors are keen to enter the renewables space post-pandemic. This is welcome competition as deployment increases.
7 **Supply chain procurement risks**	The solar supply chain has been under increased scrutiny following allegations of forced labour and modern slavery in the principal production areas for polysilicon and solar module manufacturing. Historically, when acquiring a project, the Investment Manager would instruct third parties to carry out technical due diligence checks on the module manufacturer from which the EPC is sourcing products, including documentation covering health and safety, remuneration and training, working conditions and environmental issues on the module manufacturing facilities.	In response to the concerns raised in the supply chain, Solar Energy UK ("SEUK") have developed a toolkit to help ensure a sustainable and ethical global solar supply chain. The approach laid out by SEUK directly requests that companies assess suppliers on their transparency and public disclosure on ESG matters as well as tracking improvements and action taken over time. To assist with this approach and seek greater insights into the risks posed by the Company's supply chain, the Investment Manager has engaged with consultant ethiXbase for a package of services to improve insights. This includes due diligence and ESG reports for up to 250 suppliers; undertaking modern slavery questionnaires, independent in country investigation of the suppliers, ongoing monitoring and enhanced investigation in the event issues are discovered. It is acknowledged that there are limitations in the consultant's ability to penetrate the full supply chain, however, the engagement will significantly improve the Company's ability to identify risk areas and suppliers that may require further support or work to ensure their own processes are more robust.	The focus on employment practices in the manufacturing process will only increase. The Investment Manager believes it is important to take a lead in this regard.

RISK AND RISK MANAGEMENT CONTINUED

Principal risks continued

Business area	Risk summary	Control	Trend and outlook
8 Financial gearing	The Fund's underlying subsidiaries currently have gross borrowings of £512.0 million. Under the terms of the Facility Agreements, the Company has agreed to covenants as to its operation and financial position. 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 could mean the loss of one or more solar power assets. The Company has A$73.5m of term loan facilities across three of the Australian assets expiring during 2022 that might not be re-financeable on similar terms or at all.	Prior to introducing third-party debt to the portfolio, the agreements are thoroughly appraised before they are entered into to ensure they benefit the Company without creating unnecessary financial risk. Based on conservative gearing targets and sound management it is unlikely that debt covenants would negatively impact the ability to pay dividends. The low interest rate environment and general availability of third-party debt in the market has minimised the risk of refinancing as the new revolving credit facility has been achieved on highly favourable terms for the Company. Additionally, renewable infrastructure has shown significant support from equity investors as demonstrated in recent capital market activity in the sector, thus suggesting the fundraising environment for renewable assets remains stable.	Against the current backdrop of potentially rising interest rates and lending margins it is a good time for the Company to lock in pricing on its short-term facilities.
9 Risks relating to project grid connections	Solar PV facilities must remain connected to the distribution or transmission grid to sell their energy output. A solar plant must have in place the necessary connection agreements and comply with their terms in order to avoid potential disconnection or de-energisation of the relevant connection point. In the event that the transmission or distribution facilities break down or are not available for the export of electricity generated at solar PV asset level due to schedule maintenance works, the Company may be unable to sell its electricity and this could have a material adverse effect on the Company's business, financial status and results of operations.	In the UK, planned outages with the Distributed Network Operators ("DNOs") tend to be co-ordinated with the Asset Manager at times that are less disruptive to energy production, such as during the winter months. Whilst unplanned outages do occur, they tend to be for relatively short timeframes resulting from critical works. Lengthy outages on sections of the Australian grid have resulted in a significant negative impact on production during the period. A key example of this has been works on the primary interconnector between Queensland and New South Wales that was down for several weeks in H2 2021. As Queensland is a net energy producing State, this had the indirect effect of creating an oversupply of energy production within State that could be sold on. This represents a more fundamental outage where major sections of the national grid infrastructure are unavailable for extended periods due to upgrades.	In Australia, the current interconnector works are scheduled to complete in the second quarter of 2022. Adding greater resilience to the national grid infrastructure remains a work in progress though.

Business area	Risk summary	Control	Trend and outlook
10 **Operational - Climate and weather-related risks**	The Company closely monitors what it perceives to be an increasing level of risk from climate and weather-related events that may have a direct impact on the assets and the ability of the Fund to meet its obligations. This has been incorporated within the Company's TCFD reporting and can be split across the following timeframes: • Short term (0 -5 years) • Medium term (5-10 yrs) • Long term (10+ yrs) The Fund's financial projections are based on historic irradiation data and if actual sunshine hours are lower than forecast, less revenue will be generated. This may be impacted by changing weather conditions. The reporting disclosures under TCFD add an element of further risk for the Company as it must ensure it remains at the front of climate-related risk and monitoring and opens the Fund to scrutiny of its results versus the peer group.	The impact of climate and weather-related risks is assessed by the Investment Manager on an ongoing basis. These also tend to merge between short-term weather issues, which may themselves transpire to be longer-term shifts in climate. An example of this is the low irradiance that has been experienced in Australia for two summers in a row now. Whilst there are limited actions the Company can take to address weather and broader climate shifts, aside from specific protective measures at sites, it can ensure that it is prepared for the impact of future issues. Performance of actual versus forecast irradiance is an inherent risk of investing in solar projects and one that has been clearly documented to investors since the listing of the Fund. The Investment Manager monitors the actual generation of all portfolio assets versus the base case assumptions on an ongoing basis. If there is a divergence from the forecast generation then the Investment Manager will investigate the reasons for such deviation and, if appropriate, update the forecasts for the asset that will be reflected in the underlying valuation. The Investment Manager keeps the Board informed of significant changes from the base case assumptions by way of formal quarterly board meetings and periodically, in real time, as appropriate.	The frequency of severe weather events only appears to be increasing, which potentially signals more long-term climate changes, the full extent of which are yet to be fully understood. The risks driven by climate changes itself and disclosures will become more central to every aspect of the Company's reporting in the coming years.

GOING CONCERN AND VIABILITY STATEMENT

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, the financial performance, its cash flows, liquidity position and borrowing facilities are referred to in the Chairman's Statement, Investment Manager's Report and Notes to the Financial Statements. In addition, the Financial Statements include the Company's objectives, policies and procedures for managing its capital; its financial risk management objectives; and its exposures to credit risk and liquidity risk.

A detailed evaluation of the cash flow impact, for the going concern period, of the following individual and combined three scenarios was reviewed:

- All investments consistently generate a P90 level of electricity output. The Directors deem this is an appropriate, market standard stress test with a relevant example being the UK onshore wind market experiencing a very low-yielding year in 2021
- Power prices were reduced by 50% across the portfolio. This downside scenario represents the volatility of power prices seen during 2021, with captured power prices exceeding 150% of forecasted prices within the portfolio
- Removal of one-third of the ROC revenue. As Ofgem reserve the right to pause the issuing ROCs following the failure of an audit, the Board believes this scenario, although highly unlikely, is relevant to the portfolio

The Board has decided the going concern assessment period should be the 18-month period to 30 June 2023. Due to the nature of the fixed price subsidised revenues and the long-term debt in place across the portfolio, the Board believes it is appropriate to evaluate a period longer than the required 12 months.

The evaluation demonstrated the Company would be able to meet it liabilities and could continue to meet its dividend target in the going concern assessment period. It was also noted no debt covenants would be breached in the same period.

Consequently, the Directors are confident that the Company will have sufficient funds to continue to meet its liabilities as they fall due for the going concern assessment period and have therefore prepared the Financial Statements on a going concern basis.

Viability statement

In accordance with the UK Corporate Governance Code, the Directors have assessed the viability of the Company over a five-year period to 31 December 2026, on the basis the Company has significant long-term fixed and subsidised revenues and long-term debt, both extending beyond a five-year period.

This is the period focused 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.

The Directors have considered the principal risks, identified on pages 54 to 59, in relation to the Company's resilience over a five-year period. In doing so, the Directors believe the three direct principal risks with respect to the five-year period are changes to the level of political support subsidies, near-term energy prices and the impact of climate and weather-related risks.

In addition to these principal risks, the Directors have also reviewed the sustainability-related risks that consider environmental, social and governance considerations in line with the recommendations of the Task Force on Climate-related Financial Disclosures ("TCFD") discussed further on pages 43 to 53.

Subsidy revenue comprises 47% of the portfolio's revenue for the period to December 2026, whilst this is a significant proportion, the subsidies are spread across three different jurisdictions (United Kingdom, Australia, and Spain). It is expected the respective governments, in light of global commitments to tackling climate emergency and the vast growth of the sector, will continue to meet their obligations under the respective subsidy regimes. In terms of prospective regime changes, such as the closure of the Renewable Obligation scheme for projects commissioned after 31 March 2017, these may affect the availability of the assets for acquisition, but not the viability of the Company.

For the period to December 2026, 65% of the portfolio revenue is contracted through government subsidies or contracted electricity sales at a fixed price, therefore 35% of the revenues are exposed to power price volatility. The Directors believe this risk is sufficiently mitigated through the Company's price fixing strategy which is reviewed on a regular basis by the Investment Manager.

The Company owns assets across three jurisdictions globally, therefore considers short and medium-term changes in localised weather patterns to be a risk. For example, Australia has experienced two consecutive low irradiating summer seasons which could transpire to be a result of climate change. Whilst very limited action can be taken by the Company to address weather and broader climate shifts, aside from specific protective measures locally at each asset, the Directors and Investment Manager continue to monitor and assess the impact on an ongoing basis.

In making this statement, the Directors have reviewed the summary five-year cash projections of the Group, considering cash balances, dividend cover and debt covenants. Sensitivity analysis covers the potential impact of the Group's principal risks occurring and how those risks would threaten its business model, future performance, solvency, or liquidity. A summary of key valuation sensitivities is set out earlier in the document. These forecasts are based on the Investment Manager's view of future asset performance, income and costs, and are consistent with the methodology applied to produce the valuation of the investments.

The Board carried out a robust assessment of the principal and emerging 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 debt and equity and deploy capital. As part of this process, the Directors have also considered the ongoing viability of the Company's long-term and short-term debt strategies. In February 2022 a new three-year £150.0 million RCF was signed, giving the Company an additional £20.0 million of liquidity, of which a proportion can be deployed as working capital.

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.

Based on this review, 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 five-year period to December 2026.

FINANCIAL REVIEW

The Company applies IFRS 10 and Investment Entities: Amendments to IFRS 10, IFRS 12 and IAS 28, which states that investment entities should measure all their subsidiaries that are themselves investment entities at fair value. The Company accounts for its interest in its wholly owned direct subsidiary Foresight Solar (UK Hold Co) Limited as an investment at fair value through profit or loss.

The primary impact of this application, in comparison to consolidating subsidiaries, is that the balances, the working capital balances and borrowings in the intermediate holding companies are presented as part of the Company's fair value of investments.

The Company's intermediate holding companies provide services that relate to the Company's investment activities on behalf of the parent which are incidental to the management of the portfolio.

The Company and its intermediate holding companies (the "Group") hold investments in 59 portfolio assets which make distributions in the form of interest on loans and dividends of equity as well as loan repayments and equity redemptions.

For more information on the basis of accounting and Company structure please refer to the Notes to the Financial Statements starting on page 106.

Key metrics for the year ended 31 December 2021

All amounts presented in £million (except as noted)	Year ended 31 December 2021	Year ended 31 December 2020
Net Asset Value ("NAV")[1]	660.0	582.2
Gross Asset Value ("GAV")[2]	1,172.0	1,054.6
Operating income and gains/(losses) on fair value of investments	126.8	(0.3)
Net assets per share	108.2p	95.8p
Distributions from and on behalf of solar investments	82.9	76.7
Profit/(loss) before tax	117.9	(7.2)

1. Total net assets as per the Statement of Financial Position on page 103.
2. Calculated as the sum of the NAV and total outstanding debt.

Net assets

Net assets increased by 13.4% from £582.2 million at 31 December 2020 to £660.0 million at 31 December 2021, primarily driven by the PPA fixing strategy, the impact of actual inflation on future cash flows and reductions in discount rates, detailed in the Investment Manager's Report on page 23.

The net assets of £660.0 million comprise the £1,107.8 million portfolio of UK, Australian and Spanish solar and battery investments, the Group's cash balance of £67.4 million offset by £388.6 million long-term debt, £123.4 million of RCF outstanding debt and other net liabilities of £3.2 million.

Analysis of the Group's net assets at 31 December 2021

All amounts presented in £million (except as noted)	Year ended 31 December 2021	Year ended 31 December 2020
Gross portfolio value[1]	1,107.8	983.7
Intermediate holding companies' cash	56.4	69.0
Intermediate holding companies' long-term debt	(388.6)	(391.5)
Intermediate holding companies' revolving credit facility	(123.4)	(80.9)
Intermediate holding companies' other assets/(liabilities)	(3.0)	(14.9)
Fair value of the Company's investment in portfolio	649.2	565.4
Company's cash	11.0	16.9
Company's other liabilities	(0.2)	(0.1)
Net Asset Value	660.0	582.2
Number of shares	609,958,720	607,711,311
Net Asset Value per share	108.2p	95.8p

1. Gross portfolio value is equal to the sum of the portfolio value, intermediate holding companies' cash, intermediate holding companies' other liabilities, Company's cash and Company's other liabilities.

Third-party debt arrangements and gearing position

As at 31 December 2021, total outstanding long-term debt was £388.6 million, representing 33.2% of the GAV (calculated as NAV plus outstanding debt) of the Company and its subsidiaries (31 December 2020: £391.5 million or 37.1% of GAV).

As at 31 December 2021, total outstanding debt including RCFs was £512.0 million, representing 43.7% of GAV (31 December 2020: £472.4 million or 44.8% of GAV).

The Group net debt position, after deducting existing Group cash balances, is £444.6 million, representing 37.9% of GAV.

Long-term facilities

As at 31 December 2021, £388.6 million of long-term debt facilities were outstanding.

Inflation-linked debt facilities represent £82.7 million of total long-term debt outstanding as at 31 December 2021.

At 31 December 2021, the average cost of long-term debt was 2.66% per annum, including the cost of inflation-linked facilities of 1.31% per annum. The cost of the inflation-linked facility is expected to increase over time in line with the Company's long-term RPI expectations of 3% in the medium term and 2.25% post 2030 to reflect RPI reform.

During the first half of 2021, the Company successfully refinanced the Bannerton project senior debt facility. The new facility was secured on a significantly more favourable financing cost compared to the previous facility. The size of the debt facility has remained unchanged.

The refinancing of the senior debt facilities for the Longreach and Oakey 1 assets is expected to take place in the first quarter of 2022 and is expected to be secured on financing terms more attractive than the existing facilities.

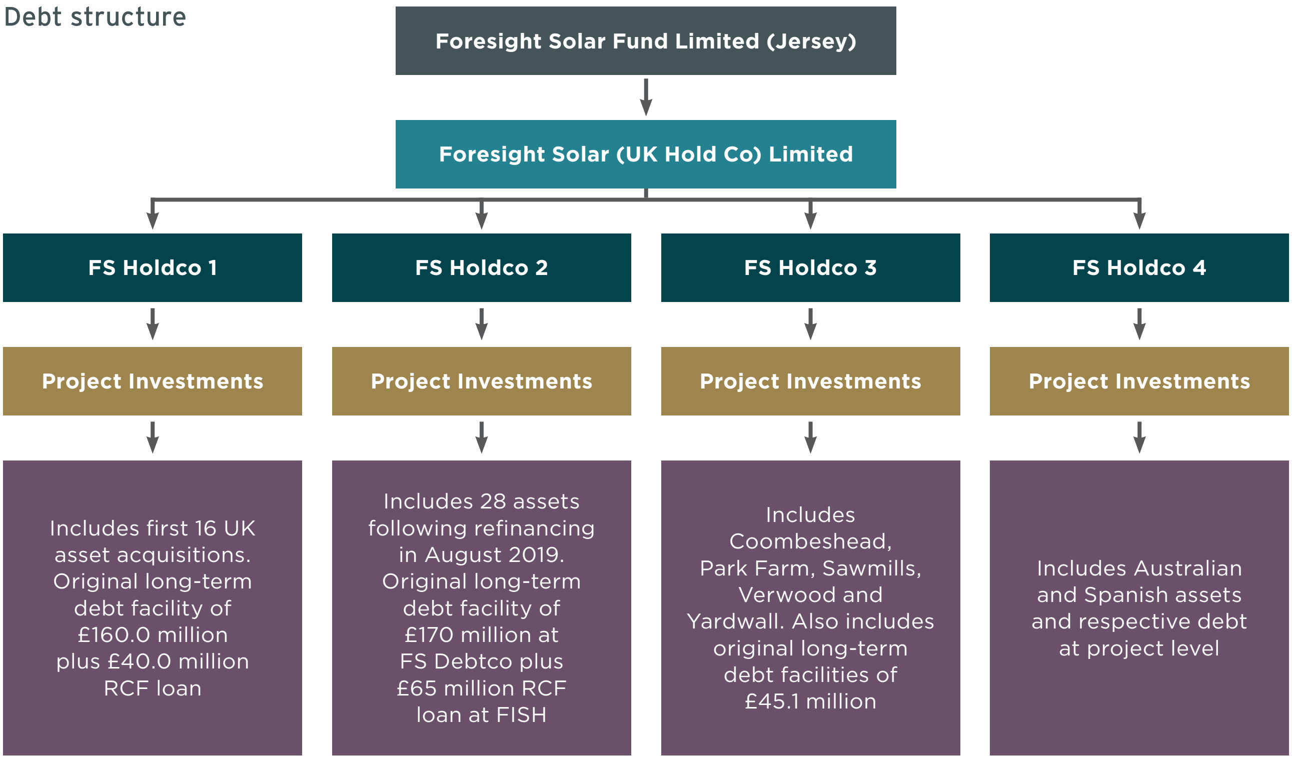
Revolving credit facilities

In April 2021, the Company increased its RCF capacity by £25 million. The Company now holds two separate RCFs totalling £130 million. At the end of the period £6.6 million remained undrawn.

In February 2022, the Company announced that the two RCFs had been refinanced and replaced by a new £150 million RCF (see note 25 to the Financial Statements for details). At the date of this report, the RCF totalled £125.9 million, with £24.1 million remaining undrawn.

At 31 December 2021, the weighted total cost of the RCFs was 1.69% per annum (2020: 2.5%).

Debt structure



Note: simplified for illustrative purposes. For outstanding debt balances please refer to the table opposite.

FINANCIAL REVIEW CONTINUED

Revolving credit facilities continued

Debt structure continued

The following table summarises the debt position of the Company as at 31 December 2021.

Borrower	Holding vehicle	Provider	Facility type	Amount outstanding (m)	Maturity	Applicable rate
FS Holdco Ltd	FS Holdco 1	MIDIS	Fixed rate, fully amortising	£57.7	March 2034	3.78%
		MIDIS	Inflation linked, fully amortising	£57.5[1]	March 2034	RPI Index + 1.08%
		Santander/ Aviva	Term loan, fully amortising	£12.5	March 2024	SONIA + 1.70%
FS Debtco Ltd	FS Holdco 2	SMBC & Helaba	Term loan, fully amortising	£3.5	March 2022	SONIA + 1.20%
FS Debtco Ltd	FS Holdco 2	SMBC & Helaba	Term loan, fully amortising	£154.3	March 2036	SONIA + 1.30%
Second Generation Portfolio 1 Ltd	FS Holdco 3	MIDIS	Fixed rate, fully amortising	£3.6	August 2034	4.40%
Second Generation Portfolio 1 Ltd	FS Holdco[2]	MIDIS	Inflation linked, fully amortising	£25.2[1]	August 2034	RPI Index + 1.70%
Foresight Solar Australia Pty Ltd	FS Holdco 4[2]	CEFC	Term loan	A$39.2[3]	June 2027	Base rate (0.96%) + margin (2.00%)
Longreach Finco Pty Ltd		CEFC	Term loan	A$10.4	March 2022	Base rate (2.57%) + margin (construction – 1.55%; operation – 1.40%)
Longreach Finco Pty Ltd		MUFG	Term loan	A$10.4	March 2022	Base rate (3.28%)
Oakey 1 Finco Pty Ltd		CEFC	Term loan	A$15.9	March 2022	Base rate (2.58%)[2]
Oakey 1 Finco Pty Ltd		MUFG	Term loan	A$15.9	March 2022	Base rate (3.14%)[2]
Oakey 2 Finco Pty Ltd		CEFC	Term loan	A$46.3	October 2022	Base rate (2.48%) + 2.25%
Total long-term debt				**£388.6**		
FS Holdco Ltd	FS Holdco 1	Santander	Revolving credit	£40.0	March 2022	SONIA + 1.75%
Foresight Intermediate Solar Holding Ltd	FS Top Holdco 2	NatWest	Revolving credit	£83.4	August 2022	SONIA + 2.00%
Total revolving debt				**£123.4**		
Total debt				**£512.0**		

1. Nominal loan balance as at 31 December 2021 with the applicable RPI applied.
2. Interest rate swap for 100% of the outstanding debt during the initial five years, 75% from years six to ten and 50% thereafter.
3. Australian debt prorated for Company's share of asset ownership. AUD/GBP exchange rate of 0.538 as at 31 December 2021.

The Company continues to have limited exposure to benchmark rate movements in the UK and Australia as a result of the long-term interest rate swaps in place to protect the Company from underlying interest rate movements. Sterling-denominated debt facilities priced over LIBOR benefit from interest rate swaps hedging between 80% and 100% of the outstanding debt during the terms of the loans, depending on the facility. In Australia, debt facilities entered into with the CEFC have no exposure to the Bank Bill Swap Bid Rate ("BBSY") as the rate was fixed at financial close. Debt facilities provided by Mitsubishi UFJ Financial Group ("MUFG") have in place interest rate swaps on a decreasing nominal amount for a notional tenor of 20 years.

In March 2021, the Financial Conduct Authority ("FCA") announced that most LIBOR panels, including sterling panels, would cease to be effective from 31 December 2021. LIBOR-linked facilities were therefore required to transition to an alternative Risk-Free Reference Rate ("RFR"). A transition to Sterling Overnight Index Average ("SONIA") was agreed and implemented during the year.

Profit and loss

The Company's profit before tax for the year ended 31 December 2021 is £117.9 million, generating profits of 19.7 pence per share.

In the year to 31 December 2021, the operating income and gains on fair value of investments was £124.9 million, which comprised of the receipt of £38.1 million of interest on the Foresight Solar (UK Hold Co) loan notes and £86.8 million net profits on investments at fair value in the year.

Operating expenses included in the income statement for the year were £6.9 million, in line with expectations. These comprise Investment Management fees of £6.0 million and £1.0 million of operating expenses. The details on how the Investment Management fees are charged are set out in note 5 to the Financial Statements.

All amounts presented in £million (except as noted)	Year ended 31 December 2021	Year ended 31 December 2020
Interest received on Foresight Solar (UK Hold Co) loan notes	38.1	39.6
Net profits/(loss) on investments at fair value	86.8	(39.9)
Operating income and losses on fair value of investments	124.9	(0.3)
Operating expenses	(7.0)	(6.9)
Profit/(loss) before tax	117.9	(7.2)
Earnings per share	19.7p	(1.2p)

Cash flow

The Company had a total cash balance at 31 December 2021 of £11.0 million (31 December 2020: £16.9 million). This amount excludes cash held in subsidiaries. The breakdown of the movements in cash during the year is shown below.

Cash flows of the Company only for the year to 31 December 2021 (£million)

	Year ended 31 December 2021	Year ended 31 December 2020
Cash balance at 1 January	16.9	18.9
Interest on loan notes received from Foresight Solar (UK Hold Co)	41.1	45.1
Directors' fees and expenses	(0.3)	(0.2)
Investment Management fees	(6.0)	(7.3)
Administrative expenses	(0.7)	(0.9)
Dividends paid in cash to Shareholders	(40.0)	(38.7)
Company cash balance at 31 December	11.0	16.9

Combined profit and loss of underlying investments

The underlying operating investments in the UK and Australia generated an operating profit of £90.6 million in the year.

2021	UK (£m)	Australia (A$m)	Consolidated (£m)
Revenue			
Wholesale revenue	46.6	14.7	54.5
Subsidised revenue	54.3	0.2	54.4
Other income	0.5	1.2	1.2
Total revenue	101.4	16.1	110.1
Operating expenditure			
O&M quarterly	(5.5)	(1.6)	(6.4)
O&M ad hoc	(1.3)	(0.1)	(1.3)
Other operating expenditure	(9.8)	(3.7)	(11.8)
Total operating expenditure	(16.6)	(5.4)	(19.5)
Gross profit	84.8	10.7	90.6

The Australian assets are consolidated based on the Fund's ownership, using an average AUD/GBP exchange rate of 0.5422.

Subsidised revenues consist of ROC, ROC recycle, Feed-in Tariff, embedded benefits and Large-Scale Generation Certificates ("LGCs").

Cash flows of the Company and intermediate holding companies for the year to 31 December 2021 (£million)

During the year to 31 December 2021, the underlying solar assets paid £78.6 million of ordinary distributions to the intermediate holding companies.

Cash received from underlying solar investments covers the long-term debt repayments, financing costs and the operating and administrative expenses of the Company and the intermediate holding companies as well as the dividends declared to Shareholders.

During the year, the Group released £7.7 million from compensation accounts in relation to legacy issues within some UK assets. £4.3 million of this cash was in relation to lost revenue and therefore available for distribution.

The acquisition costs of £61.2 million relate to the investment in Sandridge Battery Storage Limited and further investment into the Spanish portfolio acquired in December 2020 to fund construction milestones.

Debt arrangement fees relate to the upsizing of the RCF in April.

	Year ended 31 December 2021
Cash distributions from solar investments	78.6
Cash released from compensation accounts on behalf of investments	4.3
Administrative expenses	(2.3)
Directors' fees and expenses	(0.3)
Investment Management fees	(6.0)
Financing costs (net of interest income)	(7.2)
Repayments of long-term debt facilities	(18.8)
Cash flow from operations	48.3
Acquisition of new investments	(61.2)
Proceeds from RCF borrowings	42.5
Compensation account payments	(7.7)
Dividends paid in cash to Shareholders	(40.0)
Cash movement in the period	(18.5)
Group cash balance at 1 January	85.9
Group cash balance at 31 December	67.4

Dividend cover

Total dividends of £40.0 million were paid during the year ending 31 December 2021. Compared with the relevant net cash flows from operations of the Company and underlying investments of £48.3 million, these dividends were covered 1.21 times (31 December 2020: 1.11 times), including the impact of the scrip dividend programme. Removing the impact of the scrip gives a dividend cover of 1.15 times.

Dividends

The Company has declared dividends for the year ended 31 December 2021 of 6.98 pence, representing a 1.00% increase compared with the dividend declared for 2020.

The Company has met all target dividends since IPO and follows a progressive dividend policy aiming to grow its dividend over time.

Dividend timetable for FY2021

Dividend	Amount	Status	Payment date
Interim 1	1.745 pence	Paid	27 August 2021
Interim 2	1.745 pence	Paid	26 November 2021
Interim 3	1.745 pence	Paid	28 November 2022
Interim 4	1.745 pence	Declared	27 May 2022
Total	**6.98 pence**		

On 10 February 2022, in light of the Company's Net Asset Value per Ordinary Share being greater than the scrip reference price, the Board exercised its discretion to cancel the scrip dividend alternative in respect of the third quarter dividend.

On 8 March 2022, the Board announced a fourth and final dividend relating to FY2021 of 1.745 pence per share however, the Board retains the right to cancel the scrip should it not be deemed appropriate.

Dividend timetable – Final	Date
Ex-dividend date	21 April 2022
Record date	22 April 2022
Scrip price announcement	28 April 2022
Last date for submission of forms of election	10 May 2022 at 17h00
Last date for crest elections	10 May 2022 at 17h00
Anticipated listing of new shares	27 May 2022
Dividend payment date	27 May 2022

Full details of the scrip dividend alternative that is being offered in respect of the Dividend (the "Scrip Offer"), its timetable and the Scrip Dividend Scheme can be found in the Scrip Dividend Alternative Offer Document (the "Scrip Document") available on the Company's website to view and/or download at **fsfl.foresightgroup.eu/investor-relations/**. The Scrip Document is also available on the National Storage Mechanism website at **www.morningstar.co.uk/uk/NSM** and copies are also available for inspection at JTC House, 28 Esplanade, St. Helier, Jersey JE2 3QA.

Foreign exchange

The Company is exposed to foreign exchange movements in respect of its investments in Australia and Spain. As such, the Company continues to implement a hedging strategy in order to reduce the possible impact of currency fluctuations and to minimise the volatility of equity returns and cash flow distributions.

Foreign exchange hedging will not be applied to the cost of the equity investments, considering the long-term investment strategy of the Company.

For the Australian assets, the Company has entered into a rolling two-year forward contracts strategy for an amount equivalent to approximately 75% of its expected distributable foreign currency cash flows at project level. For the Spanish assets recently acquired, the Company has implemented a ten-year rolling foreign currency hedging strategy covering c.80% of the annual future cash flows generated.

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

Ongoing charges

The ongoing charges ratio for the year to 31 December 2021 was 1.14% (31 December 2020: 1.18%). This has been calculated using methodology as recommended by the Association of Investment Companies ("AIC"). Asset management fees charged by Foresight Group LLP on an arm's length basis at project level are excluded from the ongoing charges ratio.

Ongoing charges	FSFL (£'000)	FS UK Hold Co (£'000)
Investment Management fees	5,854	—
Director fees	260	—
Administration fees	199	21
Audit fees	129	9
Other legal and professional fees	262	—
Other ongoing expenses	116	133
Total		**6,982**
Ongoing charge ratio		**1.14%**

	NAV £m
31 March 2021	558.7
30 June 2021	596.4
30 September 2021	635.0
31 December 2021	660.0
	612.5

GOVERNANCE

WHAT'S IN THIS SECTION

BOARD OF DIRECTORS

The Directors are responsible for the determination of the investment policy, have overall responsibility for the Company's investment activities and for reviewing the performance of the portfolio.

Alexander Ohlsson
Chairman

Background

Mr Ohlsson is Managing Partner of 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 sits on the boards of a number of companies and is also Chairman of the listed company GCP Asset Backed Income Fund Limited. He is an Advisory Board member of Jersey Finance, Jersey's promotional body and Treasurer of the Jersey Law Society. He has recently retired as the independent Chairman of the States of Jersey's Audit Committee. 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 and was re-elected on 16 July 2020.

External Directorships

GCP Asset Backed Income Fund Limited.

M N

Chris Ambler
Senior Independent Director

Background

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 and was re-elected on 16 July 2020.

External Directorships

Jersey Electricity Plc, Apax Global Alpha Limited.

A N R

Ann Markey
Non-Executive Director

Background

Ms Markey is an experienced business leader and Non-Executive Director with a strong financial background and over 25 years' experience as a senior executive and board Director in a number of businesses. Ms Markey has extensive experience in the electricity industry, particularly in thermal and renewable generation, including PV solar and wind. She was a senior executive with ESB, a leading Irish electricity utility, and with Greencoat Capital, a leading renewable energy investment manager. She holds a number of Non-Executive Director positions where she is also Chair of the Audit and Risk Committee. She is a Chartered Accountant, having trained and qualified with Arthur Andersen.

Ms Markey was appointed as a Non-Executive Director in September 2020 and was elected on 16 July 2021.

External Directorships

Velocys Plc, Sustainable Energy Authority of Ireland, member of the Audit and Risk Committee of the Health Services Executive (Ireland's national health service).

A M

Monique O'Keefe
Non-Executive Director

Background
Mrs O'Keefe is the co-founder of investment consultancy business Kairos Wealth Limited. She serves on a number of boards, including Phoenix Spree Deutschland Limited which is a London Stock Exchange listed property fund, as well as a private equity fund, a European hedge fund and a non-performing credit fund. Mrs O'Keefe also sits on the Board of Commissioners at the Jersey Financial Services Commission.

Mrs O'Keefe was appointed as a Non-Executive Director on 1 June 2019 and was re-elected on 16 July 2020.

External Directorships
Phoenix Spree Deutschland Limited.

A N R

Peter Dicks
Non-Executive Director

Background
Mr Dicks is currently a Director of a number of quoted and unquoted companies. He is also on the Board of Mercia Fund 1 General Partnership Limited and Miton UK Microcap Trust plc and Chairman of SVM Emerging Fund plc.

Mr Dicks was appointed as a Non-Executive Director on 16 August 2013 and was re-elected on 16 July 2020.

External Directorships
Mercia Fund 1 General Partnership Limited, Miton UK Microcap Trust plc, SVM Emerging Fund plc.

A M R

A Audit and Risk Committee
M Management Engagement Committee
N Nomination Committee
R Remuneration Committee
Chair

INVESTMENT MANAGER

>300	200+	3.1GWh
infrastructure assets under management	institutional clients	generating capacity

The Company's Investment Manager, Foresight Group LLP, is responsible for the acquisition and management of the Company's assets, including the sourcing and structuring of new acquisitions and advising on the Company's borrowing strategy. Foresight Group is authorised and regulated by the Financial Conduct Authority.

Foresight Group was founded in 1984 and is a leading listed infrastructure and private equity investment manager. With a long-established focus on ESG and sustainability-led strategies, it aims to provide attractive returns to its institutional and private investors from hard-to-access private markets. Foresight manages over 300 infrastructure assets with a focus on solar and onshore wind assets, bioenergy and waste, as well as renewable energy enabling projects, energy efficiency management solutions, social and core infrastructure projects and sustainable forestry assets. Its private equity team manages eight regionally focused investment funds across the UK, supporting over 120 SMEs. Its Foresight Capital Management team manages four funds with £1.5 billion Assets Under Management ("AUM"), investing in listed real assets with environmental and social benefits. Foresight operates from 12 offices across six countries in Europe and Australia with AUM of £8.4 billion as at 31 December 2021. Foresight Group Holdings Limited listed on the Main Market of the London Stock Exchange in February 2021. **https://www.fsg-investors.com/**

Foresight Infrastructure's team consists of 105 investment, portfolio and technical professionals as at 30 September 2021. The team is comprised of:

(i) An investment management team of professionals responsible for originating, assessing and pricing assets, managing due diligence and executing transactions

(ii) An asset management team with expertise across electrical and civil engineering, finance and legal disciplines

The Foresight infrastructure team has substantial experience in sourcing and executing all required elements of the capital structure of an investment across geographies, including project-level debt finance and other required forms of finance.

The key strengths of the infrastructure investment team include (i) sourcing and execution of asset acquisitions; (ii) experience of pricing complex revenue streams; (iii) pricing wholesale power exposure; (iv) managing construction projects; and (v) finance and structuring, including bank debt and project finance.

The asset management team consists of individuals with engineering, consulting and operations backgrounds, accountants and in-house personnel responsible for the process of "on-boarding" and managing acquired assets as well as a technical team of specialist infrastructure engineers that help by evaluating an asset's operational and physical characteristics during due diligence, construction management and assist the asset management team to manage the assets by identifying and implementing optimisations post-acquisition. Members of these teams work together throughout the investment lifecycle.

The asset management services provided ensure the day-to-day operation of the sites is robust, with commercial and strategic decisions clearly communicated to the O&M counterparties. The services also include:

- Portfolio optimisation including negotiation of project contracts, component warranties and insurance policies, spare part and replacement strategy and technology improvements
- Oversight of O&M counterparties and operational performance
- Contractual compliance of all contracts
- 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

Foresight Group LLP, is responsible for the acquisition and management of the Company's assets.

Key FSFL professionals

Ricardo Piñeiro
Partner, Co-Head of Infrastructure

Background
Mr Piñeiro joined Foresight in 2011 and is a Partner and Co-Head of Infrastructure. A member of the firm's Executive Committee, he has 17 years of experience in fund management, sustainable infrastructure investment and financing in the UK and internationally. During his time at Foresight, Mr Piñeiro has led the Fund's management team since its IPO.

Prior to joining Foresight, Mr Piñeiro worked at Espirito Santo Investment where he focused on lending and advisory for the energy infrastructure and transportation sectors.

Gary Fraser
Partner, CFO & COO

Background
Mr Fraser joined Foresight in 2004 and is an Executive Director and CFO of Foresight Group Holdings Limited, which listed on the London Stock Exchange in February 2021. He has over 28 years of experience. Mr Fraser is the Head of Finance and Administration within Foresight Group LLP, providing or facilitating specialist financial input into corporate, portfolio and VCT decisions. Prior to Foresight, Mr Fraser worked at F&C Asset Management as a Company Secretary, where he focused on legal and tax compliance, financial compliance, technical and financial reporting and corporate finance. He has also worked at EY, focusing on audit and risk assurance.

Mr Fraser is a Chartered Fellow of the Securities Institute, Chartered Accountant, BAcc from the University of Stirling.

Ross Driver
Director, Infrastructure

Background
Mr Driver joined Foresight in 2021 as part of the Fund's advisory team, to oversee delivery of all aspects of the Investment Mandate. He has over 16 years' infrastructure and renewable energy investment experience covering deal structuring and execution, debt financing and asset management across multiple asset classes. Prior to Foresight, Mr Driver spent eight years at InfraRed Capital Partners where he focused on greenfield renewable energy and infrastructure investments. He has also worked at John Laing Investments and KPMG Corporate Finance.

STRATEGIC REPORT
GOVERNANCE
FINANCIAL STATEMENTS

CORPORATE GOVERNANCE REPORT

A successful company is led by an effective board, whose role is to promote the long-term sustainable success of the company, generating value for shareholders and contributing to wider society.

Alexander Ohlsson
Chairman

On behalf of the Board, I am pleased to introduce the Company's Corporate Governance Statement for the reporting period ended 31 December 2021.

Board leadership

The Board has overall responsibility for the management of the affairs of the Company and is responsible for the long-term sustainable success of the Company.

The Company has a Board of five Non-Executive Directors and all Directors are considered by the Board to be independent. Profiles of each of the Non-Executive Directors are set out on pages 70 and 71.

During the year, the Board conducted an internal Board effectiveness assessment and, as part of that assessment, all Directors have confirmed that they have adequate time to commit to their roles and responsibilities to the Company. Further details of this assessment are set out in the Nomination Committee report on pages 80 to 82.

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 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.

Board operation

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, nine Board meetings were held, over and above the normal four quarterly Board meetings.

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.

At the Company's quarterly Board meetings, the Board typically considers the following business:

- Update from the Investment Manager, including:
  - Market commentary
  - Company portfolio overview
  - Portfolio performance reports
  - Financial performance reports, including cash flow analysis and dividend cover forecasts
  - Pipeline, acquisitions and disposals
  - Health and safety
  - Gearing and debt compliance
  - Shareholder and analysts feedback and reports
  - Sustainability reporting
  - Independent power price reports
- Update from the Company's Broker, including:
  - Market commentary
  - Share price performance against the Company's peers
  - Sales and trading commentary
- Report from the Compliance Officer and Company Secretary, including:
  - Compliance monitoring
  - Regulatory and governance updates

The Investment 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.

Full details of the Directors' duties and obligations are provided at the time of appointment and are supplemented by further details as requirements change. A formal induction programme for all new Directors appointed to the Board remains in place.

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

Purpose and culture

The Company's purpose is to offer investors access to a sustainable, progressive quarterly dividend and enhanced capital value through investing in a diversified portfolio of ground-based solar PV and battery storage assets in the UK and internationally.

The Company's culture is aimed at achieving this purpose and creating an environment of proactive engagement between the Board and stakeholders, constructive challenge of the Investment Manager, holding key service providers accountable and encouraging openness, integrity and transparency in all business relationships.

The Board recognises its sustainability and ESG responsibilities and aims, with the support of its Investment Manager, to continually improve the Company's ability to deliver attractive financial returns to investors alongside strong environmental, social and governance ("ESG") benefits.

Governance

The Board has continued to improve its governance framework throughout the year by working closely with the Company Secretary to review and refresh the Company's policies and procedures to ensure that they remain up to date and fit for purpose. This work included the restructuring of the Board Committees, described on page 77, and the implementation of a revised risk management framework and business risk assessment, which was supported by the Board's Audit and Risk Committee.

Further, the Board has refreshed its schedule of matters reserved for the Board in order to ensure full and effective control over appropriate strategic, financial, operational and compliance issues.

Statement of compliance with the AIC Code

The Company is a member of the Association of Investment Companies ("AIC"). The Board has considered the Principles and Provisions of the AIC Code of Corporate Governance ("AIC Code"). The AIC Code addresses the relevant Principles and Provisions set out in the UK Corporate Governance Code (the "UK Code"), as well as setting out additional Provisions on issues that are of specific relevance to Foresight Solar Fund Limited.

The AIC Code is available on the AIC website (**https://www.theaic.co.uk/aic-code-of-corporate-governance**).

The AIC Code includes an explanation of how this Code adapts the Principles and Provisions set out in the UK Code to make them relevant for investment companies.

The Board considers that reporting against the Principles and Provisions of the AIC Code, which has been endorsed by the Financial Reporting Council and is supported by the Jersey Financial Services Commission ("JFSC"), provides more relevant information to Shareholders.

The Company has applied the Principles and complied with the Provisions of the AIC Code published in February 2019.

Attendance by Directors at Board and Committee meetings is detailed in the table below.

	Board	Audit and Risk	Management Engagement	Remuneration	Nomination
Alexander Ohlsson[1]	12/13	1/1	1/1	1/1	2/2
Ann Markey[2]	13/13	3/3	1/1	1/1	2/2
Chris Ambler[3]	13/13	3/3	n/a	1/1	2/2
Monique O'Keefe[4]	11/13	2/3	n/a	1/1	2/2
Peter Dicks[5]	13/13	3/3	1/1	1/1	2/2

1. As part of the Committee composition review, Mr Ohlsson stepped down from the Audit and Risk Committee and Remuneration Committee on 23 May 2021.
2. As part of the Committee composition review, Ms Markey stepped down from the Remuneration Committee and Nomination Committee on 23 May 2021.
3. As part of the Committee composition review, Mr Ambler stepped down from the Management Engagement Committee on 23 May 2021.
4. As part of the Committee composition review, Ms O'Keefe stepped down from the Management Engagement Committee on 23 May 2021.
5. As part of the Committee composition review, Mr Dicks stepped down from the Nomination Committee on 23 May 2021.

CORPORATE GOVERNANCE REPORT CONTINUED

The Company's governance structure is aimed at achieving the Company's purpose and creating a framework that supports the Company's intended culture and sustainability and ESG initiatives.

Our governance framework:

The role of the Board

The role of the Board is to support the Company's Investment Manager in delivering the Company's purpose, engage with key stakeholders in order to understand how the Company can best respect their interests in the pursuit of its purpose and to work closely with key service providers in order to maintain a robust platform on which the Company's operational activities are supported.

Board roles

	Role overview
Chairman	• The Chair leads the Board and is responsible for its overall effectiveness in directing the Company
Senior Independent Director	• The Senior Independent Director provides a sounding board for the Chair and serves as an intermediary for the other Directors and Shareholders
Non-Executive Director	• Non-Executive Directors provide constructive challenge, strategic guidance, offer specialist advice and hold third-party service providers to account
Company Secretary	• The Company Secretary supports the Board and ensures that the Company has the policies, processes, information, time and resources it needs in order to function effectively and efficiently

Board Committees

The Board has four standing committees: the Audit and Risk Committee, Management Engagement Committee, Remuneration Committee and Nomination Committee. The Board has adopted formal terms of reference for the four standing Committees which make recommendations to the Board in specific areas. These terms of reference are available to view by writing to the Company Secretary at the Company's registered office.

During the year, the Board has resolved to amend the constitution of the Board's Committees in light of the expanded Board. The refreshed composition of the Board's Committees is set out below.

Board Committees

Audit and Risk Committee	Management Engagement Committee	Nomination Committee	Remuneration Committee
Responsible for ensuring the Company maintains the highest standards of integrity, financial reporting, internal and risk management systems and corporate governance.	Responsible for reviewing the performance of the Investment Manager in the context of the Investment Management Agreement between the Company, the Investment Manager, as well as other key service providers.	Responsible for leading the process for Board appointments, Board evaluation, succession planning and ensuring a diverse succession pipeline.	Responsible for the development of remuneration policies and practices that support the Company's strategy and promote its long-term success.
Composition: Ann Markey (Chair) Monique O'Keefe Chris Ambler Peter Dicks	**Composition:** Alexander Ohlsson (Chair) Peter Dicks Ann Markey	**Composition:** Monique O'Keefe (Chair) Alexander Ohlsson Chris Ambler	**Composition:** Monique O'Keefe (Chair) Peter Dicks Chris Ambler

Reports from the Company's Committees are set out on pages 78 to 89.

AIFM Directive

The Company is categorised as a self-managed non-EEA AIF for the purposes of the Alternative Investment Fund Managers Regulation 2013 and the AIFM Directive and, as such, neither it nor the Investment Manager is required to seek authorisation under the AIFM Directive. The Board retains responsibility for the majority of the Company's risk management and portfolio management functions and performs a number of its management functions through the various committees described above.

MANAGEMENT ENGAGEMENT COMMITTEE REPORT

The Committee is responsible for reviewing the performance of the Investment Manager and key service providers to ensure that the Company is effectively supported.

Alexander Ohlsson
Chair of the Management Engagement Committee

The main roles and responsibilities of the Committee are to:

- Review the terms of appointment of and fees paid to the Investment Manager
- Review the performance of the Investment Manager and to hold the Investment Manager accountable for its performance
- Review the terms of appointment of and fees paid to key service providers, including the Company Secretary, registrar, legal advisors and broker
- Review the performance of the key service providers and to hold them accountable for their performance

The Management Engagement Committee's main responsibility is reviewing the performance of the Investment Manager in the context of the Investment Management Agreement between the Company and the Investment Manager. Further, the Committee is also charged with reviewing the performance of key service providers as considered appropriate. This Committee meets at least annually.

Performance of the Investment Manager

During the year, the Committee considered the Investment Manager's overall performance, its ability to support the Board in delivering the Company's purpose, the Investment Manager's relative performance against its peers and the remuneration of the Investment Manager for services to the Company for the year under review.

The Committee also challenged the Investment Manager on the resources available to the Company and the capacity of the Investment Manager to support the Company's growth strategy.

The Committee conducted a detailed review and was able to conclude that, while the Board should continue to challenge the Investment Manager on its ability to deliver growth, financial performance for the desired risk profile, effective management of the Company's assets and a sustainable, progressive dividend, the ongoing retention of the Investment Manager, at the remuneration levels paid to the Investment Manager, remained in the Company's best interests.

The Investment Manager is responsible for supporting the Company in developing its environmental, social and corporate governance framework and reporting. More details on this can be found in the sustainability and ESG section on pages 32 to 39.

Performance of key service providers

The Committee also conducted a review of the Company's key service providers, including its Company Secretary and Administrator, brokers, PR agents, legal advisors and registrar. The Committee concluded that it would continue to work with service providers to address any performance concerns and to ensure that the fees paid to these advisors remained in line with the agreed budget and agreements with those providers. Further, the Committee was comfortable that the fees paid to key service providers were broadly in line with market rates for comparable services.

Conclusion

The Committee, following its review of the performance of the Investment Manager, was satisfied that the Investment Manager's ongoing appointment on its current terms, as set out in the Investment Management Agreement, was in the best interests of the Company's Shareholders and other stakeholders.

Alexander Ohlsson
Chair of the Management Engagement Committee

8 March 2022

STRATEGIC REPORT GOVERNANCE FINANCIAL STATEMENTS

COMPOSITION, SUCCESSION AND EVALUATION

NOMINATION COMMITTEE REPORT

The Committee is responsible for ensuring rigorous and transparent procedures along with objective selection criteria for board appointments and succession plans.

Monique O'Keefe
Chair of the Nomination Committee

The main roles and responsibilities of the Committee are to:

- Lead the process for new appointments to the Board
- Ensure plans are in place for orderly succession to the Board
- Oversee the development of a diverse pipeline for succession
- Lead Board effectiveness review annually

The Nomination Committee is responsible for ensuring that the Company sets formal, rigorous and transparent procedures along with objective selection criteria that also seek to promote diversity of gender, social and ethnic backgrounds, cognitive and personal strengths for Board appointments and succession plans.

Appointments and succession planning

All appointments to the Board are subject to a formal, rigorous and transparent procedure and are typically supported by external search consultants. The requirements for vacancies on the Board are set with reference to objective criteria and promote diversity of gender, social and ethnic backgrounds, cognitive and personal strengths.

Further, the Board reviews, at least annually, its effectiveness and its combination of skills, experience and knowledge.

The Board, supported by its Nomination Committee, assesses the need for succession planning on an annual basis. The Nomination Committee has considered the tenure of the Company's Directors and whether succession was likely to be an issue in the near term.

In light of the continued strong performance of the Directors, the longer-term nature of the assets, and desire to retain corporate history, knowledge and experience, the Nomination Committee has recommended to the Board that the continued service of these Directors on the Board be welcomed.

The Committee, however, noted the desire for the Board to be continually refreshed and for the Board to continuously look for opportunities to improve its diversity. During the year, the Committee reviewed these requirements along with the tenure of the current Directors and the Chair. The Committee has resolved to implement a phased succession plan to ensure that the Company has strong continuity of leadership through the evolution of its strategy and allows for key roles and responsibilities to be handed over through the anticipated Director rotations.

The Committee reviewed the composition of the current Board and concluded that the Directors work well together and possess a desirable balance of skills, experience and expertise. The Committee will continue to pursue the Company's succession plan with due regard to maintaining the effective working dynamics achieved by the current Board.

Board performance evaluation

The Board undertakes an annual evaluation of its own performance and that of its Committees through an initial evaluation questionnaire. The Chair then discusses the results with the Board and its Committees and takes appropriate action to address any issues arising from the process.

During the year under review the Company conducted an internal review of the Board's effectiveness. This review included an evaluation of the Chairman, each Director, the Board as a whole, and each of the Board's Committees.

As part of this review, the Committee considered the Board's progress against its effectiveness goals for 2021, as set in 2020, and concluded that Shareholder engagement was more limited than had been hoped for as a result of not being able to invite Shareholders to the Company's AGM in person during 2021. The Committee also initiated the refreshed composition of the Board's Committees during the year.

Under the leadership of the Nomination Committee, the effectiveness review for 2021 identified the following key issues for the Board to consider in 2022:

- The Company, supported by its Audit and Risk Committee and Company Secretary, will undertake a detailed review of the key roles and responsibilities of all service providers to the Company to ensure that all roles and responsibilities are appropriately mapped out and effective controls are in place to support the Company's key business processes
- The Board will continue to make itself available to Shareholders, as required, to engage with Shareholders, and the Board would be seeking enhanced reporting from the Investment Manager and Broker on engagement sessions with Shareholders
- The Board has implemented a structured board training programme, which is expected to cover general Directors' duties and continuing obligations, sustainability reporting and Task Force on Climate-related Financial Disclosures ("TCFD") reporting, battery storage and power price forecasts
- The Board considered its time commitments and recognised that the complexity of the Company's business and governance framework required more time to consider the affairs of the Company each quarter and the Company Secretary was asked to ensure that the Board had sufficient time reserved to properly consider the Company's affairs and strategic direction

Overall, the Board is of the view that the Board, the Chair, each of the Directors and all Committees have performed well during the year and have continued to manage well despite the ongoing challenging circumstances arising from the pandemic. The Board continues to work well with the Investment Manager in developing the Company's growth strategy and promoting the long-term success of the Company.

Directors' professional development

Full details of duties and obligations are provided to the Directors at the time of appointment and are supplemented by further details as requirements change. A formal induction programme for new Directors is now in place. 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 annually. Further, the Directors, as Directors of a Regulated Fund in Jersey, are required to undertake a minimum of 25 hours' continuous professional development per year and all Directors have met this requirement for 2021.

NOMINATION COMMITTEE REPORT CONTINUED

Diversity

The Board has adopted a formal Diversity Policy in order to support the Board's commitment to increased diversity at Board level as an essential element in maintaining an effective Board. This policy is reviewed by the Nomination Committee each year to ensure that it remains fit for purpose.

During the year, the Nomination Committee noted that the Company retained 40% female representation on the Board, but had limited ethnic diversity.

The Nomination Committee confirmed that it remained committed to ensuring that diversity in all forms, including gender and ethnicity, remained a component of the Company's recruitment and succession plans.

Conflicts of interest

The Directors have undertaken to notify the Company Secretary as soon as they become aware of any actual or potential new conflict of interest. Only Directors who have no material interest in the matter being considered will be able to participate in the Board approval process.

Other business relationships, including those that conflict or may potentially conflict with the interests of the Company, are taken into account when appointing Board members and are monitored on a regular basis. The terms of each Director's appointment letter with the Company require that they seek prior approval from the Board before taking up any additional external appointments.

The Board recognises the holdings of Ordinary Shares in the Company held by the relevant Directors, details of which are set out on page 89. The Board considers these interests at each scheduled meeting and remains satisfied that they do not affect the ability of the Directors to exercise independent judgement or their objectivity.

Re-election of Directors

Mr Ohlsson, Mr Ambler, Mrs O'Keefe and Mr Dicks were all reappointed at the Annual General Meeting of the Company held on 16 July 2021. Ms Markey was also elected at the 2021 Annual General Meeting. All Directors will, again, offer themselves for re-election at the Company's 2022 Annual General Meeting.

Monique O'Keefe
Chair of the Nomination Committee

8 March 2022

AUDIT AND RISK COMMITTEE REPORT

The Committee ensures that the Company maintains the highest standards of integrity, financial reporting, internal and risk management systems and corporate governance.

Ann Markey
Chair of the Audit and Risk Committee

The main roles and responsibilities of the Committee are to:

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

During the year, Ann Markey assumed the role of Audit and Risk Committee Chair and succeeded Chris Ambler in this position. Ms Markey and Mr Ambler have worked closely throughout the year in order to ensure a seamless handover of responsibilities.

Since assuming the role of Audit and Risk Committee Chair, Ms Markey has refreshed the Committee's terms of reference, revised the Company's policy on non-audit services to ensure that it remained fit for purpose and has worked closely with the Investment Manager and Company Secretary to improve the Company's financial reporting and risk management framework.

KPMG LLP has completed the Company's external audit for the year and has not performed any non-audit services during the year. JTC (Jersey) Limited prepares all necessary tax returns following sign-off of the annual accounts.

The Audit and Risk Committee comprises four Directors: Ann Markey (Chair), Monique O'Keefe, Chris Ambler and Peter Dicks. The Committee operates within clearly defined terms of reference. The terms of reference were refreshed during the year under review and were updated to include additional scope to review the Company's external Auditor and to enhance the Committee's oversight of key Company policies and compliance. Alexander Ohlsson, as Chair of the Board, has stepped down as a formal member of the Audit and Risk Committee, but is invited to attend Committee meetings.

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.

AUDIT AND RISK COMMITTEE REPORT CONTINUED

None of the members of the Committee have any involvement in the preparation of the Financial Statements of the Company.

The Committee is charged with maintaining an open and effective relationship with the Company's Auditor. The Chair of the Committee keeps in regular contact with the Auditor throughout the audit process and the Auditor attends the Committee meetings at which the Company's 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 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 planning and 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 Top Holdco 2 Ltd, FS Holdco Limited ("FS Holdco"), FS Holdco 3 Limited ("FS Holdco 3") and FS Holdco 4 Limited ("FS Holdco 4"). FS Top Holdco 2 Ltd ("FS Top Holdco 2") in turn holds a 100% controlling interest in Foresight Intermediate Solar Holding Limited ("FISH") that then holds a 100% controlling interest in FS Holdco 2 ("FS Holdco 2"). 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 the aforementioned.

The majority of FS Holdco's and FS Debtco'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. 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, the 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 Committee. The Investment Manager confirmed to the Audit and Risk 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 Auditor.

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

Key assumptions used in the valuation forecasts are detailed in note 16 of the Financial Statements. The Investment Manager has provided sensitivities around those assumptions which are also detailed in note 16.

The Investment Manager has historically employed two independent energy consultants to provide forward-looking power price forecasts which are a key input into portfolio valuations.

Given the increased volatility witnessed in short-term power prices during the year, the Investment Manager has added an additional consultant's power forecasts to its valuations in an attempt to improve the accuracy of this key input.

Annual Financial Statements

The Investment Manager confirmed to the Committee that they were not aware of any material misstatements in the Company's financial reporting. Having reviewed the reports received from the Investment Manager and the Auditor, the 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.

In June 2021 the Company received a letter from the Financial Reporting Council ("FRC") following a review of the Annual Report and Financial Statements for the year ended 31 December 2020. The FRC's Supervision Committee underwent a review of the report and accounts in accordance with Part 2 of the FRC Corporate Reporting Review Operating Procedures.

Whilst there was no request for a direct response to the letter, nor did the FRC wish to discuss the letter, a number of comments were provided in order to promote best practice and continuous improvement of the reporting quality. The Company has addressed these comments in the preparation of its Annual Report and Financial Statements for 2021. The FRC's review was based entirely on the compliance with reporting requirements and provides no assurance that the Annual Report and Financial Statements were correct in all material respects.

The Committee has concluded that the Annual Report and Financial Statements taken as a whole are fair, balanced and understandable and provide the information necessary for Shareholders to assess the Company's position, performance, business model and strategy.

External Auditor

During the year, the 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, or alternatively responsible person, is rotated every five years, ensuring that objectivity and independence is not impaired. KPMG LLP has audited the Company since its IPO in 2013, the first financial year end being 31 December 2014. A new audit partner was appointed in November 2017, and the current audit partner rotated onto the Company's audit in November 2020. The Company is required to retender for the audit services no later than for the reporting year ending 31 December 2023.

The Committee considered the performance of the Auditor during the year and agreed that KPMG LLP have provided a high level of service and maintained a good knowledge of the market, making sure audit quality continued to be maintained. The Committee considers that KPMG LLP has carried out its duties as Auditor in a diligent and professional manner. Further, the Committee conducted a review of the independence and objectivity of KPMG, which included a review of KPMG's own assessment of objectivity and independence, and the Committee was satisfied that KPMG was independent and objective.

There were no non-audit services provided by the Company's Auditor during the year.

Further, the Committee was satisfied that it could recommend the reappointment of KPMG as the Company's Auditor at the upcoming AGM.

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, the Investment Manager provides the Company's Board with an investment pipeline of potential assets in solar energy infrastructure investments for it to consider 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 Audit and Risk Committee and the Board.

AUDIT AND RISK COMMITTEE REPORT CONTINUED

Internal control continued

The process uses a risk-based approach to internal control whereby a Business Risk Assessment is maintained with a risk matrix 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 and Risk 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 and Risk Committee has reported its conclusions to the Board, which was satisfied with the outcome of the review.

The Audit and Risk Committee has reviewed the need for an internal audit function. It has decided that the systems and procedures employed by the Investment Manager, the Audit and Risk Committee and other third-party advisors 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.

Cyber security risks and measures were also considered by the Audit and Risk Committee during the year and the Committee was satisfied that the Company had adequate cyber security measures in place. However, the Committee recognised the increasing threat of a cyber security breach and would work with its key service providers and contractors to ensure that cyber security measures remained effective and fit-for-purpose.

Ann Markey

Ann Markey
Chair of the Audit and Risk Committee

8 March 2022

DIRECTORS' REMUNERATION REPORT

The Committee has responsibility for reviewing the remuneration of the Directors, specifically reflecting the time commitment and responsibilities of the role.

Monique O'Keefe
Chair of the Remuneration Committee

The main roles and responsibilities of the Committee are to:

- Setting remuneration policies and practices to support strategy
- Determining the remuneration policy
- Setting remuneration for the Directors and Chair

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 2022 Annual General Meeting.

Annual statement from the Chair of the Remuneration Committee

The Board, which is profiled on pages 70 and 71, consists solely of Non-Executive Directors. The Committee considers, at least annually, the level of the Board's fees.

Consideration by the Directors of matters relating to Directors' remuneration

The Remuneration Committee comprises three Directors: Monique O'Keefe (Chair), 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.

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 in relation to remuneration, but has received industry comparison information from the Investment Manager 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.

DIRECTORS' REMUNERATION REPORT CONTINUED

Consideration by the Directors of matters relating to Directors' remuneration continued

The Committee reviewed the Directors' fees and noted that the Directors had last had a fee increase in 2018 of £5,000 per annum per Director. On review of the significant additional time commitments, enhanced governance requirements and greater responsibility expected from the Board, the Committee considered an appropriate fee increase of c.9% to be appropriate. The detailed fees expected for 2022 are set out below. The Committee considered this increase to be justified against the available peer data, the performance of the Company and also allowed the Company to pursue its succession plan within the overall fee limit set out in the Company's Articles.

The Committee considered the fee levels for the Senior Independent Director ("SID") and considered that while this role came with additional responsibility, no additional remuneration was required on an ongoing basis. However, the Committee recognised that one-off remuneration may be paid for additional work, should the SID be required to provided additional support to the Board or the Chair on a temporary basis.

The Committee consider seeking external guidance from an independent remuneration consultant during 2022 and concluded that, due to the analysis provided by the Investment Manager and availability of appropriate benchmark data, an independent remuneration consultant was not required. The Committee will review the requirement to seek external guidance in relation to remuneration annually.

The Directors are not involved in deciding their own individual remuneration, with each Director abstaining from voting on their own 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 2021 were agreed in 2018. 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 Plc. 20% of Mr Ambler's remuneration is paid to Jersey Electricity Plc. None of the Directors have a service contract but, under their individual letters of appointment, 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.

The above remuneration policy was approved by the Shareholders at the Annual General Meeting held on 16 June 2021 for the financial year to 31 December 2021 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 set an annual limit on the level of Directors' fees at £350,000 per annum, but fees must also be considered within the wider remuneration policy noted above. Directors' liability insurance is held by the Company in respect of the Directors.

	Directors' fees for the year ending 31 December 2020 (Audited)	Directors' fees for year ended 31 December 2021 (Audited)	Anticipated Directors' fees for the year ending 31 December 2022 (Unaudited)
Alex Ohlsson (Chairman)	£70,000	£70,000	£76,000
Chris Ambler[1]	£55,000	£48,890	£49,000
Peter Dicks	£45,000	£45,000	£49,000
Monique O'Keefe	£45,000	£45,000	£49,000
Ann Markey[2]	£14,522	£51,110	£60,000
Total	**£229,522**	**£260,000**	**£283,000**

1. Chris Ambler resigned as Chair of the Audit and Risk Committee with effect from 23 May 2021.
2. Ann Markey was appointed to the Board with effect from 4 September 2020 and was appointed as Chair of Audit and Risk Committee with effect from 23 May 2021.

Directors' interests

Directors who had interests in the shares of the Company as at 31 December 2021 are shown below. The Directors do not have any options over shares. Mr Dicks had an investment programme in place during the year whereby the dividends paid to him during the year were used by him to acquire further shares in the Company.

	Ordinary Shares of nil par value held on 31 December 2021	Ordinary Shares of nil par value held on 31 December 2020
Alex Ohlsson (Chairman)[1]	25,000	25,000
Chris Ambler	36,162	36,162
Peter Dicks[2]	77,062	73,184
Monique O'Keefe	—	—
Ann Markey	—	N/A

1. Shares legally and beneficially owned by a personal pension company.
2. At the time of publication Mr Dicks holds 78,336 Ordinary Shares.

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 2022.

Monique O'Keefe

Chair of the Remuneration Committee

8 March 2022

DIRECTORS' REPORT

The Directors present their report and the audited Financial Statements of the Company for the year ended 31 December 2021.

The Company

Foresight Solar Fund Limited (the "Company") is a closed-ended public 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 operates under the Companies Law and is regulated in Jersey as a listed fund in accordance with the JFSC's Listed Fund Guide.

Share capital and voting rights

The Company's capital structure and details of Share movements during the year are shown in note 17 to the Financial Statements.

As at 8 March 2022 there were 609,958,720 Ordinary Shares ("Shares") in issue of nil par value.

The Shares are quoted on the Premium Listing Segment of the Official List of the Main Market of the London Stock Exchange.

Significant Shareholders

The Company's Shareholders include a large mix of institutional and retail investors.

Shareholders in the Company with more than a 5% holding as at 31 December 2021 are as follows:

Investor	% shareholding in Fund as at 31 December 2021
BlackRock Investment Management Ltd	16.10
Schroders Plc	8.50
Valu-Trac Investment Management Ltd	6.61
Legal & General Investment Management Ltd	6.41
Total	**37.62%**

Allotment of Shares

The Shareholders have authorised the Directors to issue Shares in the Company's Share capital of up to 10% of the Company's issued Share capital. It is the Directors' intention to seek the renewal of this authority by Shareholder resolution which will be set out in the notice of the forthcoming AGM.

The Shareholders further authorised the Directors to allot Shares without application of the pre-emption rights, as set out in Article 10.2 of the Articles of Association of the Company and in the Listing Rules made by the Financial Conduct Authority under Part VI of the Financial Services and Markets Act 2000 (as amended), equivalent to 10% of the Company's issued Share capital until the conclusion of the forthcoming AGM. The Directors will also seek to renew this extra authority by proposing a special resolution be passed at the forthcoming AGM.

No Shares were allotted under this authority during the year.

Purchase of own Shares

The Company has been authorised to make market purchases of its own Ordinary Shares of up to 14.99% of the Company's issued Ordinary Share capital immediately prior to the passing of the resolution (excluding treasury shares) on such terms and in such manner as the Directors of the Company shall from time to time determine, subject always to the terms of any class rights in the Articles and provided that:

a. The maximum aggregate number of Ordinary Shares hereby authorised to be purchased shall be such number as represents 14.99% of the aggregate number of Ordinary Shares in issue as at 21 May 2021
b. The minimum price which may be paid for an Ordinary Share shall be £0.01
c. The maximum price exclusive of any expenses which may be paid for an Ordinary Share is an amount equal to the higher of (i) 105% of the average of the middle market quotations for an Ordinary Share (as derived from the Daily Official List of the London Stock Exchange plc) for the five business days immediately preceding the date on which such Ordinary Share is contracted to be purchased; and (ii) the higher of the last independent trade and the highest current independent bid on the trading venue on which the purchase is carried out
d. The authority hereby conferred is in addition to all and any authorities in place in respect of market purchases by the Company and shall expire at the conclusion of the Company's next Annual General Meeting or on the date falling 18 months from the date of the passing of this resolution, whichever is earlier, unless previously revoked, varied or renewed by the Company in general meeting
e. The Company may at any time prior to the expiry of such authority make a contract or contracts to purchase Ordinary Shares under such authority which will or might be completed or executed wholly or partly after the expiration of such authority and may make a purchase of Ordinary Shares in pursuance of any such contract or contracts
f. The Directors of the Company provide a statement of solvency in accordance with Articles 55 and 57 of the Law

The Board does not currently have any intention of exercising the authority to repurchase Shares. In normal market circumstances the Directors intend to favour dividend distributions ahead of Ordinary Share repurchases in the market; however, if the Ordinary Shares have traded at a significant discount to Net Asset Value per share the Board may seek to prioritise the use of net income after the payment of dividends on market repurchases over other uses of capital. If the Board does decide that the Company should repurchase Ordinary Shares, purchases will only be made through the market for cash at prices below the estimated prevailing Net Asset Value per Ordinary Share where the Directors believe such purchases will result in an increase in the Net Asset Value per Ordinary Share and where the Board believes such purchases are in Shareholders' interests by addressing an imbalance in the demand and supply of Shares available in the market at a particular point in time.

No Shares have been repurchased during the period under this authority and this authority will expire on the earlier of 15 September 2022 or the Company's next Annual General Meeting.

Treasury shares

Jersey Company Law allows companies to hold shares acquired by market purchase as treasury shares, rather than having to cancel the shares.

Up to 10% of the issued shares may be held in treasury and may be subsequently cancelled or sold for cash in the market. This gives the Company the ability to reissue shares quickly and cost efficiently, thereby improving liquidity and providing the Company with additional flexibility in the management of its capital base.

DIRECTORS' REPORT CONTINUED

Dividends

Under the Articles, the Board is authorised to approve the payment of interim dividends without the need for the prior approval of Shareholders. However, having regard to best practice relating to the payment of interim dividends without the approval of a final dividend by the Shareholders, it is the Company's policy to seek express approval from Shareholders of its dividend policy to pay four interim dividends per year at each Annual General Meeting. This authority was duly approved by Shareholders at the Company's AGM on 16 July 2021.

Scrip dividend option

At the Annual General Meeting of the Company held on 25 June 2019, the Company's Shareholders granted their approval to the Directors to offer Shareholders the opportunity to take dividends in the form of new Ordinary Shares in the capital of the Company rather than cash. Further, the Company was also authorised to offer an ongoing Scrip Dividend Scheme for a period of three years. The Directors will seek to renew this authority at the Company's next AGM.

To date, under the Company's Scrip Dividend Scheme approximately 6.1 million new Ordinary Shares have been allotted to existing Shareholders of the Company and this has resulted in a cash saving, net of admission fees, of £5.9 million.

Share dealing code, policy and manual

In accordance with the UK Market Abuse Regulations ("UK MAR"), the Company has adopted a share dealing code, policy and manual for ensuring compliance with UK MAR when the Company's Directors, being PDMRs (Persons Discharging Managerial Responsibilities), deal in the Company's shares.

Financial risk management

Information about the Company's financial risk management objectives and policies is set out in note 19 to the Financial Statements.

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.

Requirements of the Listing Rules

Listing Rule 9.8.4 requires the Company to include specified information in a single identifiable section of the Annual Report or a cross-reference table indicating where the information is set out. The Directors confirm that there are no other disclosures required in relation to Listing Rule 9.8.4.

Directors' indemnity

The Company has procured a Directors' and Officers' liability insurance policy on behalf of the Directors, indemnifying them in respect of certain liabilities which may be incurred by them in connection with the activities of the Company. This policy does not provide cover for fraudulent or dishonest actions by the Directors.

Articles of Association

The Company's Articles of Association are available upon request from the Group Company Secretary and at the AGM.

Website publication

The Board is responsible for publishing the audited Annual Report and the Financial Statements on the Company's website in accordance with applicable legislation governing the preparation and dissemination of Financial Statements. The Board is responsible for the maintenance and integrity of the Company's website, as well as the information published therein, including the Company's Financial Statements.

Legislation in Jersey governing the preparation and dissemination of Financial Statements may differ from legislation in other jurisdictions.

Post-balance sheet events

In February 2022, the Group underwent a reorganisation of the Group structure (the "Reorganisation") ahead of the refinancing of the revolving credit facilities on 28 February 2022.

Further, in February 2022, RCF Debtco reached financial close on a new £150.0 million RCF and immediately drew down £123.4 million. This cash was used to immediately repay the existing RCF loans of £40.0 million in FS Holdco and £83.4 million in FISH (interest amounts to be included).

The RCF replaces the Company's two existing RCFs and provides an increased source of flexible funding, with both sterling and euro drawdowns. The agreement includes an uncommitted option to extend the RCF for a further year and will be used to fund the acquisition and construction of ground-based solar PV and battery storage projects to add to the Company's current portfolio, as well as to cover any working capital requirements.

Further details on these events can be found in note 25 of the Financial Statements below.

AGM

The Annual General Meeting will be held on 15 June 2022 at the Company's registered office, being 28 Esplanade, St. Helier, Jersey, JE2 3QA.

In terms of attendance, while the Jersey Government has eased a number of the travel restrictions associated with COVID-19 to allow travel to Jersey, the Board would encourage Shareholders to vote by proxy to ensure their votes are counted in case attending in person is not possible.

Further, details on how Shareholders can participate at the Company's AGM will be set out in the Notice of Annual General Meeting that will be made available on the Company's website and published in due course.

By order of the Board

Alexander Ohlsson

Chairman

For and on behalf of Foresight Solar Fund Limited

8 March 2022

STATEMENT OF DIRECTORS' RESPONSIBILITIES

IN RESPECT OF THE ANNUAL REPORT AND FINANCIAL STATEMENTS

The Directors are responsible for preparing the Annual Report and 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 are required to prepare the Financial Statements in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board ("IASB") and applicable law.

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 its profit or loss 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, relevant and reliable
- State whether they have been prepared in accordance with IFRSs issued by the IASB
- Assess the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern
- Use 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

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 its Financial Statements comply with the Companies (Jersey) Law 1991. They are responsible for 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, and 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 Directors' Report, Directors' Remuneration Report and Corporate Governance Report 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. Legislation in Jersey governing the preparation and dissemination of Financial Statements may differ from legislation in other jurisdictions.

Responsibility statement of the Directors in respect of the Annual Report and Financial Statements

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 Directors' Report includes a fair review of the development and performance of the business and the position of the issuer, together with a description of the principal risks and uncertainties that they face

We consider the Annual Report and Financial Statements, taken as a whole, is fair, balanced and understandable and provides the information necessary for Shareholders to assess the Company's position and performance, business model and strategy.

Alexander Ohlsson

Chairman

For and on behalf of
Foresight Solar Fund Limited

8 March 2022

FINANCIAL STATEMENTS

WHAT'S IN THIS SECTION

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 2021 which comprise the Statement of Profit and Loss and Other Comprehensive Income, Statement of Financial Position, Statement of Changes in Equity, 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, in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board ("IASB"), of the state of the Company's affairs as at 31 December 2021, and of its profit for the year then ended; 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) ("ISAs (UK)") 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.

2. Key audit matters: including 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 below the key audit matter in arriving at our audit opinion above, together with our key audit procedures to address that matter and our findings from those procedures in order that the Company's members, as a body, may better understand the process by which we arrived at our audit opinion. This matter was addressed, and our findings 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 this matter.

Valuation of unquoted investments	Subjective valuation:	Our procedures included:
(£589.1 million; 2020: £502.3 million) Refer to page 83 (Audit & Risk Committee Report), page 110 (accounting policy) and page 119 (financial disclosures). Risk level remains unchanged from prior year.	89% (2020: 86%) of the Company's total assets (by value) is held in investments where no quoted market price is available. The unquoted investment at fair value through profit or loss represents a 100% holding in Foresight Solar (UK Holdco) Ltd. The investment in UK Holdco is valued based on the net asset value of the company. The net asset valuation is determined by reference to the valuations in the underlying investments. As these investments are unquoted and illiquid, fair value is determined through the application of valuation techniques which involves significant judgement by the company and has a high degree of estimation uncertainty with a potential range of reasonable outcomes greater than our materiality for the financial statements as a whole. The financial statements (note 16) disclose the sensitivity estimated by the Company.	**Control design:** • We obtained an understanding of the Company's processes for determining the fair value of unquoted investments. We evaluated the design and implementation of the investment valuation processes and controls. • We performed the tests below rather than seeking to rely on any of the Company's controls because the nature of the balance is such that we would expect to obtain audit evidence primarily through the detailed procedures described. **Methodology choice:** In the context of observed industry best practice and the provisions of the International Private Equity and Venture Capital Valuation Guidelines (December 2018), we assessed the appropriateness of the valuation basis selected. **Historical comparisons:** We completed a retrospective assessment over the actual performance of assets during the year. We assessed the events during the year which had an effect on the operations and the performance of assets. **Test of detail:** We agreed key inputs to the forecast cash flows for each investment to external sources, such as the due diligence reports prepared by third party engineers. We evaluated the competence, objectivity and independence of the third party engineers. We agreed the subsidy revenue and wholesale revenue to agreements in place such as Power Purchase Agreements. Significant expenses were agreed to the supplier invoices received and where possible to underlying agreements for leases and operations and maintenance contracts. **Our valuations experience:** • With the assistance of our valuation specialists, we critically evaluated and challenged the key assumptions affecting the valuation of the underlying assets, such as discount rates, the useful economic life, inflation rates and power price curves. We assessed whether the discount rates are within a reasonable range independently developed by us based on market data. We evaluated and challenged management on the appropriateness of the useful economic life for individual assets, taking into consideration factors such as the life cycle of the asset and length of the leases. We compared the inflation rates assumption to the relevant government forecast and evaluated if any material difference is reasonable. We assessed if the power price curve used is within a reasonable range, with reference to publicly available market information. • The audit team reperformed the valuation using the inputs and assumptions. We constructed the discounted cash flow models for each underlying asset and compared the results with management's valuation. **Comparing valuations:** Where a recent transaction has been used to value an investment, we obtained an understanding of the circumstances surrounding the transaction and whether it was considered to be on an arms-length basis and suitable as an input into a valuation. **Assessing transparency:** We considered 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 reasonably possible alternative valuation assumptions. **Our findings:** We found the Company's valuation of unquoted investments to be balanced (2020: balanced).

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 £5.97 million (2020: £5.83 million), determined with reference to a benchmark of total assets, of which it represents 0.9% (2020: 1%).

In line with our audit methodology, our procedures on individual account balances and disclosures were performed to a lower threshold, performance materiality, so as to reduce to an acceptable level the risk that individually immaterial misstatements in individual account balances add up to a material amount across the financial statements as a whole.

Performance materiality was set at 75% (2020: 75%) of materiality for the financial statements as a whole, which equates to £4.47 million (2020: £4.38 million). We applied this percentage in our determination of performance materiality because we did not identify any factors indicating an elevated level of risk.

We agreed to report to the Audit Committee any corrected or uncorrected identified misstatements exceeding £0.30 million (2020: £0.29 million) 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 by a single audit team.

The scope of the audit work performed was fully substantive as we did not rely upon the Company's internal control over financial reporting.

4. We have nothing to report on going concern

The Directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the Company or to cease its operations, and as they have concluded that the Company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over its ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern assessment period").

We used our knowledge of the Company, its industry, and the general economic environment to identify the inherent risks to its business model and analysed how those risks might affect the Company's financial resources or ability to continue operations over the going concern period. The risks that we considered most likely to adversely affect the Company's available financial resources, metrics relevant to debt covenants and its ability to operate over this period were:

- The impact of a significant reduction in the valuation of the assets in the portfolio, driven predominately by decreases in revenue, which impact the Company and its subsidiaries ability to meet the covenants in place; and
- The deterioration of the liquidity of the investment portfolio which will impact the Company and its subsidiaries' ability to meet their liabilities as they fall due.

We considered whether these risks could plausibly affect the liquidity and covenant compliance of the Company and its subsidiaries in the going concern period by comparing severe, but plausible downside scenarios that could arise from these risks individually and collectively against the level of available financial resources and covenants indicated by the Company's financial forecasts.

We considered whether the going concern disclosure in note 2.2 to the financial statements gives a full and accurate description of the Directors' assessment of going concern, including the identified risks and related sensitivities.

Our conclusion based on this work:

- we consider that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate;
- we have not identified, and concur with the Directors' assessment that there is not, a material uncertainty related to events or conditions that, individually or collectively, may cast significant doubt on the Company's ability to continue as a going concern for the going concern period;
- we have nothing material to add or draw attention to in relation to the Directors' statement in note 2.2 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 the going concern period, and we found the going concern disclosure in note 2.2 to be acceptable.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the above conclusions are not a guarantee that the Company will continue in operation.

5. Fraud and breaches of laws and regulations – ability to detect

Identifying and responding to risks of material misstatement due to fraud

To identify risks of material misstatement due to fraud ("fraud risks") we assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud. Our risk assessment procedures included:

- Enquiring of the Directors and Administrator as to the Company's high-level policies and procedures to prevent and detect fraud, as well as whether they have knowledge of any actual, suspected or alleged fraud;
- Assessing the segregation of duties in place between the Directors, the Administrator and the Company's Investment Manager; and
- Reading Board minutes, Audit Committee minutes and quarterly Compliance reports prepared by the Administrator.

We communicated identified fraud risks throughout the audit team and remained alert to any indications of fraud throughout the audit.

As required by auditing standards, we perform procedures to address the risk of management override of controls, in particular to the risk that management may be in a position to make inappropriate accounting entries. We evaluated the design and implementation of the controls over journal entries and other adjustments and made inquiries of the Administrator about inappropriate or unusual activity relating to the processing of journal entries and other adjustments.

We substantively tested all material post-closing entries by comparing the identified entries to supporting documentation and, based on the results of our risk assessment procedures and understanding of the process, including the segregation of duties between the Directors and the Administrator, no further high-risk journal entries or other adjustments were identified.

On this audit we have rebutted the fraud risk related to revenue recognition because the revenue is non-judgemental and straightforward, with limited opportunity for manipulation. We did not identify any significant unusual transactions or additional fraud risks.

Identifying and responding to risks of material misstatement due to non-compliance with laws and regulations

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience and through discussion with the Directors and the Administrator (as required by auditing standards) and discussed with the Directors the policies and procedures regarding compliance with laws and regulations.

As the Company is regulated, our assessment of risks involved gaining an understanding of the control environment including the entity's procedures for complying with regulatory requirements.

The potential effect of these laws and regulations on the financial statements varies considerably.

Firstly, the Company is subject to laws and regulations that directly affect the financial statements including financial reporting legislation (including related companies legislation) as set out by Companies (Jersey) Law 1991, and the Listing Rules, and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

Secondly, the Company is subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation. We identified the following areas as those most likely to have such an effect: anti-bribery, data protection, anti-money laundering, market abuse regulations and certain aspects of company legislation recognising the financial and regulated nature of the Company's activities and its legal form.

Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the Directors and the Administrator and inspection of regulatory and legal correspondence, if any. Therefore if a breach of operational regulations is not disclosed to us or evident from relevant correspondence, an audit will not detect that breach.

5. Fraud and breaches of laws and regulations – ability to detect continued

Context of the ability of the audit to detect fraud or breaches of law or regulation

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it.

In addition, as with any audit, there remained a higher risk of non-detection of fraud, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Our audit procedures are designed to detect material misstatement. We are not responsible for preventing non-compliance or fraud and cannot be expected to detect non-compliance with all laws and regulations.

6. 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 and emerging risks and longer-term viability

We are required to perform procedures to identify whether there is a material inconsistency between the Directors' disclosures in respect of emerging and principal risks and the viability statement, and the financial statements and our audit knowledge.

Based on those procedures, we have nothing material to add or draw attention to in relation to:

- the Directors' confirmation within the Viability Statement on page 60 that they have carried out a robust assessment of the emerging and principal risks facing the Company, including those that would threaten its business model, future performance, solvency and liquidity;
- the Principal and Emerging Risks disclosures describing these risks and how emerging risks are identified, and explaining how they are being managed and mitigated; and
- the Directors' explanation in the 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.

Our work is limited to assessing these matters in the context of only the knowledge acquired during our financial statements audit. As we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of anything to report on these statements is not a guarantee as to the Company's longer-term viability.

Corporate governance disclosures

We are required to perform procedures to identify whether there is a material inconsistency between the Directors' corporate governance disclosures and the financial statements and our audit knowledge.

Based on those procedures, we have concluded that each of the following is materially consistent with the financial statements and our audit knowledge:

- the Directors' statement that they consider that the annual report and financial statements taken as a whole is fair, balanced and understandable, and provides the information necessary for shareholders to assess the Company's position and performance, business model and strategy;
- the section of the annual report describing the work of the Audit Committee, including the significant issues that the audit committee considered in relation to the financial statements, and how these issues were addressed; and
- the section of the annual report that describes the review of the effectiveness of the Company's risk management and internal control systems.

We are required to review the part of the Corporate Governance Statement relating to the Company's compliance with the provisions of the UK Corporate Governance Code specified by the Listing Rules for our review. We have nothing to report in this respect.

7. 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.

8. Respective responsibilities

Directors' responsibilities

As explained more fully in their statement set out on page 94, the Directors are responsible for: the preparation of financial statements that 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 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) will always detect a material misstatement when it exists. Misstatements can arise from fraud 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 our responsibilities is provided on the FRC's website at:

www.frc.org.uk/auditorsresponsibilities.

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 and the terms of our engagement by the Company. 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 the further matters we are required to state to them in accordance with the terms agreed with the Company, 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.

Fang Fang Zhou
for and on behalf of KPMG LLP

Chartered Accountants and
Recognised Auditor
15 Canada Square
Canary Wharf
London
E1 5GL

8 March 2022

STATEMENT OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2021

	Notes	31 December 2021 £'000	31 December 2020 £'000
Revenue			
Interest income	4	**38,066**	39,630
Gains/(loss) on investments held at fair value through profit or loss	14	**86,816**	(39,900)
		124,882	(270)
Expenditure			
Administration fees	6	**(199)**	(189)
Directors' fees	7	**(260)**	(230)
Management fees	5	**(5,854)**	(5,796)
Other expenses	8	**(677)**	(712)
Total expenditure		**(6,990)**	(6,927)
Profit/(loss) before tax for the year		**117,892**	(7,197)
Taxation	2.7	**—**	—
Profit/(loss) for the year		**117,892**	(7,197)
Other comprehensive income		**—**	—
Profit/(loss) and other comprehensive profit/(loss) for the year		**117,892**	(7,197)
Earnings/(loss) per Ordinary Share (pence per share)	9	**19.37**	(1.19)

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

The accompanying notes on pages 106 to 136 form an integral part of these Financial Statements.

STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2021

	Notes	31 December 2021 £'000	31 December 2020 £'000
Assets			
Non-current assets			
Investments held at fair value through profit or loss	14	**589,102**	502,286
Total non-current assets		**589,102**	502,286
Current assets			
Interest receivable	10	**60,103**	63,137
Trade and other receivables	11	**275**	275
Cash and cash equivalents	12	**10,964**	16,875
Total current assets		**71,342**	80,287
Total assets		**660,444**	582,573
Equity			
Retained earnings		**30,108**	(45,491)
Stated capital and share premium	17	**629,892**	627,649
Total equity		**660,000**	582,158
Liabilities			
Current liabilities			
Trade and other payables	13	**444**	415
Total current liabilities		**444**	415
Total liabilities		**444**	415
Total equity and liabilities		**660,444**	582,573
Net Asset Value per Ordinary Share	18	**108.2**	95.8

The Financial Statements on pages 102 to 136 were approved by the Board of Directors and signed on its behalf on 8 March 2022 by:

Alex Ohlsson

Alexander Ohlsson

Chairman

The accompanying notes on pages 106 to 136 form an integral part of these Financial Statements.

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2021

	Notes	Stated capital and share premium £'000	Retained earnings £'000	Total £'000
Balance as at 1 January 2021		**627,649**	**(45,491)**	**582,158**
Total comprehensive profit for the year:				
Profit for the year		**—**	**117,892**	**117,892**
Transactions with owners, recognised directly in equity:				
Dividends paid in the year	21	**—**	**(40,050)**	**(40,050)**
Issue of scrip dividends	17	**2,243**	**(2,243)**	**—**
Balance as at 31 December 2021		**629,892**	**30,108**	**660,000**

FOR THE YEAR ENDED 31 DECEMBER 2020

	Notes	Stated capital and share premium £'000	Retained earnings £'000	Total £'000
Balance as at 1 January 2020		624,922	3,102	628,024
Total comprehensive loss for the year:				
Loss for the year		—	(7,197)	(7,197)
Transactions with owners, recognised directly in equity:				
Dividends paid in the year	21	—	(38,669)	(38,669)
Issue of scrip dividends	17	2,727	(2,727)	—
Balance as at 31 December 2020		627,649	(45,491)	582,158

The accompanying notes on pages 106 to 136 form an integral part of these Financial Statements.

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2021

	Notes	31 December 2021 £'000	31 December 2020 £'000
Gain/(loss) for the year after tax		**117,892**	(7,197)
Adjustments for:			
Unrealised (gains)/loss on investments	14	**(86,816)**	39,900
Operating cash flows before changes in working capital		**31,076**	32,703
Decrease in interest receivables	10	**3,034**	5,416
Increase in trade and other receivables	11	**—**	(20)
Increase/(decrease) in trade and other payables	13	**29**	(1,488)
Net cash inflow from operating activities		**34,139**	36,611
Financing activities			
Dividends paid	21	**(40,050)**	(38,669)
Net cash outflow from financing activities		**(40,050)**	(38,669)
Net decrease in cash and cash equivalents		**(5,911)**	(2,058)
Cash and cash equivalents at the beginning of the year		**16,875**	18,933
Cash and cash equivalents at the end of the year	12	**10,964**	16,875

The accompanying notes on pages 106 to 136 form an integral part of these Financial Statements.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

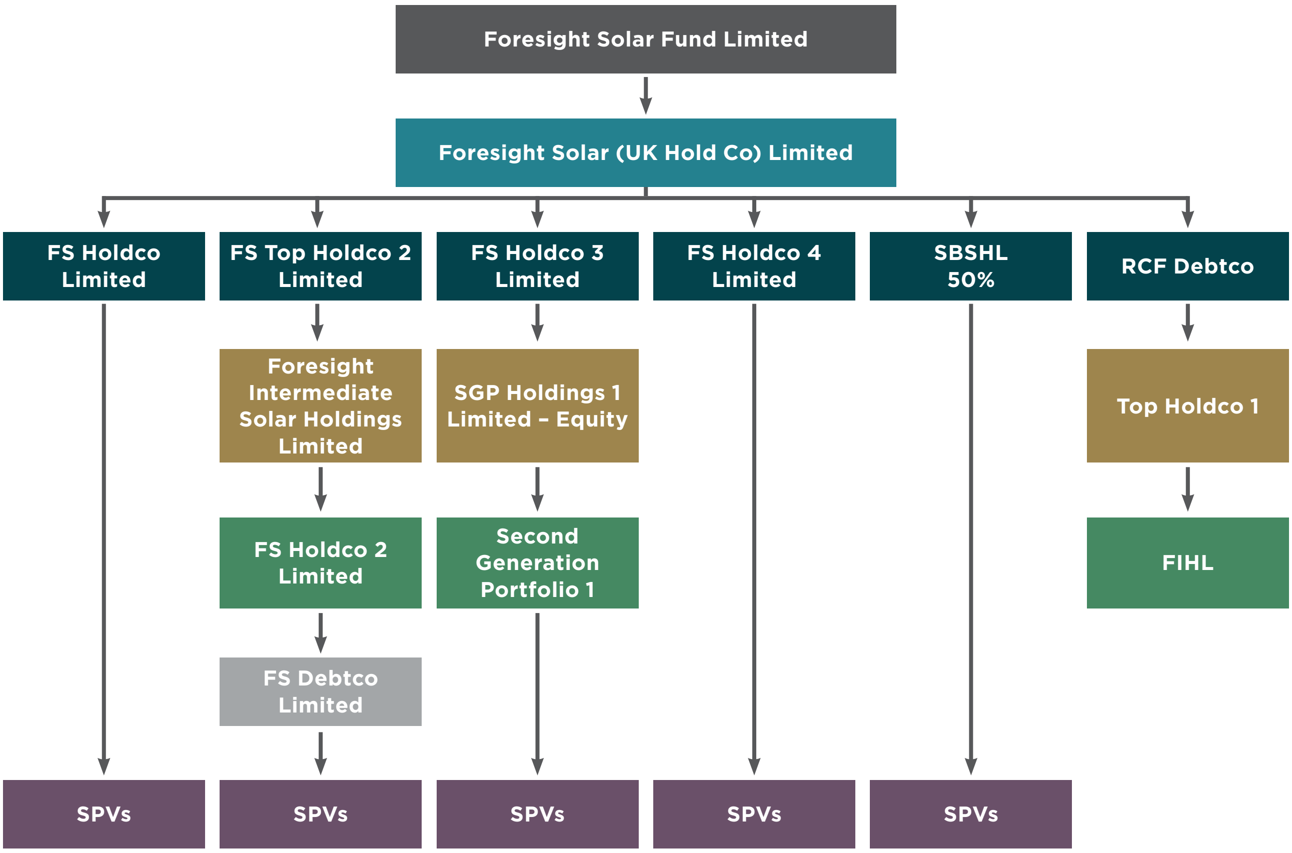
1. Company information

Foresight Solar Fund Limited (the "Company") is a closed-ended public 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 9 November 2021 UK Hold Co had investments in four subsidiaries: FS Holdco Limited ("FS Holdco"), FS Holdco 3 Limited ("FS Holdco 3"), FS Holdco 4 Limited ("FS Holdco 4") and FS Top Holdco 2 Limited ("Topco"). FS Holdco 3 in turn has an investment in a subsidiary, SGP Holdings 1 Limited ("SGP Holdings 1") which in turn holds has an investment in Second Generation Portfolio 1 ("SGP 1"). Topco in turn has an investment in a subsidiary, Foresight Intermediate Solar Holdings Limited ("FISH"); FISH in turn has an investment in a subsidiary, FS Holdco 2 Limited ("FS Holdco 2") and FS Holdco 2 in turn has an investment in a subsidiary, FS Debtco Limited ("FS Debtco"). FS Holdco, FS Debtco, SGP 1 and FS Holdco 4 invest in further holding companies (the "SPVs") which then invest in the underlying solar investments.

On 9 November 2021 a new subsidiary of UK Hold Co was incorporated, FS RCF Debtco Limited ("RCF Debtco"). RCF Debtco has one subsidiary, incorporated on 10 November 2021, FS Top Holdco 1 Limited ("Top Holdco 1"). Top Holdco 1 also has one subsidiary, incorporated on 10 November 2021, FS Intermediate Holdco Limited ("FIHL"). These entities were incorporated as part of the refinance and restructuring of the Group that will occur in early 2022. More disclosure in regards to the refinance and restructure is provided in note 25.



The principal activity of the Company, UK Hold Co, FS Holdco, Topco, FISH, FS Holdco 2, FS Debtco, FS Holdco 3, SGP Holdings 1, SGP 1 and FS Holdco 4 (together "the Group") is investing in UK, Spanish and Australian ground-based solar power plants.

In 2021 the Company announced the acquisition of a 50% equity stake in Sandridge Battery Storage Holding Limited ("SBSHL") the shareholder of Sandridge Battery Storage Limited ("SBSL") through UK Hold Co. SBSL holds the development rights to construct the Sandridge battery storage project, a 50MW lithium-ion battery energy storage system based in Melksham, UK, adjacent to the Sandridge solar park which is already owned by the Company.

2. Summary of significant accounting policies

2.1 Basis of presentation

The Financial Statements for the year ended 31 December 2021 (the "Financial Statements") have been prepared in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board ("IASB"). The Financial Statements have been prepared on the historical cost convention as modified for the measurement of certain financial instruments at fair value through profit or loss and in accordance with the provisions of the Companies (Jersey) Law 1991. The investment in UK Hold Co is held at net asset value on the Statement of Financial Position in line with the International Private Equity and Venture Capital 2018 ("IPEVC") Valuation Guidelines.

2.2 Going concern

The early part of 2021 witnessed economic recovery and market stabilisation following the impact of COVID-19. As lockdown restrictions eased domestically and internationally, industrial and commercial activity slowly increased throughout the year, increasing the demand for electricity. Towards the end of the year, power prices, already at pre-COVID-19 levels, began to surge, resulting in record high prices across the UK and Europe.

The increase in power prices was largely attributable to the increased demand following commercial activity increasing, the tightening of supply of natural gas with low reserves and increased demand as well as a low wind-yielding year across Northern Europe.

The Directors acknowledge the surge in power prices has positively impacted the Financial Statements as at 31 December 2021 and therefore has had no impact on the Company's ability to continue as a going concern. The increased power prices have increased the cash generation through the period, allowed the Company to enter into fixed price contracts for near-term future seasons as well as strengthening the valuations of the underlying portfolios with the third-party long-term power curves.

In making their assessment of the Company continuing as a going concern, the Directors refer to cash flow forecasts prepared by the Investment Manager for the period to 30 June 2023 (the "going concern assessment period"), which include scenarios considered to be beyond what is plausible, outlined below. Due to the nature of the fixed price subsidised revenues and the long-term debt in place across the portfolio, the Directors believe it is appropriate to extend the review period to 15 months.

In making this assessment the Investment Manager has considered the largely predictable revenue streams generated by the underlying portfolio companies' sale of electricity, a large proportion of which is fixed through PPAs as well as Government-backed subsidies.

The Investment Manager still continues to monitor developments relating to COVID-19 as the UK and the rest of the world learn to live in the aftermath of a pandemic. The Investment Manager also continues to monitor, review and benchmark the Fund in light of the seemingly volatile electricity market, implementing a hedging strategy on prices where it deems this valuable.

The financial position of the Company, the financial performance, its cash flows, liquidity position and borrowing facilities are referred to in the Chairman's Statement, Investment Manager's Report and Notes to the Financial Statements. In addition, the Financial Statements include the Company's objectives, policies and procedures for managing its capital; its financial risk management objectives; and its exposures to credit risk and liquidity risk.

The subsidiaries of the Company, FS Holdco Limited, FS Debtco Limited and RCF Debtco Limited, are required to complete quarterly debt compliance reporting. The covenants that FS Holdco and FS Debtco are required to report on are the six-month look-back debt service cover ratio and the six-months look-forward debt service cover ratio.

The debt service cover ratio ("DSCR") is a measure of how each portfolio can use its generated cash to repay its debt obligations in any given six-month calculation period. It is calculated as the cash generated from operations and available to pay debt service divided by the debt principal and interest in any given six-month period.

2. Summary of significant accounting policies continued

2.2 Going concern continued

RCF Debtco is required to report in the interest cover ratio ("ICR"). ICR is a measure of how the cash generated can be used to repay the RCF interest generated in a six-month calculation period. It is calculated as the cash generated by the borrower divided by the RCF interest accrued in a six-month calculation period.

The Directors are happy to confirm that there were no instances of non-compliance throughout the year or subsequently and there remains sufficient headroom under the covenants described above.

An evaluation of the going concern was prepared by the Company's Investment Manager, then approved by the Audit and Risk Committee and the Board of Directors. This evaluation included cash flow workings from 1 January 2022 until 30 June 2023 and therefore demonstrates the Company can continue operations for the going concern assessment period.

Cash flow analysis was completed to consider the following negative scenarios. These scenarios were completed individually as well as combined. In each of the scenarios, the forecasts display a significant level of headroom above minimum cash and debt covenant requirements throughout the going concern assessment period.

1. All investments consistently generate a P90 level of electricity output. The Directors deem this is an appropriate, market standard stress test with a relevant example being the UK onshore wind market experiencing a very low-yielding year in 2021
2. Power prices were reduced by 50% across the portfolio. This downside scenario represents the volatility of power prices seen during 2021, with captured power prices exceeding 150% of forecasted prices within the portfolio
3. Removal of one-third of the ROC revenue. As Ofgem reserve the right to pause the issuing ROCs following the failure of an audit, the Board believes this scenario, although highly unlikely, is relevant to the portfolio

If any of these scenarios were to materialise, the Company could still meet its target dividend paid per share for the going concern assessment period. However, the Directors would continue to review on a periodic basis whether the dividend paid per share is appropriate considering the reduced cash flow. The cash flow forecasts show that operating costs would still be covered, but the cash balance would reduce gradually during the going concern assessment period, without causing any issues with operational ability.

In addition to the three negative scenarios, the Directors also reviewed severe scenarios beyond plausibility to test the Company's exposure to its biggest PPA offtaker and to its largest three generating assets.

Consequently, the Directors are confident that the Company will have sufficient funds to continue to meet its liabilities as they fall due for the going concern assessment period and have therefore prepared the Financial Statements on a going concern basis.

The Financial Statements do not include any adjustments that would result from the basis of preparation being inappropriate.

2.3 Changes in accounting policies and disclosures

New and revised IFRS adopted by the Company

The accounting policies adopted are consistent with those of the previous financial year. Management have assessed all new standards and amendments to standards and interpretations that are effective for annual periods after 1 January 2021 and considered none to be applicable to the Company.

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

- **IAS 1 (amended)** – Amendments regarding classifications of liabilities, and disclosure of accounting policies – effective from 1 January 2023
- **IAS 8 (amended)** – Amendments regarding the definition of accounting estimates – effective from 1 January 2023

There are no standards, amendments or interpretations in issue at the reporting date which are effective after 1 January 2021 that are deemed to be material to the Company.

2.4 Consolidation

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.

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).

Investment entity exemption

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, joint ventures and associates at fair value through profit or loss.

Under the definition of an investment entity, the entity should satisfy all three of the following tests:

- Obtains funds from one or more investors for the purpose of providing those investors with investment management services
- Commits to its investors that its business purpose is to invest funds solely for returns from capital appreciation, investment income, or both (including having an exit strategy for investments)
- Measures and evaluates the performance of substantially all of its investments on a fair value basis

In assessing whether the Company meets the definition of an investment entity set out in IFRS 10 the Directors note that:

- The Company is an investment company that invests funds obtained from multiple investors in a diversified portfolio of solar energy infrastructure assets and related infrastructure assets and has appointed the Investment Manager to manage the Company's investments
- The Company's purpose is to invest funds for investment income and potential capital appreciation and will exit its investments at the end of their economic lives or when their planning permissions or leasehold land interests expire (unless it has repowered their sites) and may also exit investments earlier for reasons of portfolio balance or profit
- The Board evaluates the performance of the Company's investments on a fair value basis as part of the quarterly management accounts review and the Company values its investments on a fair value basis twice a year for inclusion in its annual and interim Financial Statements with the movement in the valuations taken to the Income Statement and, therefore, is measured within its earnings

Taking these factors into account, the Directors are of the opinion that the Company has all the typical characteristics of an investment entity and meets the definition set out in IFRS 10.

The Directors believe the treatment outlined above provides the most relevant information to investors.

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. The Directors have evaluated whether the subsidiaries are investment entities and have concluded that they meet the definition set out in IFRS 10. Should subsidiaries fail to meet the definition of an investment entity the Company would have to consolidate its subsidiaries.

2.5 Income

Income comprises interest income (loan interest) and income in the form of realised and/or unrealised gains on investments held at fair value through profit or loss. 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. Unrealised gains arising from changes in the fair value of the investments held at fair value through profit or loss are recognised in the period in which they arise.

2.6 Expenses

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

The Company's operating expenses are charged through the Statement of Profit and Loss and Other 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 Company's share capital and share premium 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. No tax has been charged in the current year (2020: £nil).

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.

2.8 Functional and presentational currency

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

2. Summary of significant accounting policies continued

2.9 Financial instruments

Recognition and initial measurement

Financial assets and financial liabilities are initially recognised when the Company becomes a party to the contractual provisions of the instrument.

A financial asset or financial liability is initially measured at fair value plus, for an item not at fair value through profit or loss, transactions costs that are directly attributable to its acquisition or issue.

Classification and subsequent measurement

Investments held at fair value through profit or loss

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

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 which are in turn determined by the fair value of its underlying assets. The subsidiaries of UK Hold Co are disclosed in note 1 under the Company information. FS Holdco and FS Debtco are fair valued using their Net Asset Value as reported at year end, with adjustments to the 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 3, FS Holdco 4, Topco, FISH and FS Holdco 2 are fair valued using their Net Asset Value as reported at year end.

The four new subsidiaries acquired by the Group during the year, SBSHL, RCF Debtco, Top Holdco 1 and FIHL, are held at cost which is deemed the fair value as there are no activities in these entities.

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.

In accordance with IFRS 13 the Investment Manager's assessment of fair value of investments is determined in accordance with the International Private Equity and Venture Capital 2018 ("IPEVC") Valuation Guidelines, using a discounted cash flow valuation methodology. The Board and the Investment Manager consider that the discounted cash flow valuation methodology used in deriving a fair value of the underlying assets is in accordance with the fair value requirements of IFRS 9. Investments not yet operational are measured at cost less any impairment as this is considered the best approximation of fair value. Gains or losses arising from changes in the fair value of the "investments held at fair value through profit or loss" are presented in the Statement of Profit and Loss and Other Comprehensive Income within "gains/(losses) on investments held at fair value through profit or loss" in the period in which they arise.

The financial instruments at amortised cost are non-derivative financial assets and liabilities 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.

Other financial instruments at amortised cost

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 on 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 (in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

All of the above are subsequently held at amortised cost.

Derecognition

The Company derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire. The Company also derecognises a financial asset when it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred.

Lastly, the Company also derecognises the financial asset when it neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The Company derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire. The Company also derecognises a financial liability when its terms are modified and the cash flows or the modified liability are subsequently different, in which case a new financial liability based on the modified terms is recognised at fair value. Any gain or loss on derecognition is recognised in profit or loss.

Impairment of financial assets

The Company applies the simplified approach to measuring expected credit losses, as permitted by IFRS 9, which uses a lifetime expected loss allowance for all trade receivables and interest receivable.

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 through equity in the Company's Financial Statements in the period in which the dividends are approved by the Company's Shareholders.

Under Jersey law, the Company can pay dividends in excess of its retained earnings provided it satisfies the solvency test prescribed under the Companies Law (Jersey) 1991. The solvency test considers whether the Company is able to pay its debts when they fall due, and whether the value of the Company's assets is greater than its liabilities. The Company satisfied the solvency test in respect of all dividends declared or paid in the year.

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 that may have a significant effect on the Financial Statements are in relation to the valuation of investments held at fair value through profit and loss, the most significant judgement is related to the determination that the Company meets the definition of an investment entity.

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 judgements 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.

Key judgements

The Board considers that the determination that the Company meets the definition of an investment entity involves significant judgement.

The Board has concluded that the Company continues to meet the definition of an investment entity, as its strategic objective of investing in portfolio investments and providing investment management services to investors for the purpose of generating returns in the form of investment income and capital appreciation remains unchanged.

Key source of estimation uncertainty: Investments at fair value through profit or loss

The Company recognises its investment in UK Hold Co at fair value, which requires the determination of fair value of the underlying investments. The Board considers that determining the fair value of the underlying investments not quoted in an active market involves critical accounting estimates. The discount rate, power price curve, inflation and useful economical life of assets are considered the most significant unobservable inputs through which an increase or decrease would have a material impact on the fair value of the investments at fair value through profit or loss.

The discount rates are subjective and therefore it's feasible that a reasonable alternative assumption may be used resulting in a different value. The discount rates applied to the cash flow are reviewed by the Investment Manager and approved by the Board on annual basis, taking into consideration market transactions with similar nature.

Independent advisors are used to provide evidenced forward power price curves and therefore it's feasible that a reasonable alternative assumption may be used resulting in a different value. The power price curves are reviewed by the Investment Manager an approved by the Board on a quarterly basis.

Inflation forecasts such as that of the Office for Budget Responsibility ("OBR") are used alongside in-house views of the Investment Manager to determine this assumption, therefore it is feasible that a reasonable alternative assumption may be used resulting in a different value. The inflation assumptions are reviewed by the Investment Manager and approved by the Board on a quarterly basis.

Useful economic life ("UEL") of assets are based on the Investment Manager's estimates of the period over which the assets will generate revenue which are periodically reviewed for continued appropriateness. The UEL of the assets are based on the underlying lease contract of the individual assets. The expected weighted average life of the UK portfolio as at 31 December 2021 is 30.6 years from the date of commissioning. The UEL of the Australian portfolio is 40 years. The Investment Manager fully expects to be able to renew any lease of the underlying investments.

These key assumptions used in determining the fair value of underlying investment and the associated sensitivities are disclosed in note 16 fair values of investments in unconsolidated entities.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 31 DECEMBER 2021

4. Interest income

	31 December 2021 £'000	31 December 2020 £'000
Interest on loan notes	**31,895**	33,442
Interest on Shareholder loans	**6,171**	6,188
	38,066	39,630

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 the 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 (2020: £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 accrues at 2% per annum and is repayable in full on demand. The Shareholder loan balance at period end is £304,316,450 (2020: £304,316,450). These loans form part of the fair value of the investments as per note 14.

5. Management fees

The Investment Manager of the Fund is Foresight Group LLP (the "Investment Manager").

The Investment Manager of the Company receives an annual fee of 1% of the Net Asset Value ("NAV") of the Company up to £500 million – NAV in excess to this is charged at 0.9% per annum. This is payable quarterly in arrears and is calculated based on the published quarterly NAV. For the year ended 31 December 2021, the Investment Manager was entitled to a management fee of £5,854,281 (2020: £5,795,475) of which £nil was outstanding as at 31 December 2021 (2020: £34,410).

6. Administration 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 2021, total administration and accountancy fees were £198,822 (2020: £188,925) of which £91,000 was outstanding as at 31 December 2021 (2020: £91,100).

7. Staff costs and Directors' fees

No members of staff were employed during the year (2020: nil).

Total Directors' fees were £260,000 (2020: £229,552). The fees for 2021 include a full year with five Directors.

8. Other expenses

	31 December 2021 £'000	31 December 2020 £'000
Legal and professional fees	**432**	482
General expenses	**245**	230
	677	712

Included within legal and professional fees is £129,216 (2020: £40,541) relating to the audit of these Financial Statements. The total audit fee paid to KPMG LLP in relation to the audit of the Group is £229,000 for the year ended 31 December 2021 (2020: £200,000). There were no other fees paid to the Auditor for non-audit services during the year (2020: £nil).

9. Earnings/(loss) per Ordinary Share – basic and diluted

The basic earnings per Ordinary Share for the Company is 19.37 pence per share (2020: basic loss of 1.19 pence per share). This is based on the profit for the year of £117,891,220 (2020: £7,196,980 loss) and on 608,759,067 (2020: 606,924,133) Ordinary Shares, being the weighted average number of shares in issue during the year.

There is no difference between the weighted average ordinary or diluted number of shares.

10. Interest receivable

	31 December 2021 £'000	31 December 2020 £'000
Interest receivable on loan notes	**30,131**	39,176
Interest receivable on Shareholder loans	**29,972**	23,961
	60,103	63,137

Information about the Company's exposure to credit and market risk and impairment losses for interest receivable is included in note 19.

11. Trade and other receivables

	31 December 2021 £'000	31 December 2020 £'000
Prepaid expenses	**25**	25
Other receivables	**250**	250
	275	275

Information about the Company's exposure to credit and market risk and impairment losses for trade and other receivables is included in note 19.

12. Cash and cash equivalents

	31 December 2021 £'000	31 December 2020 £'000
Cash at bank	**10,964**	16,875
	10,964	16,875

Information about the Company's exposure to credit and market risk and impairment losses for cash and cash equivalents is included in note 19.

13. Trade and other payables

	31 December 2021 £'000	31 December 2020 £'000
Accrued expenses	**257**	228
Amounts due to subsidiaries[1]	**187**	187
	444	415

1. Amounts due to subsidiaries are unsecured, interest free and repayable on demand.

14. Investments held at fair value through profit or loss

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

		31 December 2021 £'000	31 December 2020 £'000
Investment in UK Hold Co	– Equity	—	—
	– Loans	589,102	502,286
		589,102	502,286
Book cost as at 1 January		554,315	554,315
Opening investment holding loss		(52,029)	(12,129)
Valuation as at 1 January		502,286	542,186
Movements during the year			
Purchase at cost (loans drawn down)		—	—
Unrealised holding gains/(losses)		86,816	(39,900)
Valuation as at 31 December		589,102	502,286
Book cost as at 31 December		554,315	554,315
Closing investment holding gains/(losses)		34,787	(52,029)
		589,102	502,286

The Company has one investment in Foresight Solar (UK Hold Co) Limited ("UK Hold Co"). This investment consists of both debt and equity (share capital of £100) and is not quoted in an active market. Accordingly, the investment in UK Hold Co has been valued using its net assets.

The fair value of UK Hold Co is made up of the fair value of its net assets, which are in turn determined by the fair value of its underlying assets. The subsidiaries of UK Hold Co are disclosed in note 1 under the Company information.

These investments also consist of both debt and equity and are not quoted in an active market. FS Holdco and FS Debtco are fair valued using their Net Asset Value as reported at year end, with adjustments to their long-term external debt to reflect the fact that the carrying value at amortised cost is not considered to be the best approximation of their fair value. FS Holdco 3, SGP Holdings 1, FS Holdco 4, FISH, FS Holdco 2 and Topco are fair valued using their Net Asset Value as reported at year end.

In turn, FS Holdco, FS Debtco, FS Holdco 3, SGP 1 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) for solar projects that are operational.

After considering individual facts and circumstances, the Price of the Recent Investment acquired by the Group during the year, SBSHL, RCF Debtco, Top Holdco 1 and FIHL approximates its fair value.

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:

(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

(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, categorised between those whose fair value is based on:

As at 31 December 2021:

	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Investments held at fair value through profit or loss	—	—	589,102	589,102
	—	—	589,102	589,102

As at 31 December 2020:

	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Investments held at fair value through profit or loss	—	—	502,286	502,286
	—	—	502,286	502,286

Sensitivity analysis

Due to the nature of the Group structure and the underlying valuation basis of UK Hold Co, FS Holdco, Topco, FISH, 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, FS Holdco 3 and FS Holdco 4, which are discussed further in note 16.

15. Subsidiaries and associates

Investments in subsidiaries

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 Top Holdco 2 Limited ("Topco")	Indirect	UK	Holding Company	100%
Foresight Intermediate Solar Holdings Limited ("FISH")	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%
Sandridge Battery Storage Holding Limited ("SBSHL")	Indirect	UK	Holding Company	50%
FS RCF DebtCo Limited ("RCF Debtco")	Indirect	UK	Holding Company	100%
FS Top Holdco 1 Limited ("Top Holdco 1")	Indirect	UK	Holding Company	100%
FS Intermediate Holdco Limited ("FIHL")	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%
Southam Holdco Limited	Indirect	UK	SPV Holding Company	100%
Atherstone Holdco Limited	Indirect	UK	SPV Holding Company	100%
Paddock Wood Holdco Limited	Indirect	UK	SPV Holding Company	100%
FS Shotwick Limited	Indirect	UK	SPV Holding Company	100%
FS Sandridge Limited	Indirect	UK	SPV Holding Company	100%
FS Wally Corner Limited	Indirect	UK	SPV Holding Company	100%
Acquisition Co 4 Limited	Indirect	UK	SPV Holding Company	100%
FS Welbeck Limited	Indirect	UK	SPV Holding Company	100%
FS Trehawke Limited	Indirect	UK	SPV Holding Company	100%
FS Homeland Limited	Indirect	UK	SPV Holding Company	100%

Name	Direct or indirect holding	Country of incorporation	Principal activity	Proportion of shares and voting rights held
FS Marsh Farm Limited	Indirect	UK	SPV Holding Company	100%
FS Steventon Limited	Indirect	UK	SPV Holding Company	100%
FS Fields Farm Limited	Indirect	UK	SPV Holding Company	100%
FS Gedling Limited	Indirect	UK	SPV Holding Company	100%
FS Sheepbridge Limited	Indirect	UK	SPV Holding Company	100%
FS Tengore Limited	Indirect	UK	SPV Holding Company	100%
FS Cuckoo Limited	Indirect	UK	SPV Holding Company	100%
FS Field House Limited	Indirect	UK	SPV Holding Company	100%
FS Upper Huntingford Limited	Indirect	UK	SPV Holding Company	100%
FS Abergelli Limited	Indirect	UK	SPV Holding Company	100%
FS Crow Trees Limited	Indirect	UK	SPV Holding Company	100%
FS Yarburgh Limited	Indirect	UK	SPV Holding Company	100%
FS Nowhere Solar Limited	Indirect	UK	SPV Holding Company	100%
FS Bilsthorpe Solar Limited	Indirect	UK	SPV Holding Company	100%
FS Bulls Head Solar Limited	Indirect	UK	SPV Holding Company	100%
FS Roskrow Solar Limited	Indirect	UK	SPV Holding Company	100%
FS Abbeyfields Solar Limited	Indirect	UK	SPV Holding Company	100%
FS Lindridge Solar Limited	Indirect	UK	SPV Holding Company	100%
FS Misson Solar Limited	Indirect	UK	SPV Holding Company	100%
FS Playters Solar Limited	Indirect	UK	SPV Holding Company	100%
FS PS Manor Farm Solar Limited	Indirect	UK	SPV Holding Company	100%
FS SV Ash Solar Park Limited	Indirect	UK	SPV Holding Company	100%
FS Pen Y Cae Solar Limited	Indirect	UK	SPV Holding Company	100%
Second Generation Portfolio Holdings 1	Indirect	UK	SPV Holding Company	100%
Second Generation Portfolio 1	Indirect	UK	SPV Holding Company	100%
FS Oakey 2 Pty Limited	Indirect	Australia	SPV Holding Company	100%
Foresight Solar Spain Holding S.L ("FSSH")	Indirect	Spain	SPV Holding Company	100%
Sandridge Battery Storage Limited ("SBSL")	Indirect	UK	SPV Holding Company	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%
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%

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 31 DECEMBER 2021

15. Subsidiaries and associates continued

Investments in subsidiaries continued

Name	Direct or indirect holding	Country of incorporation	Principal activity	Proportion of shares and voting rights held
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%
Wally Corner Limited ("Wally")	Indirect	UK	Investment	100%
Foresight Solar Australia Pty Limited	Indirect	Australia	Investment	100%
RE Oakey Pty Limited	Indirect	Australia	Investment	100%
Oakey Network Pty Limited	Indirect	Australia	Investment	100%
Longreach Asset Company Pty Limited	Indirect	Australia	Investment	100%
Second Generation Yardwall Limited ("Yardwall")	Indirect	UK	Investment	100%
Second Generation Verwood Limited ("Verwood")	Indirect	UK	Investment	100%
Second Generation Park Farm Limited ("Park Farm")	Indirect	UK	Investment	100%
Second Generation Coombeshead Limited ("Coombeshead")	Indirect	UK	Investment	100%
Second Generation Sawmills Limited ("Sawmills")	Indirect	UK	Investment	100%
Welbeck Limited ("Welbeck")	Indirect	UK	Investment	100%
Trehawke Limited ("Trehawke")	Indirect	UK	Investment	100%
Homeland Limited ("Homeland")	Indirect	UK	Investment	100%
Marsh Farm Limited ("Marsh Farm")	Indirect	UK	Investment	100%
Steventon Limited ("Steventon")	Indirect	UK	Investment	100%
Fields Farm Limited ("Fields Farm")	Indirect	UK	Investment	100%
Gedling Limited ("Gedling")	Indirect	UK	Investment	100%
Sheepbridge Limited ("Sheepbridge")	Indirect	UK	Investment	100%
Tengore Limited ("Tengore")	Indirect	UK	Investment	100%
Cuckoo Limited ("Cuckoo")	Indirect	UK	Investment	100%
Field House Limited ("Field House")	Indirect	UK	Investment	100%
Upper Huntingford Limited ("Upper Huntingford")	Indirect	UK	Investment	100%
Abergelli Limited ("Abergelli")	Indirect	UK	Investment	100%
Crow Trees Limited ("Crow Trees")	Indirect	UK	Investment	100%
Yarburgh Limited ("Yarburgh")	Indirect	UK	Investment	100%
Nowhere Solar Limited ("Nowhere Solar")	Indirect	UK	Investment	100%
Bilsthorpe Solar Limited ("Bilsthorpe Solar")	Indirect	UK	Investment	100%
Bulls Head Solar Limited ("Bulls Head Solar")	Indirect	UK	Investment	100%
Roskrow Solar Limited ("Roskrow Solar")	Indirect	UK	Investment	100%
Abbeyfields Solar Limited ("Abbeyfields Solar")	Indirect	UK	Investment	100%
Lindridge Solar Limited ("Lindridge Solar")	Indirect	UK	Investment	100%
Misson Solar Limited ("Misson Solar")	Indirect	UK	Investment	100%
Playters Solar Limited ("Playters Solar")	Indirect	UK	Investment	100%

Name	Direct or indirect holding	Country of incorporation	Principal activity	Proportion of shares and voting rights held
PS Manor Farm Solar Limited (“PS Manor Farm Solar”)	Indirect	UK	Investment	100%
SV Ash Solar Park Limited (“SV Ash Solar Park”)	Indirect	UK	Investment	100%
Pen Y Cae Solar Limited (“Pen Y Cae Solar”)	Indirect	UK	Investment	100%
Virgen del Carmen Solar S.L (“Virgen”)	Indirect	Spain	Investment	100%
Solar Energy Veintisiete S.L (“Lorca”)	Indirect	Spain	Investment	100%
Longreach New Holdco Pty Limited	Indirect	Australia	SPV Holding Company	100%
Oakey 1 New Holdco Pty Limited	Indirect	Australia	SPV Holding Company	100%

Investments in associates

Name	Direct or indirect holding	Country of incorporation	Principal activity	Proportion of shares and voting rights held
Kiamco Hanwha Foresight Bannerton Pty Limited	Indirect	Australia	SPV Holding Company	48.50%

16. 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 2018 (“IPEVC”) Valuation Guidelines, 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 assets in construction were valued at cost at 31 December 2021 and have therefore been omitted from the sensitivity analysis on the following pages.

16. Fair value of the investments in unconsolidated entities continued

Sensitivity analysis of significant changes in unobservable inputs within level hierarchy of underlying investments

The majority of the Company's underlying investments (indirectly held through its unconsolidated subsidiaries FS Holdco, FS Debtco, FS Holdco 3 and FS Holdco 4) 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 reviews, at least annually, the valuation inputs and, where possible, makes 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 Investment Manager has adjusted the sensitivities calculation methodology from an asset level cash flows only basis to a calculation based on asset level cash flow less holdco level debt cash outflows. This has resulted mainly in a reduction of the discount rate sensitivity disclosed below.

The base valuation of £630.0 million represents the levered discounted value of future cash flows of the underlying operational assets with assets under construction held at cost, less the long-term debt held at holding company level. The valuation of the Australian assets is net of debt.

The base valuation of £630.0 million is equal to the NAV of £660.0 million less items deemed not subject to the sensitivities applied.

	31 December 2021 £m
Base case for sensitivities	630.0
Items not subject to sensitivities:	
Cash in UK assets less reserved cash	7.2
Assets in construction valued at cost	79.8
Company and intermediate holding companies' cash	67.4
RCF outstanding	(123.4)
Other adjustments	2.2
Company and intermediate holding companies' net assets	(3.2)
Net Asset Value at 31 December	**660.0**

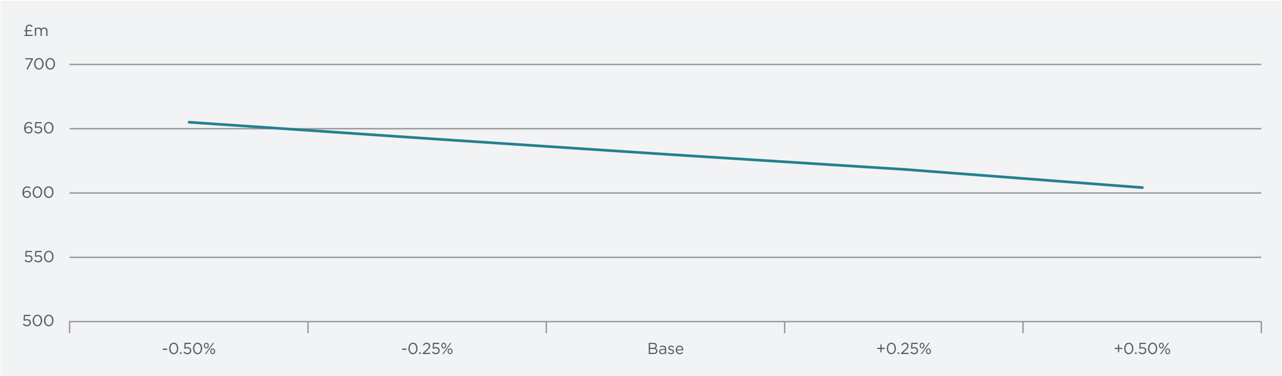
The Directors consider the following to be the four most significant inputs to the discounted cash flows ("DCF") calculation.

Discount rate

The weighted average discount rate used is 6.26% (2020: 6.74%). 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 factored into the analysis.

In terms of assessing the climate change risk, the discount rate is benchmarked against a similar asset base to ensure the underlying climate risk exposure is factored into the analysis.

	-0.50%	-0.25%	Base	+0.25%	+0.50%
Portfolio valuation (£m)	654.8	642.2	630.0	618.3	604.2
Change in portfolio valuation (£m)	24.8	12.2	—	-11.8	-25.8
NAV per share change (pence)	4.1	2.0	108.2	-1.9	-4.2



Power price

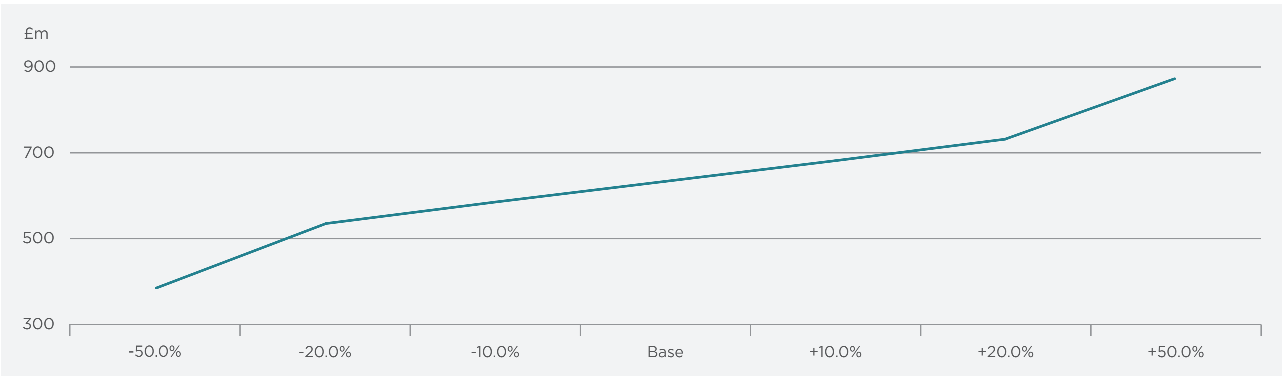
DCF models assume power prices that are consistent with the Power Purchase Agreements ("PPAs") currently in place. At the PPA end date, the model reverts to the power price forecast.

The power price forecasts are updated quarterly and based on power price forecasts from leading independent sources. The forecast assumes an average annual decrease in power prices in real terms of approximately 3.1%.

During the period, c.51% of the investment's operational revenues came from regulatory support mechanisms. The remaining c.49% of revenue is derived from electricity sales which are partially subject to power price movements. On a net present value basis, future electricity sales which are subject to price movements represent c.48% of total revenues.

Following the increased volatility in power prices experienced in 2021 an additional +/- 50% sensitivity has been included.

	-50.0%	-20.0%	-10.0%	Base	+10.0%	+20.0%	+50.0%
Portfolio valuation (£m)	380.4	531.3	581.7	630.0	678.3	728.6	870.2
Change in portfolio valuation (£m)	-249.6	-98.7	-48.3	—	48.3	98.6	240.1
NAV per share change (pence)	-40.9	-16.2	-7.9	108.2	7.9	16.2	39.4

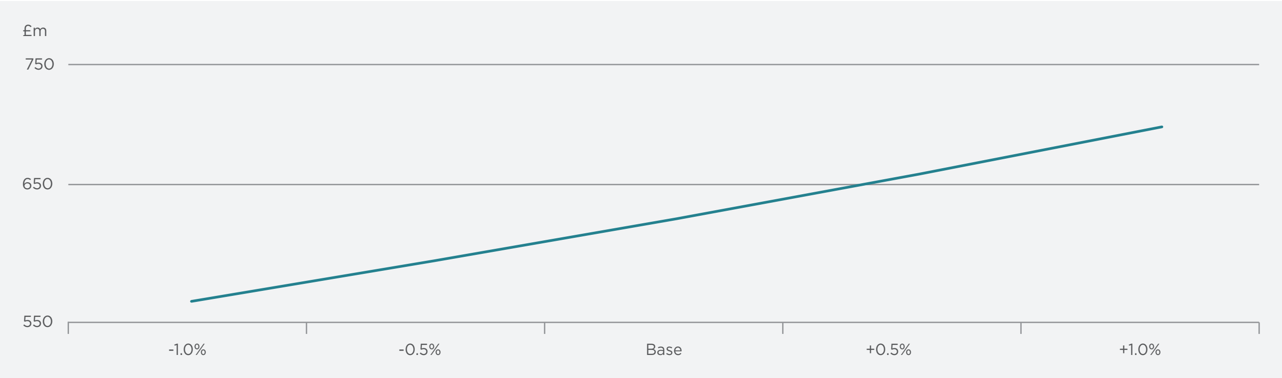


16. Fair value of the investments in unconsolidated entities continued

Inflation

A variable of 0.5% to 1.0% is considered reasonable given historic fluctuations. A long-term inflation rate of 3.00% (2020: 2.75%) has been used.

	-1.0%	-0.5%	Base	+0.5%	+1.0%
Portfolio valuation (£m)	565.8	597.3	630.0	664.7	701.4
Change in portfolio valuation (£m)	-64.2	-32.7	—	34.7	71.4
NAV per share change (pence)	-10.5	-5.4	108.2	5.7	11.7

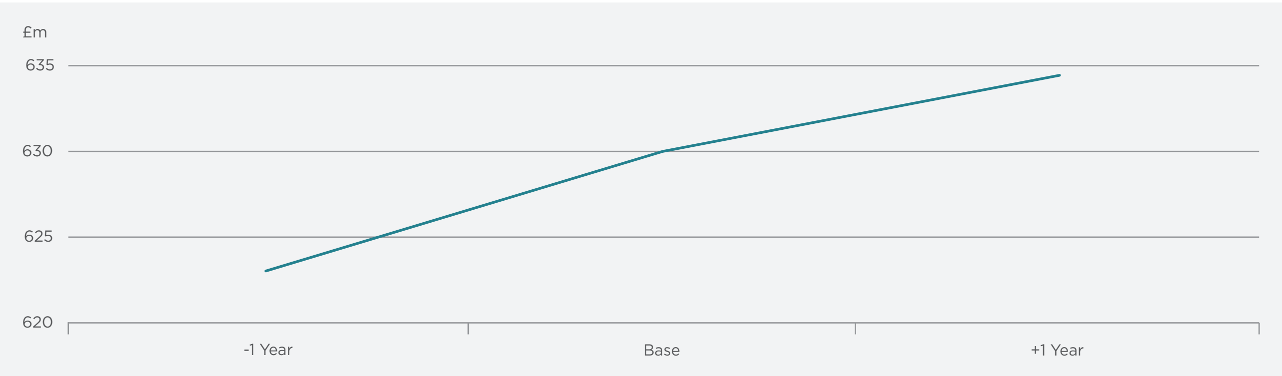


Useful economic lives ("UELs")

The valuation of the Company's investments is determined based on the discounted value of future cash flows of those investments over their UELs.

The UEL of individual assets is determined by reference to a fixed contractual lease term. However, the Board 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.

	-1 Year	Base	+1 Year
Portfolio valuation (£m)	623.4	630.0	634.2
Change in portfolio valuation (£m)	-6.7	—	4.1
NAV per share change (pence)	-1.1	108.2	0.7

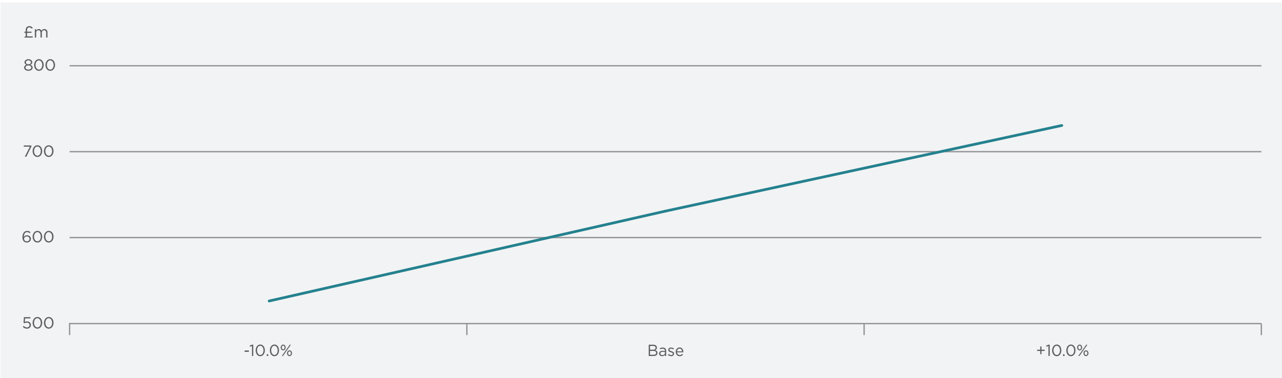


The Directors also consider the following to be important inputs to the discounted cash flows calculation.

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.

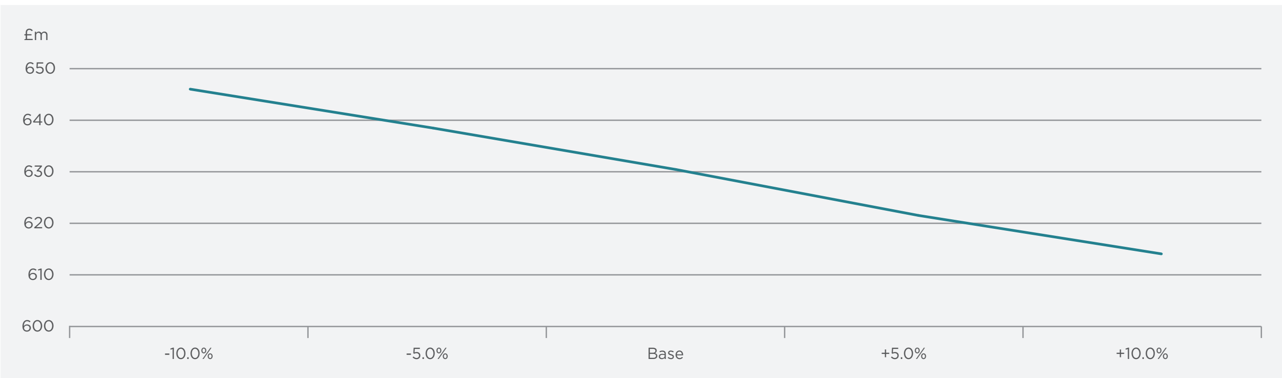
	-10.0%	Base	+10.0%
Portfolio valuation (£m)	524.3	630.0	730.7
Change in portfolio valuation (£m)	-105.7	—	100.7
NAV per share change (pence)	-17.3	108.2	16.5



Operating costs (investment level)

Operating costs include operating and maintenance ("O&M"), insurance and lease 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 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%
Portfolio valuation (£m)	645.9	638.2	630.0	620.9	613.3
Change in portfolio valuation (£m)	15.9	8.2	—	-9.1	-16.7
NAV per share change (pence)	2.6	1.3	108.2	-1.5	-2.7



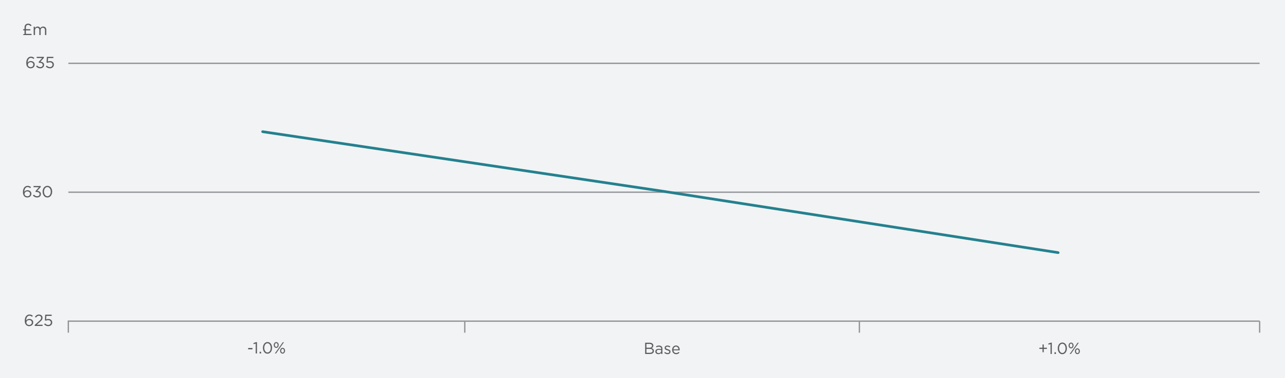
16. Fair value of the investments in unconsolidated entities continued

Tax rate

On 3 March 2021 the UK Chancellor, as part of his Budget, announced his intention to increase the rate of UK corporation tax from 19% to 25% from 2023.

The impact of this proposal is reflected in the 31 December 2021 valuation. On that basis, a variable of 1.0% is considered reasonable given historic information.

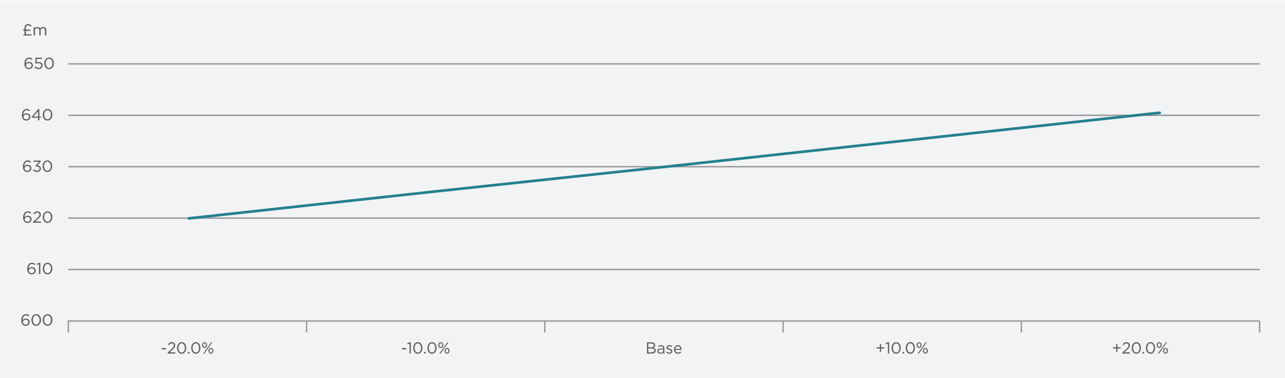
	-1.0%	Base	+1.0%
Directors' valuation (£m)	632.3	630.0	627.6
Change in portfolio valuation (£m)	2.3	—	-2.5
NAV per share change (pence)	0.4	108.2	-0.4



AUD/GBP exchange rate

The Fund is directly exposed to fluctuations in foreign currency due to its investments in Australian dollar denominated assets. Whilst the Group mitigates its exposure to fluctuations in AUD through the use of forward contracts, the valuations of these assets will be directly impacted. Whilst we would not expect to see fluctuations quite this large, a variable of 20% is considered appropriate. Following the acquisition of the Spanish assets, the Fund is exposed to fluctuations in EUR. A sensitivity has not been included for EUR/GBP exchange rates as the Spanish assets are currently held at cost.

	-20.0%	-10.0%	Base	+10.0%	+20.0%
Portfolio valuation (£m)	619.7	624.9	630.0	635.2	640.4
Change in portfolio valuation (£m)	-10.3	-5.2	—	-5.2	10.3
NAV per share change (pence)	-1.7	-0.8	108.2	0.8	1.7



17. Stated capital and share premium

The share capital and share premium 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). The holders of the Ordinary Shares are entitled to receive dividends from time to time.

Authorised Ordinary Shares

	31 December 2021 Shares	31 December 2020 Shares
Ordinary Shares – nil par value	**Unlimited**	Unlimited

Issued Ordinary Shares

	31 December 2021 Shares	31 December 2020 Shares
Opening balance	**607,711,311**	605,196,526
Issued during the year	**—**	—
Scrip dividends issued during the year	**2,247,409**	2,514,785
Closing balance	**609,958,720**	607,711,311

	31 December 2021 £'000	31 December 2020 £'000
Opening balance	**627,649**	624,922
Proceeds from share issue	**—**	—
Value of scrip dividends issued	**2,243**	2,727
Less: issue costs capitalised	—	—
Closing balance	**629,892**	627,649

During the first quarter of 2021, 166,923 shares at a value of £1.012 per share were issued in lieu of cash dividends. During the second quarter of 2021, 901,280 shares at a value of £0.965 per share were issued in lieu of cash dividends. During the third quarter of 2021, 994,402 shares at a value of £1.022 per share were issued in lieu of cash dividends. During the fourth quarter of 2021, 184,804 shares at a value of £1.021 per share were issued in lieu of cash dividends.

18. NAV per Ordinary Share

The Net Asset Value ("NAV") per redeemable Ordinary Share for the Company is 108.2 (2020: 95.8) pence per Ordinary Share. This is based on the Net Asset Value at the reporting date of £659,999,331 (2020: £582,157,904) and on 609,958,720 (2020: 607,711,311) redeemable Ordinary Shares, being the number of Ordinary Shares in issue at the end of the year.

19. 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 regularly review and agree policies for managing each of these risks and these are summarised below:

19. Financial instruments and risk profile continued

19.1 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 FS Holdco 4 it has indirect exposure. FS Holdco 4 is directly exposed to fluctuations in foreign currency due to its investments in euro and 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 2021 £'000	31 December 2020 £'000
AUD	**53,567**	44,643
EUR	**77,816**	26,619

The FX rate applied at 31 December 2021 was AUD/GBP 0.5369 (2020: 0.5645) and EUR/GBP 0.8407 (2020: 0.8951).

The sensitivities linked to the assets denominated in Australian dollars are set out in note 16 as these assets are held in the underlying investments. The sensitivities linked to euros will be included once the European assets become operational.

(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 2021, 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 £59,105,831 (2020: £50,228,573). The impact of changes in unobservable inputs to the underlying investments is considered in note 16.

(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 (2020: nil).

	Total portfolio 31 December 2021 £'000	**Weighted average interest rate 31 December 2021 %**	**Weighted average time for which rate is fixed 31 December 2021 Days**
Loan notes	**250,000**	**11.00**	**1,876**
Shareholder loans	**304,316**	**2.00**	**2,383**
Cash and cash equivalents	**10,964**	**0.05**	**—**
	565,280		

	Total portfolio 31 December 2020 £'000	Weighted average interest rate 31 December 2020 %	Weighted average time for which rate is fixed 31 December 2020 Days
Loan notes	250,000	11.00	1,511
Shareholder loans	304,316	2.00	2,018
Cash as cash equivalents	16,875	0.05	—
	571,191		

The Company is also indirectly exposed to interest rate risk through its investment in UK Hold Co. Details of the indirect interest rate risk exposure are as follows:

	Total indirect exposure 2021 £'000	**Weighted average interest rate 2021 %**	**Weighted average time for which rate is fixed 2021 Days**
Investment – FS Holdco[1]	**343,731**	**8.00**	**365**[2]
Investments – Topco, FS Holdco 3 and FS Holdco 4[1]	**422,922**	**5.00**	**2,416**
Cash and cash equivalents	**5,947**	**0.05**	**—**
Total indirect exposure interest rate risk	**772,600**		

	Total indirect exposure 2020 £'000	Weighted average interest rate 2020 %	Weighted average time for which rate is fixed 2020 Days
Investment – FS Holdco[1]	343,731	8.00	365[2]
Investments – FS Holdco 2, FS Holdco 3 and FS Holdco 4[1]	290,215	5.00	2,051
Cash and cash equivalents	14,766	0.05	—
Total indirect exposure interest rate risk	648,712		

1. Although interest is charged on the loan portion of the investments, the risk is low as the loans are inter-group and therefore not subject to significant fluctuations.
2. These loans do not have a repayment date and are repayable on demand. However, the Directors do not intend to demand repayment within at least 12 months after year end.

19. Financial instruments and risk profile continued

19.2 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.

The following are the expected maturities of the financial assets and liabilities at year end based on contractual undiscounted payments:

31 December 2021:

	Carrying amount £'000	Contractual total £'000	Less than 6 months £'000	6 to 12 months £'000	Greater than 12 months £'000
Financial assets					
Investments	589,102	589,102	–	–	589,102
Trade and other receivables	275	275	275	–	–
Interest receivable	60,103	60,103	60,103	–	–
Cash and cash equivalents	10,964	10,964	10,964	–	–
Total financial assets	660,444	660,444	71,342	–	589,102
Financial liabilities					
Trade and other payables	444	444	444	–	–
Total financial liabilities	444	444	444	–	–
Net position	660,000	660,000	70,898	–	589,102

31 December 2020:

	Carrying amount £'000	Contractual total £'000	Less than 6 months £'000	6 to 12 months £'000	Greater than 12 months £'000
Financial assets					
Investments	502,286	502,286	–	–	502,286
Trade and other receivables	275	275	275	–	–
Interest receivable	63,137	63,137	63,137	–	–
Cash and cash equivalents	16,875	16,875	16,875	–	–
Total financial assets	582,573	582,573	80,287	–	502,286
Financial liabilities					
Trade and other payables	415	415	415	–	–
Total financial liabilities	415	415	415	–	–
Net position	582,158	582,158	79,872	–	502,286

19.3 Credit risk

a) Exposure to 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 2021 £'000
Cash in bank:		
Royal Bank of Scotland International Limited	P2	10,964
Lloyds Bank International Limited	P1	—
Total cash and cash equivalents		10,964

	Moody's credit rating	31 December 2020 £'000
Cash in bank:		
Royal Bank of Scotland International Limited	P2	16,875
Lloyds Bank International Limited	P1	—
Total cash and cash equivalents		16,875

The Company is also indirectly exposed to credit risk through its investment in UK Hold Co. The Board of UK Hold Co has determined that the maximum exposure to credit risk in relation to investments is £766,652,395 (2020: £633,946,309), being the portion of UK Hold Co investments that are made up of loans as at 31 December 2021, these loans are however all within the Group. Included within this are the related party loans as disclosed within note 22. An external long-term debt facility entered into by FS Holdco, FS Debtco and FISH with Santander and NatWest respectively. The balance of the external debt facility has been as at year end amounted to £400,155,598 (2020: £373,331,640).

The Company's ability to meet the debt covenants described in note 2.2 going concern is directly impacted by power prices. If the debt covenants were not met, the Company may not be able to repatriate cash through the structure. However, in 2020 during the periods of low power prices, the debt covenants were not breached as there is sufficient headroom in the thresholds to accommodate periods of low prices and low yield. In the debt calculation period to 30 September 2021, the last calculation date before the date of this report, the DSCR for FS Holdco was 2.31:1 and for FS Debtco it was 3.63:1.

19. Financial instruments and risk profile continued

19.3 Credit risk continued

b) Expected credit loss assessment

Investments held at fair value through profit or loss are not subject to IFRS 9 impairment requirements.

The Company applies the simplified approach to measuring expected credit losses, as permitted by IFRS 9, which uses a lifetime expected credit loss allowance for all trade receivables. The expected credit loss on trade receivables and the balance at year end was deemed by management to be not material and therefore no impairment adjustments were accounted for.

19.4 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.

For the last two years the impact of the COVID-19 pandemic and Brexit has prompted the Directors and the Investment Manager to assess the risks to the Company and the portfolio. The key risk COVID-19 poses to the Company is a negative impact on the power price market, therefore adversely affecting the distributions received from underlying solar investments. The Brexit risks were focused on the operations of the underlying assets and the ability to replace parts. The Directors continue to monitor the risk of Brexit, although the impact has been minimal.

Towards the end of 2021, the UK experienced a surge in power prices partly because of the tightening of the supply of natural gas into the EU. Therefore political decisions impacting the natural gas supply is an additional risk that could negatively impact on the power price market.

The Directors also note the emerging risk of geopolitical tensions and the economic volatility that can arise as a consequence. The Directors continue to monitor and review the macro-political environment and its impact on the Company under its risk management framework.

The power prices are therefore continuously reviewed by the Investment Manager, with a proportion of the assets opting to fix the power prices they receive in the short term, in line with the price fixing strategy.

20. 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.

21. Dividends

	2021 £'000	2021 Pence/ Ordinary Share	2020 £'000	2020 Pence/ Ordinary Share
Quarter 1	**10,345**	**1.730**	9,552	1.690
Quarter 2	**9,646**	**1.730**	9,662	1.690
Quarter 3	**9,607**	**1.745**	9,659	1.720
Quarter 4	**10,452**	**1.745**	9,796	1.730
	40,050		38,669	

The shares issued in lieu of cash dividends for each quarter are disclosed in note 17.

On 6 December 2021, the Company announced the third interim dividend, in respect of the period 1 July 2021 to 30 September 2021, of 1.745 pence per Ordinary Share. The shares went ex-dividend on 27 January 2022 and the dividend was paid on 28 February 2022 to Shareholders on the register as at the close of business on 27 January 2022.

22. 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.

22. Related party disclosures continued

Transactions with UK Hold Co

For the year ended 31 December 2021:

	Opening balance as at 1 January 2021 £'000	Movements during the year £'000	Closing balance as at 30 December 2021 £'000
Interest bearing loans and outstanding interest	**617,453**	**(3,034)**	**614,419**
Non-interest bearing loans	**187**	**—**	**187**

For the year ended 31 December 2020:

	Opening balance as at 1 January 2020 £'000	Movements during the year £'000	Closing balance as at 31 December 2020 £'000
Interest bearing loans and outstanding interest	622,869	(5,416)	617,453
Non-interest bearing loans	187	—	187

Transactions between UK Hold Co and its underlying subsidiaries

Transactions with FS Holdco

For the year ended 31 December 2021:

	Opening balance as at 1 January 2021 £'000	Movements during the year £'000	Closing balance as at 31 December 2021 £'000
Interest bearing loans and outstanding interest	**403,505**	**3,425**	**406,930**
Interest bearing loans and outstanding interest	**(45,253)**	**(2,000)**	**(47,253)**
Non-interest bearing loans	**(143,504)**	**—**	**(143,504)**
Non-interest bearing loans	**875**	**—**	**875**

For the year ended 31 December 2020:

	Opening balance as at 1 January 2020 £'000	Movements during the year £'000	Closing balance as at 31 December 2020 £'000
Interest bearing loans and outstanding interest	395,432	8,073	403,505
Interest bearing loans and outstanding interest	(43,253)	(2,000)	(45,253)
Non-interest bearing loans	(143,504)	—	(143,504)
Non-interest bearing loans	875	—	875

Transactions with Topco

For the year ended 31 December 2021:

	Opening balance as at 1 January 2021 £'000	Movements during the year £'000	Closing balance as at 31 December 2021 £'000
Interest bearing loans and outstanding interest	**208,123**	**63,044**	**271,167**
Non-interest bearing loans	**(22,288)**	**(4,236)**	**(26,524)**

For the year ended 31 December 2020:

	Opening balance as at 1 January 2020 £'000	Movements during the year £'000	Closing balance as at 31 December 2020 £'000
Interest bearing loans and outstanding interest	164,063	44,060	208,123
Non-interest bearing loan	(8,850)	(13,438)	(22,288)

Transactions with FS Debtco

For the year ended 31 December 2021:

	Opening balance as at 1 January 2021 £'000	Movements during the year £'000	Closing balance as at 31 December 2021 £'000
Interest bearing loans and outstanding interest	**65,269**	**2,750**	**68,019**
Non-interest bearing loan	**140**	**—**	**140**

For the year ended 31 December 2020:

	Opening balance as at 1 January 2020 £'000	Movements during the year £'000	Closing balance as at 31 December 2020 £'000
Interest bearing loans and outstanding interest	62,519	2,750	65,269
Non-interest bearing loan	140	—	140

22. Related party disclosures continued

Transactions between UK Hold Co and its underlying subsidiaries continued

Transactions with FS Holdco 3

	Opening balance as at 1 January 2021 £'000	Movements during the year £'000	Closing balance as at 31 December 2021 £'000
Interest bearing loans and outstanding interest	**36,124**	**1,806**	**37,930**
Non-interest bearing loan	**(6,165)**	**—**	**(6,165)**

For the year ended 31 December 2020:

	Opening balance as at 1 January 2020 £'000	Movements during the year £'000	Closing balance as at 31 December 2020 £'000
Interest bearing loans and outstanding interest	37,035	(911)	36,124
Non-interest bearing loan	(2,595)	(3,570)	(6,165)

Transactions with FS Holdco 4

For the year ended 31 December 2021:

	Opening balance as at 1 January 2021 £'000	Movements during the year £'000	Closing balance as at 31 December 2021 £'000
Interest bearing loans and outstanding interest	**99,249**	**60,434**	**159,683**
Non-interest bearing loan	**1,243**	**191**	**1,434**

For the year ended 31 December 2020:

	Opening balance as at 1 January 2020 £'000	Movements during the year £'000	Closing balance as at 31 December 2020 £'000
Interest bearing loans and outstanding interest	69,462	29,787	99,249
Non-interest bearing loan	1,506	—	1,243

Transactions between FS Holdco, FS Debtco, FS Holdco 3, FS Holdco 4 and their SPVs

All of the SPVs are cash-generating solar farms (except for the non-operational Spanish investments). On occasion, revenues are received and expenses are paid on their behalf by FS Holdco, FS Holdco 2, FS Debtco, FS Holdco 3 and FS Holdco 4. All of these transactions are related party transactions.

For the year ended 31 December 2021:

	Opening balance receivable/(payable) as at 1 January 2021 £'000	**Amounts paid on behalf of SPV 2021 £'000**	**Amounts received from SPV 2021 £'000**	**Net amount (payable)/receivable as at 31 December 2021 £'000**
FS Holdco and its SPVs	**(33,646)**	**33,612**	**(34,157)**	**(34,191)**
FS Debtco and its SPVs	**(11,092)**	**29,729**	**(39,175)**	**(20,538)**

For the year ended 31 December 2020:

	Opening balance receivable/(payable) as at 1 January 2020 £'000	Amounts paid on behalf of SPV 2020 £'000	Amounts received from SPV 2020 £'000	Net amount (payable)/receivable as at 31 December 2020 £'000
FS Holdco and its SPVs	(24,183)	28,894	(38,357)	(33,646)
FS Debtco and its SPVs	(834)	29,620	(39,878)	(11,092)

Transactions with the Investment Manager

The Investment Manager of the Fund is Foresight Group LLP (the "Investment Manager").

The Investment Manager charged asset management fees to the underlying projects of £1,610,038 during the period (2020: £1,584,364).

23. Commitments and contingent liabilities

There are no commitments or contingent liabilities in the current year (2020: £nil).

24. 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.

25. Post balance sheet events

In February 2022, the Group underwent a reorganisation of the Group structure (the "Reorganisation") ahead of the refinancing of the revolving credit facilitates on 28 February 2022.

On 10 February 2022, FIHC acquired the whole of the issued share capital of FS Holdco and issued 315 consideration shares to UK Hold Co in exchange. The consideration shares were £1.00 nominal shares in FIHC, issued at a premium such that the total value of the consideration shares (nominal value and premium) was equal to the Net Asset Value of FS Holdco.

Top Holdco 1 then acquired 315 consideration shares in FICH and issued 315 consideration shares to UK Hold Co. RCF Debtco then acquired the 315 consideration shares in Top Holdco 1 and issued 315 consideration shares to UK Hold Co in exchange.

On the same date, RCF Debtco acquired the total issued share capital of Topco and issued 250 consideration shares to UK Hold Co in exchange. The consideration shares were £1.00 nominal shares in RCF Debtco, issued at a premium such that the total value of the consideration shares (nominal value and premium) was equal to the Net Asset Value of Topco.

Following that, RCF Debtco then acquired the whole of the issued share capital of FS Holdco 3 and issued 36 consideration shares to UK Hold Co in exchange. The consideration shares were £1.00 nominal shares in RCF Debtco issued at a premium such that the total value of the consideration shares (nominal value and premium) was equal to the Net Asset Value of FS Holdco 3.

On the same date, new intercompany loans were put in place through the new structure on the same terms as the existing loans.

In February 2022, RCF Debtco reached financial close on a new £150.0 million RCF and immediately drew down £125.9 million. This cash was used to immediately repay the existing RCF loans and accrued interest of £40.3 million in FS Holdco, £83.6 million in FISH and associated arrangement fees.

The RCF replaces the Company's two existing RCFs and provides an increased source of flexible funding, with both sterling and euro drawdowns. The agreement includes an uncommitted option to extend the RCF for a further year and will be used to fund the acquisition and construction of ground-based solar PV and battery storage projects to add to the Company's current portfolio, as well as to cover any working capital requirements.

The interest charged in respect of the renewed RCF is linked to the Company's sustainability performance, with the Company incurring a premium or discount to its margin and commitment fee based on its performance against defined targets. These sustainability targets include:

- A year-on-year increase in the total renewable generation and battery energy storage system capacity
- An increase in the value of the Company's annual contributions to community funds
- The implementation of enhanced ESG reporting for suppliers to the Company's portfolio of assets

Performance against these sustainability targets will be measured annually with the cost of the RCF being amended accordingly in the following year.

Lenders to the facility include an existing lender (National Westminster Bank PLC) and three new lenders (Allied Irish Banks PLC, Barclays Bank PLC and Lloyds Bank PLC). The margin can vary between 185bps and 195bps over Sterling Overnight Index Average ("SONIA") for sterling drawdowns and Euro Interbank Offered Rate ("EURIBOR") for euro drawdowns, depending on performance against the Company's sustainability targets.

AIFMD DISCLOSURES (UNAUDITED)

Overview of investment activities

The Company's investment activities during the year are disclosed in full in the Investment Manager's Report on pages 23 to 25 of the Report.

The performance of the Company's portfolio during the year is disclosed in full in the Operational Review on pages 26 to 29 of the Annual Report.

A list of the Company's portfolio investments is included on pages 20 and 21 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 Financial Review on pages 62 to 68 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 Company's leverage, 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 three-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 2021 is as follows:

- Gross method: 37%
- Commitment method: 48%

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 Financial Statements. 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 the principal risks section on pages 54 to 59 of the Annual Report.

Remuneration

As an AIFM, the Company is subject to a remuneration code which is consistent with the requirements of the FCA. 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.

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GLOSSARY OF TERMS

AEMO	Australian Energy 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
AIFs	Alternative Investment Funds
AIFMs	Alternative Investment Fund Managers
AIFMD	The Alternative Investment Fund Managers Directive
Asset Manager	The Company's underlying investments have appointed Foresight Group LLP, a subsidiary of Foresight Group CI, to act as Asset Manager
BBSY	Bank Bill Swap Bid Rate
CEFC	The Clean Energy Finance Corporation
Company	Foresight Solar Fund Limited
CPIH	Consumer Prices Index including owner occupiers' housing costs
DCF	Discounted cash flow
EEA	European Economic Area
EPC	Engineering, Procurement & Construction
ESG	Environmental, Social and Governance
EUA	European Emission Allowances
FiT	Feed-in Tariff. The Feed-in Tariff scheme is the financial mechanism introduced on 1 April 2010 by which the UK Government incentivises the deployment of renewable and low-carbon electricity generation of up to 5MW of installed capacity
GAV	Gross Asset Value on investment basis including debt held at SPV level
GFSC	Guernsey Financial Services Commission
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 issued by the International Accounting Standards Board
Investment Manager	Foresight Group CI Limited
IPEV	International Private Equity and Venture Capital
IPO	Initial Public Offering
KID	Key Information Document
KPMG LLP	KPMG is the Company's Auditor
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
LRET	Large-Scale Renewable Energy Target. The LRET creates a financial incentive in Australia for the establishment and growth of renewable energy power stations, such as wind and solar farms, or hydro electric power stations
Main Market	The main securities market of the London Stock Exchange
MIDIS	Macquarie Infrastructure Debt Investment Solutions
MUFG	Bank of Tokyo-Mitsubishi UFJ
MWh	Megawatt hour
NAV	Net Asset Value
NEG	National Energy Guarantee
OBR	Office for Budget Responsibility
Official List	The Premium Segment of the UK Listing Authority's Official List
O&M	Operation and maintenance contractors
PPA	Power Purchase Agreements
PR	Performance Ratio
PRIIPS	Packaged Retail and Insurance-Based Investment Products
PV	Photovoltaic
RET	Renewables Energy Target
RO Scheme	The financial mechanism by which the UK Government incentivises the deployment of large-scale renewable electricity generation by placing a mandatory requirement on licensed UK electricity suppliers to source a specified and annually increasing proportion of electricity they supply to customers from eligible renewable sources or pay a penalty
ROC	Renewable Obligation Certificates
RPI	The Retail Price Index
SCR	Significant Code Review
SPVs	The Special Purpose Vehicles which hold the Company's investment portfolio of underlying operating assets
TCR	Targeted Charging Review
UK	The United Kingdom of Great Britain and Northern Ireland

ALTERNATIVE PERFORMANCE MEASURES

APM	Purpose	Calculation
Annualised Total NAV return since IPO	Annualised measure of financial performance, indicating the movement of the value of the Fund since IPO and expressed as a percentage	Closing NAV per share as at 31 December 2021 plus all dividends since IPO assumed reinvested, divided by the NAV at IPO, to the power of 1 over the number of years since IPO, expressed as a percentage
Annualised total shareholder return since IPO	Annualised measure of financial performance, indicating the total return derived from holding the stock since IPO and expressed as a percentage	Closing share price as at 31 December 2021 plus all dividends since IPO assumed reinvested, divided by the share price at IPO, to the power of 1 over the number of years since IPO, expressed as a percentage
NAV per Share	A measure of the value of one Ordinary Share	The net assets divided by the number of Ordinary Shares in issuance
Ongoing charges ratio	A measure of the annual reduction in shareholder returns because of operational expenses based on historical data	Total ongoing expenses including Investment Manager fees, legal and professional fees, administration fees, Directors' fees, audit fees ongoing legal and professional fees and other ongoing costs expressed as a percentage of average NAV through the year shown on page 68
Market capitalisation	Provides an indication of the size of the Company	Closing share price as at 31 December 2021 multiplied by the closing number of Ordinary Shares in issuance
Gross Asset Value ("GAV")	A measure of the value of the Company's total assets	The sum of total assets of the Company as shown on the Statement of Financial Position and the total debt of the Group and underlying investments as shown on page 103
Gearing	A measure of financial risk on the balance sheet of the Company	Total debt of the Group and underlying investments as shown on page 64 as a percentage of GAV
Cash distributions from solar investments	A measure of performance from the underlying portfolio	Total cash received from investments in the period
Cash dividend cover	A measure of excess cash generated from the Group after payment of dividend	Net operating cash flow divided by dividend paid within the period, including scrip impact

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