FORESIGHT SOLAR FUND LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

Foresight

FOR A SMARTER FUTURE

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 and progressive investment returns to investors alongside strong environmental, social and governance ("ESG") benefits.

INVESTMENT OBJECTIVES

Preserve and enhance **capital value**

Deliver a **sustainable**, progressive quarterly dividend

Develop further **portfolio diversification**

CONTENTS

HIGHLIGHTS

AS AT 31 DECEMBER 2022

£771.5m

NET ASSET VALUE ("NAV")
(31 December 2021: £660.0m)

126.5p

NAV PER SHARE
(31 December 2021: 108.2p)

£1,296.3m

GROSS ASSET VALUE ("GAV")[1]
(31 December 2021: £1,172.0m)

7.12p

DIVIDEND PER SHARE DECLARED RELATING TO THE PERIOD
(Full year to 31 December 2021: 6.98p)

£724.6m

MARKET CAPITALISATION
(31 December 2021: £618.5m)

7.8%

ANNUALISED TOTAL SHAREHOLDER RETURN SINCE IPO
(31 December 2021: 5.9%)

9.0%

ANNUALISED TOTAL NAV RETURN SINCE IPO
(31 December 2021: 7.3%)

In 2022, FSFL has delivered:

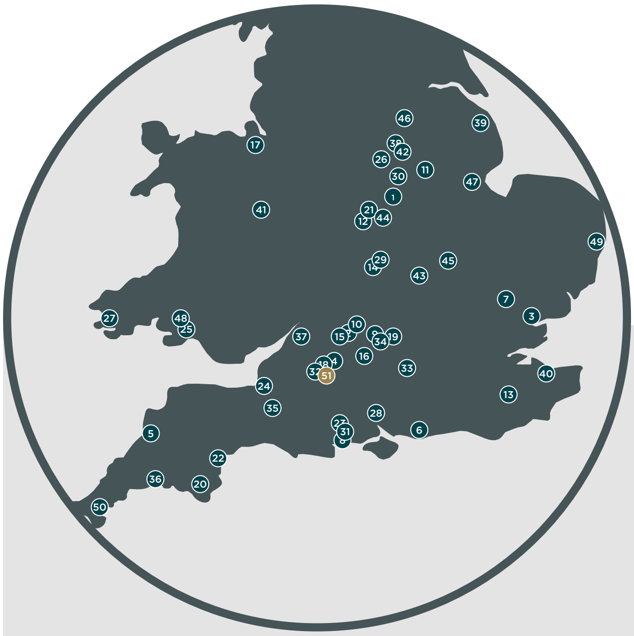
- Total shareholder return of 24.8% and a total NAV return of 24.0%
- 16.9% NAV growth to 126.5 pence per share driven by high power prices, above-budget inflation and the completion of construction assets
- Portfolio generation 2.3% above budget. UK production was 8.6% ahead and Australia was 12.5% below forecast
- Consolidated revenue 26% higher than expected ahead of budget and EBITDA up 37%
- Start of operations at the 125MW Spanish solar portfolio, adding approximately two pence per share of NAV uplift
- 1,113GWh[2] of clean electricity generation, enough to power more than 383,900 UK homes and avoid 859,000 tonnes of carbon emissions compared to coal
- Further progress in its battery storage system ("BSS") portfolio with the acquisition of holdings in the 50MW Clayfords and the 50MW Lunanhead projects
- Prioritised rights to over 600MW of UK solar projects and an extensive pipeline of battery opportunities
- Post year end, the Company confirmed exclusive negotiations for the full project rights to another 50MW BSS project
- Target dividend of 7.55 pence per share for 2023, an increase of 6.0% year-on-year. The Company is confident of achieving dividend cover of 1.50x based on current revenue projections

1. Refer to the Alternative Performance Measures ("APMs") shown on page 152 for more details.
2. This represents the unadjusted generation total for all solar sites in the portfolio irrespective of ownership stakes or loss adjustment.

GEOGRAPHIC FOOTPRINT

At the end of the year, the Company's diversified portfolio comprised 61 assets, with a total global net peak capacity of 1,095MW.

UK



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Assets:

1	Wymeswold	15	Port Farm	29	Fields Farm	42	Bilsthorpe
2	Castle Eaton	16	Membury	30	Gedling	43	Bulls Head
3	Highfields	17	Shotwick	31	Homeland	44	Lindridge
4	High Penn	18	Sandridge	32	Marsh Farm	45	Manor Farm
5	Pitworthy	19	Wally Corner	33	Sheepbridge	46	Misson
6	Hunters Race	20	Coombeshead	34	Steventon	47	Nowhere
7	Spriggs Farm	21	Park Farm	35	Tengore	48	Pen Y Cae
8	Bournemouth	22	Sawmills	36	Trehawke	49	Playters
9	Landmead	23	Verwood	37	Upper Huntingford	50	Roskrow
10	Kencot Hill	24	Yardwall	38	Welbeck	51	Sandridge
11	Copley	25	Abergelli	39	Yarburgh	52	Clayfords
12	Atherstone	26	Crow Trees	40	Abbey Fields	53	Lunanhead
13	Paddock Wood	27	Cuckoo Grove	41	SV Ash		
14	Southam	28	Field House				

Australia

4

Assets:

1	Bannerton
2	Longreach
3	Oakey 1
4	Oakey 2

Spain

4

Assets:

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

CHAIRMAN'S STATEMENT

The Company had another strong year, benefiting from elevated power prices, high inflation, strong operational performance and its Spanish portfolio entering operations.

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 2022.

The Company has enjoyed another strong year, benefiting not only from elevated short-term power prices and higher than anticipated inflation, but also from its favourable power price hedges, good operational performance and construction completion of the Spanish portfolio. This resulted in total shareholder return of 24.8% for the calendar year and NAV total return for the period of 24.0%. Earnings per share were significantly ahead of budget at 25.3 pence per share.

Dividend cover for the year was 1.74x, underwritten by attractive price hedges and higher merchant power prices. Forecast dividend cover remains robust even after accounting for the additional tax payments from the UK Government's Electricity Generator Levy ("EGL") and from the windfall taxes in Spain. The Company's revenue generation position in the short and medium term will be supported by the high proportion of contracted revenues, as the Investment Manager continues to forward-hedge power prices to build dividend cover.

Generation from the Company's global portfolio was 2.3% ahead of budget for the year, producing 1,113GWh of clean energy (2021: 903GWh). The UK portfolio, representing 75% of total generation for the period, enjoyed its best year to date due to a combination of strong irradiation and high levels of availability. Good operational performance in Australia was not sufficient to mitigate low irradiation. Across both markets, however, the effect of elevated power prices resulted in revenues significantly above budget for the year.

The Company is pleased to confirm that its existing portfolio of Spanish solar assets is now fully operational following energisation of the 26MW Virgen del Carmen project in October 2022. Whilst initial generation for the Spanish sites has not been included in the 2022 production figures, the projects are expected to make a significant contribution to revenues in 2023, representing 11% of total capacity.

FSFL has a strong focus on the Spanish market and, as such, we are excited to announce the Company is in advanced negotiations to acquire the full project rights to a development-stage portfolio with a potential capacity of over 400MWp in the country. The counterparty is an experienced developer that would continue to progress the sites under a development services agreement. The transaction is well progressed and is expected to close in the first half of 2023.

More broadly, the Company has made good progress in its diversification strategy during 2022, continuing to expand its portfolio of battery storage projects with two further acquisitions in the second half of the year. Post year end, the Fund also announced the proposed acquisition of the full project rights to a further 50MWp battery storage asset in Scotland, subject to final approvals. The Company will seek to develop this project with two-hour duration capacity and the Investment Manager is currently exploring options to similarly extend the duration of FSFL's other recent battery storage systems ("BSS") acquisitions. The Company believes the opportunities available in battery storage and development-stage assets provide good potential for growth and has visibility of a strong near-term pipeline in both sectors.

Key financials

In 2022, the NAV per Ordinary Share increased by 16.9% to 126.5 pence (31 December 2021: 108.2 pence).

The Company's financial performance during the year was strengthened by elevated power prices and inflation, alongside strong asset availability and projects emerging from construction. Sustained high power prices and inflation have driven returns, with consolidated revenue and EBITDA 26% and 37% ahead of budget for the year, respectively.

Power prices across all the Company's markets have been volatile but remained at elevated levels throughout the year. Actual power prices were above forecast, contributing to an 11.7 pence per share NAV uplift for the year, double the rise registered in 2021. The Investment Manager's commitment to forward-fix rates at attractive prices and the ability to fix output at these higher levels contributed to drive higher revenues.

Inflation also surged in 2022, reaching a 40-year high at the end of December, significantly ahead of the Company's revised forecast of 5.0%. A revised forecast of 6.5% has been applied for 2023 and in combination these adjustments produced a further NAV uplift of 11.1 pence per share.

This high inflationary environment resulted in the fastest tightening of monetary policy in decades as central banks grappled to bring spiralling prices under control. Between February and December, the Bank of England raised interest rates from 0.25% to 3.50%, which by extension has significantly reduced risk premia for renewable assets. Given the spread of yield to government bonds at 4.0% by the third quarter, the Board considered it appropriate to raise the discount rate for UK assets by 100 basis points to 7.00%, with a subsequent negative impact on NAV of 7.0 pence per share.

Operational performance

The Company's UK solar portfolio delivered an excellent year's performance with electricity generation 8.6% above budget, reflecting consistently high levels of irradiation and good asset availability. This was despite a small number of material incidents that impacted performance, such as supply delays for replacement inverters and occasional DNO outages. Looking at the technical performance of the UK assets excluding DNO outages, electricity generation was 9.0% above budget compared to an irradiation value of 9.4% above expectations.

Whilst operational performance in Australia was good, it was not sufficient to mitigate the lasting effects of La Niña. The meteorological phenomenon led to a third successive year of above-average rainfall and low irradiation, disrupting solar production across the country, and resulting in generation being below budget for 2022. Adverse weather was the main reason for the underperformance for the year, with irradiation 11.8% below forecast and production 12.5% below budget for the full year.

The Asset Manager carries out a process of continual improvement to optimise the portfolio, with recent initiatives focused on the evaluation and implementation of repowering options for sites where it is prudent to replace technology that is no longer well supported. Tendering and benchmarking of operations and maintenance contracts were completed during 2022, providing improved contractual terms and modest increases in NAV.

CHAIRMAN'S STATEMENT CONTINUED

Acquisitions

The Company has continued to expand its position in the battery storage market with several further acquisitions. In August and October, the Fund announced it was acquiring 50% equity holdings in the Clayfords and Lunanhead BSS projects, both of which are scheduled to become operational in the second half of 2024. Post year end, the Company announced that it is in exclusive negotiations to acquire the full project rights to a further 50MW BSS site in Scotland, subject to certain conditions being met. Completion of this investment will bring the Fund's total battery capacity to the equivalent of 125MW.

The Company is also seeking to conclude its first investment in development-stage projects with the Spanish platform of over 400MW of potential capacity. This will involve acquiring 100% ownership of the project rights to the portfolio that is currently awaiting grid connection and environmental permits.

Dividends

The Company has declared total dividends of 7.12 pence per share for the year, in line with its target. The fourth and final FY2022 dividend of 1.78 pence per share will be paid on 26 May 2023.

Dividend cover for the year on a cash basis was 1.74x after paying a total of £35.7 million of debt.

I am pleased to declare a target dividend of 7.55 pence per share for FY2023, an increase of 6.0% compared with 2022. In establishing the 2023 dividend target, the Board has sought to balance the near-term benefits of higher forward power prices, inflation and cash generation against macroeconomic factors and power price forecasts over the long term.

Based on a strong contracted revenue position and including an assessment of the effects of the EGL and the windfall tax in Spain, the 2023 target dividend is expected to be at least 1.50x covered from cash generated in the period alone. A similar level of cover is also expected for 2024 and 2025 assuming current revenue forecasts.

Debt facilities

As at 31 December 2022, the total outstanding debt of the Company and its subsidiaries amounted to £524.8 million (31 December 2021: £512.0 million), including long-term debt of £409.8 million (December 2021: £388.6 million). Total gearing decreased to 40.5% of Gross Asset Value ("GAV") (December 2021: 43.7%), following drawdowns of £23.5 million of long-term debt in the Spanish portfolio, offset by scheduled repayments of long-term debt and £8.4 million net repayment of short-term debt during the year. Other adjustments to the nominal long-term debt balances include currency and inflation exposure. (Refer to the Alternative Performance Measures ("APMs") shown on page 152 for more details.)

Long-term structural gearing represented 31.6% of GAV (2021: 33.2%), well within the 40% long-term debt target set by the Board. The Company's net debt position, after deducting existing Group cash balances, represented 32.7% of GAV (December 2021: 37.9%).

During the year, the Company announced it had refinanced and replaced two existing revolving credit facilities ("RCF") with a new £150.0 million facility. The three-year sustainability-linked resource is due to expire in February 2025 and does not need to be refinanced before then. As at 31 December 2022, the Company had used £115.0 million of its RCF, leaving £35.0 million undrawn (December 2021: £123.4 million used), of which £11.8 million was allocated to letters of credit due to expire during 2023.

Of the £409.8 million long-term debt, £320.2 million is exposed to interest rate risk, although the Company has interest rate swaps in place for 99.5% of this exposure. The interest rate for the remaining 22% of the Company's long-term debt is linked to inflation. The RCF facility remains unhedged, which the Board considers to be an appropriate level of exposure.

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

Sustainability update

Sustainability and environmental, social and governance ("ESG") considerations lie at the heart of the Company's ethos and operations. The Company frequently assesses its approach to sustainability and ESG, seeking to emulate and drive best practice wherever possible.

In 2022, the Company celebrated its first full year of data collection on various portfolio metrics, tracking different sustainability indicators that allow for performance monitoring and comparison. The focus has been on consolidating the Company's processes in terms of how sustainability and ESG considerations are embedded, recognising that such factors are of increasing importance to investors. We expect to continue to evolve and improve our processes and use the information collected in 2022 to drive meaningful change across all areas of sustainability and ESG.

Towards the end of the year, the Investment Manager launched its Nature Recovery Ambition Statement, written in collaboration with its sustainability partner, the Eden Project. The Statement will pave the way for a Solar Nature Recovery Blueprint, which will be used to guide a best practice approach to biodiversity baselining and nature recovery throughout the Company's portfolio.

The Board also recognises the importance of assessing climate-related risks that have the potential to materially impact its business. As such, it published its second Task Force for Climate-related Financial Disclosures report, with the analysis presented on pages 44 to 60.

Finally, the Company's programme of educational site visits continued its successful run, with assets playing host to nearly 500 schoolchildren across 12 separate site visits and 15 workshops during the year. These events not only help make the projects more meaningful to local communities, they contribute to educate the children and their families on the benefits of renewable energy and the importance of protecting and enhancing biodiversity.

The portfolio of assets has grown consistently since the Company's inception in 2013, providing more and more energy suppliers, companies and households with renewable electricity. The energy generated in 2022 alone equated to enough clean power to fuel over 383,900 UK homes.

Governance

During the year, the Nomination Committee commenced the first phase of the succession plan for the rotation off the Board of Peter Dicks, who will be succeeded by an appropriate candidate. The second phase of the Company's succession plan will focus on the replacement of Jersey-based Directors.

The Company's current auditors, KPMG, have now been in place for nine years and will be asked to re-tender as part of an ITT process for the reviews starting from the year ending 31 December 2024. The process will be managed by a Board steering committee and the Investment Manager.

Outlook

We entered 2023 with central banks hopeful that the most rapid tightening of monetary policy in decades had begun to wrestle inflation down. The Company now faces a materially different macroeconomic backdrop to that of 12 months ago. Yields on 20-year UK Government bonds ended 2022 at 4% and a return to the exceptionally low interest rates of the last decade is not expected in the near term. With spreads over the risk-free rate narrowed, the Company's ability to focus on growth opportunities alongside reliable yield is now more desirable than it has been in the past.

Following the political and regulatory turmoil of the past year, greater clarity has emerged in terms of government intervention in the energy markets. There is now defined guidance on the implementation of the Electricity Generator Levy in the UK and on the price ceiling and clawback tax in Spain. This has allowed the impact of such policies to be factored into Company forecasts.

CHAIRMAN'S STATEMENT CONTINUED

Outlook continued

With its most recent acquisition targets, the Investment Manager has signalled that there are attractive investment opportunities for the Company in the UK battery storage market and in development-stage portfolios. They continually appraise all segments within the Fund's investment mandate to assess investment attractiveness. For the last few years, it has been the Investment Manager's view that the pricing for UK subsidy-backed operational solar projects is not returns accretive. Whilst this position may change with discount rates increasing, the Company has displayed capital discipline and has not acquired any assets on the secondary market since 2018. Instead, the focus has been on driving performance from the existing portfolio and pursuing value-accretive opportunities in earlier stage projects.

The Investment Manager is reviewing several further development-stage opportunities in both the UK and across Europe and with a variety of structures, and is seeking to invest in similar solar or battery storage development pipelines in the United Kingdom.

In battery storage, the UK continues to be the most active market in Europe, assisted by a clear framework that is attracting private capital to develop a potential pipeline of over 34GW of new projects. The successful deployment of this target is dependent on the availability of new grid connections and so, realistic expectations for connection dates need to be set for projects not already in planning. Notwithstanding this, the Investment Manager continues to develop a significant pipeline of opportunities via trusted partners. The Company will also seek, where feasible, to develop battery projects with longer durations, reflecting the more favourable pricing dynamics and an enhanced ability to take advantage of arbitrage opportunities.

Across Europe, the deployment of large-scale ground-mounted solar is expected to accelerate over the next few years with many nations expected to be "gigawatt plus" markets for annual installations. This includes Germany, Italy, the Netherlands, Poland and Spain, which are all aiming to deploy significant levels of solar to meet net zero pledges, while reducing reliance on foreign gas imports to improve energy security. In 2022, the UK also approved a record of over 4GW of new solar capacity, which bodes well for greater numbers of projects reaching the ready-to-build stage in the near term.

Looking forward, we continue to see significant opportunity in the Company's core solar and battery storage markets as governments carry on supporting the transition to a net zero economy and prioritising domestic energy security. In addition to offering investors the opportunity to participate in the move to a greener society, the Company offers an attractive yield, alongside growth potential and an exciting pipeline.

Annual General Meeting

We look forward to meeting Shareholders at the Company's next Annual General Meeting ("AGM") on 14 June 2023 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

14 March 2023

MARKET CONTEXT

Market developments

United Kingdom

In April 2022, the then UK government of Prime Minister, Boris Johnson, announced the British Energy Security Strategy with the aim of expanding nuclear, wind, solar and hydrogen, alongside oil and gas. The Strategy's bold targets, which could potentially lead to 95% of Great Britain's electricity being produced from low carbon sources, took on new significance with the war in Ukraine as energy security concerns made a case for greater domestic production. The Strategy also highlighted the potential for the UK's existing 14GW of solar capacity to grow up to five times by 2035, with the promise of streamlining planning consents. Whilst there has been significant political upheaval since, this remains the official Government position.

The following month, in May, the surge in energy prices spurred by Russia's invasion of Ukraine prompted then Chancellor of the Exchequer Rishi Sunak to state that HM Treasury would not rule out expanding the windfall tax levied on the oil and gas sector to all energy producers, including renewables generators. In the political upheaval that followed, it would be over six months before details of the Electricity Generator Levy ("EGL") were defined. The buoyant listed infrastructure and energy market that had seen around £3 billion of capital raised in the first six months of the year collapsed in the second half, with both the macroeconomic backdrop and uncertainty around government intervention weighing heavily on investor confidence.

Notwithstanding these challenges, there has been positive progress on the planning side for both new solar and battery storage in the UK. It was a record year for solar farm approvals, with almost 4GW of new capacity signed off by August, up significantly from the 3.1GW that received a green light during all of 2021. This points to strong levels of deployment over the next five years. The battery storage market is also primed for significant growth, with a record 800MWh of utility-scale energy storage capacity added in 2022, while the sector is expected to bring online gigawatts of capacity every year to 2030.

The government has also been considering more fundamental changes to energy markets with the former Department for Business, Energy and Industrial Strategy (BEIS) last year publishing its consultation on the Review of the Electricity Market Arrangement (REMA).

Whilst this review is necessary to assess how best to construct a market that enables the incorporation of an increasing share of renewable energy and flexible generation, it is also incredibly wide ranging. The sooner there is clarity on the direction of travel, the better it will be for investors, operators and consumers.

The UK is not alone in taking such action. Across Europe, national governments are considering similar reforms to decouple the cost of electricity production from natural gas as the marginal price-setter. However, without a clearer position on what the price signals for future renewable energy income streams will be, there is risk that uncertainty will impact investor sentiment and actually limit deployment in the sector.

Australia

Australia's National Electricity Market ("NEM") experienced unprecedented volatility in spot prices during the first half of 2022. A combination of thermal generation outages, coal and gas supply problems and an early winter that increased demand led to an "energy squeeze" driving prices to record highs. Solar generators benefited from the fluctuations, locking in higher-than-expected revenues. The second half of the year brought a normalisation to the market with power prices returning to recent annual averages, including some negative pricing events occurring during peak mid-day solar production hours.

In May, Australian voters handed the Labor Party its first national election majority in almost a decade. Prime Minister Anthony Albanese succeeded in securing a mandate to deliver a proposed centrist platform based on climate and tax, promising to transform the country into a "renewable energy superpower."

To date, there is no proposed replacement for the Large-scale Renewable Energy Target ("LRET"), a scheme that incentivises the installation of renewable energy power stations. The government has, however, endorsed a domestic emissions reduction target of 43% by 2030, higher than the 26% to 28% target set by the previous Coalition Government; it has also extended stimulus for large-scale battery storage systems, with the Australian Renewable Energy Agency ("ARENA") granting significant funding to eight projects with an aggregate capacity of 2.0GW/4.2GWh in December.

MARKET CONTEXT CONTINUED

Market developments continued
Australia continued

At local level, the government of New South Wales is in the development phase of the state's first Renewable Energy Zone ("REZ"). These zones will group new wind and solar power generation in areas where it can be efficiently stored and transmitted, guaranteeing reliable supply as coal-fired power stations retire. The REZ in the Central-West Orana region promises 10GW of renewables by 2030 and 1GW of pumped hydroelectric power by 2036.

Meanwhile, in Queensland, the upgrade of the interconnector to New South Wales was completed in April and the Callide coal power station will remain closed until the first quarter of 2023. Both developments have reduced the oversupply of electricity in the state, effectively removing the downward pressure on prices in the local market.

Spain

As with the rest of Europe, Spain experienced high power prices at the beginning of 2022. This resulted in the government introducing measures to mitigate the effect on households and on the wider economy. Amongst the initiatives, a cap on natural gas prices, a tax on extraordinary energy revenues, and the suspension of the 7% generation tax, all had a direct impact on renewable energy assets.

Whilst such interventionist policies initially generated concerns for investors and operators, the relatively quick clarity provided and widespread nature of similar regulation across Europe served to level the playing field, allowing the Spanish market to remain active. A similar level of activity is expected to continue in 2023 based on strong market fundamentals and the government's overall supportive approach.

Despite the short-term noise, the Spanish government has ambitious renewable energy targets and is aiming to increase generation from solar and wind by 60GW to a total of 100GW by the end of this decade. Those goals can only be achieved with capital from the private sector, so, to hasten the deployment of projects, the government has pushed through market-friendly proposals.

In March, a package of measures to speed up the approval process of renewable energy projects, looking favourably on those with low environmental impacts, was enacted. In late January 2023, Spain's Ministry for Ecological Transition and Demographic Challenge ("MITECO") announced that approximately 25GW of solar PV projects had secured favourable environmental impact statements. Under current legislation these projects will need to complete by a mid-2025 commissioning deadline. Whilst it appears unlikely that there is even available resources to bring such volume of projects online in time, it is still expected to help drive a significant increase on the 19GW of current installed capacity.

The government also published the draft scheme for its latest capacity market auction, the process to award grid connection access to new renewable projects, with an update on the process expected in the coming months. Since the first tender two years ago, the government has authorised more than 6GW of production to solar, wind and biomass in four different processes.

Power prices

United Kingdom

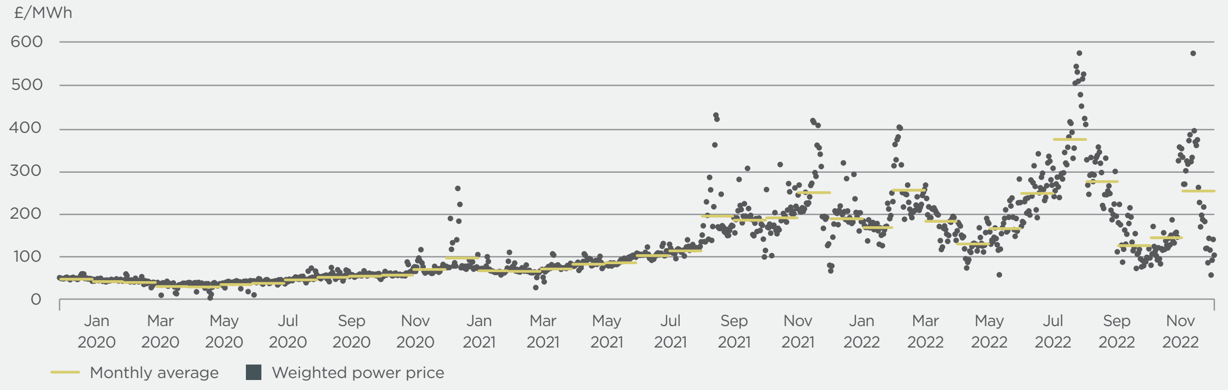
The UK power market reached record highs during 2022, following what were already elevated prices in 2021. Day-ahead auction prices at N2EX, the exchange-traded marketplace in the United Kingdom, averaged £204/MWh during the year, a 75% increase on the 2021 average of £117/MWh. Pricing remained high throughout the 12 months, with an average of £176/MWh in the first half, whilst the second semester registered an increase to £232/MWh. Prices peaked in the summer, reaching an average of £370/MWh in August.

Surging natural gas costs in Europe placed direct upward pressure on power prices. The Russian invasion of Ukraine in February 2022 led European countries to limit their imports from what was previously the continent's largest fossil fuel provider. Combined with record-breaking temperatures, the boycott pushed gas prices to their summer highs. Demand in the UK also increased due to maintenance on oil generation plants. With prices at unsustainable levels, it was fortunate that milder autumn and winter temperatures across the continent reduced heating needs, limiting the demand for gas and helping to reduce prices by the end of the year.

Throughout the period, the Company continued its policy of entering power price hedges for periods up to 2026. Overall, the average price secured across the UK portfolio during the year, including fixed price arrangements, was £117/MWh, a 73% year-on-year increase to the £68/MWh achieved in 2021. The Company regularly monitors forward electricity prices and has continued to enter new arrangements at attractive prices into 2023.

As a response to rising energy costs, the UK Government extended its windfall tax with a levy on renewable generators for exceptional revenues that could be made over the next five years. The Electricity Generator Levy applies a 45% tax on generation revenues over £10 million and above a cap set at £75/MWh for 2023. This benchmark rate will rise in line with the Consumer Price Index ("CPI"), a measure of inflation, each year starting from April 2024 until the EGL is scheduled to end in April 2028.

Daily and monthly generation weighted spot electricity prices at UK portfolio level



Australia

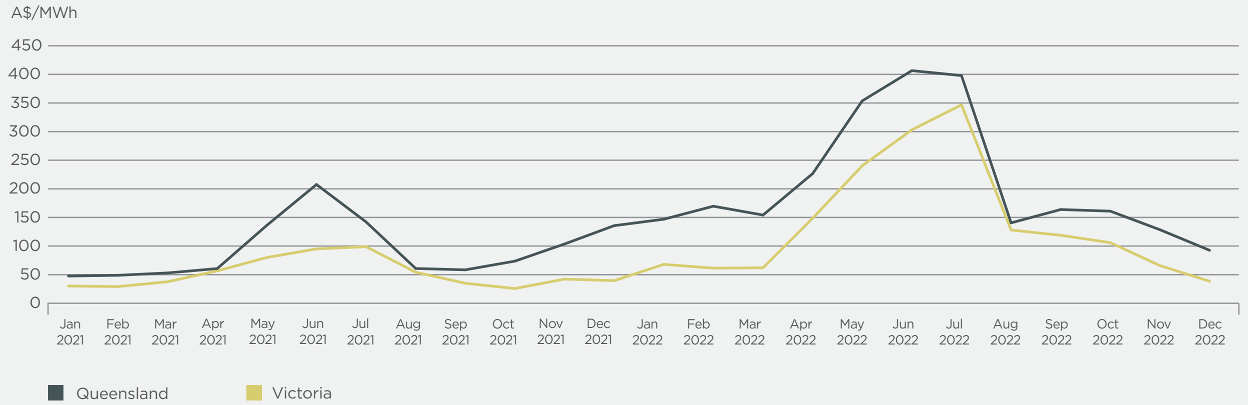
The year was marked by increased coal-fired power plant outages and a continued surge in commodity prices, resulting in higher spot prices on the country's National Electricity Market (NEM). Coal and gas prices rose substantially in the first half of the year due to lower-than-expected supply and disruptions linked to Russian sanctions. The enhanced opportunity to sell liquefied natural gas ("LNG") and thermal coal in global markets led Australian gas generators to reprice their spot market offers, pushing prices higher.

In the first six months of 2022, the power price across the NEM was A$175/MWh, an increase of 191% compared to the same period a year earlier. In the second half of the year, however, spot prices fell in line with historical averages, bringing the full year average down to $A115/MWh, compared to A$60/MWh in 2021.

In Queensland, where the Company has three assets, several factors contributed to higher power prices in the first half of the year, including the outage at the Callide coal plant, which is expected to continue well into 2023. The second semester, on the other hand, was marked by good irradiance, but the excess solar generation and the reduced demand because of lower-than-usual seasonal temperatures led to lower power prices.

In the State of Victoria, home to the Company's Bannerton site, the pressure on supply was not as pronounced because operational coal plants experienced fewer outages, although, in the second half of the year, solar farms suffered increased economic curtailment because of lower demand.

Australia historical average electricity spot market prices from July 2021 to June 2022



MARKET CONTEXT CONTINUED

Power prices continued

Spain

Throughout 2022, power prices remained above historic averages as a direct result of the sustained upward trend in natural gas prices.

Spanish benchmark electricity prices are set by a marginal cost model, which means they are based on the cost of the most expensive plant required to satisfy demand – and that is typically gas-fired generation. With Russia's invasion of Ukraine pushing up natural gas prices, electricity prices followed.

Spiralling energy prices were eventually capped by the Spanish government in June, when it imposed a limit of €40/MWh on thermal generators that will gradually increase to €70/MWh by May 2023. Whilst the cap initially had a predicted end in June 2023, the government has already filed to extend it until at least 2024.

This cap resulted in average baseload prices of €135/MWh between June and December 2022, considerably lower than the €212/MWh registered for the first five months of the year. Although prices trended down in the second semester, this was mostly caused by higher wind production and lower gas prices.

In addition to the energy price cap, the Spanish government also implemented a levy on "extraordinary revenues", recently extended until December 2023. This tax seeks to claw back excess revenues received by renewable energy producers due to the incorporation of unusually high gas costs into the wholesale price of electricity. Although provision was made for power purchase agreements ("PPAs") signed up to a price of €67/MWh (prior to 31 March 2022), the tax charge amounted to, on average, an extra €32/MWh on unhedged production after the cap on gas prices was introduced. The combination of these interventions has effectively limited electricity prices at €120/MWh until the end of 2024, which is borne out by the forward rates.

Despite the cap and the tax, the wider landscape in Spain remains appealing. The country has some of the highest irradiation levels in Europe and, overall, the regulatory environment remains supportive, with the government looking to achieve ambitious decarbonisation targets. In the short term, despite the government's attempt to rein in high power prices, they remained materially above what was forecast when most recent investments in the country were made.

Subsidy revenues

The buy-out price for Renewables Obligation Certificates ("ROC"), the United Kingdom's main support mechanism for large-scale renewable electricity projects, for the 2022/23 annual compliance period increased to £52.88 (2021/22 compliance period: £50.80). The change reflected the average monthly percentage change in the Retail Price Index ("RPI"), a measure of inflation, during 2022. On average, the Company received 1.30 ROC/MWh across the UK portfolio. Meanwhile, the 2022/23 Feed-in Tariff ("FiT") rate for the Yardwall project, the only UK asset to which ROC does not apply, was £79.90/MWh (2021/22: £74.30/MWh).

In Australia, the average Large-Scale Generation Certificate ("LGC") price secured by the portfolio for the full year was A$21.12 per certificate, lower than the A$30.29 registered in 2021. This is due to step-down mechanisms in the contracted price, although, considering the timeline to 2030, the prices are in line with forecast merchant LGC prices.

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 considered 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.

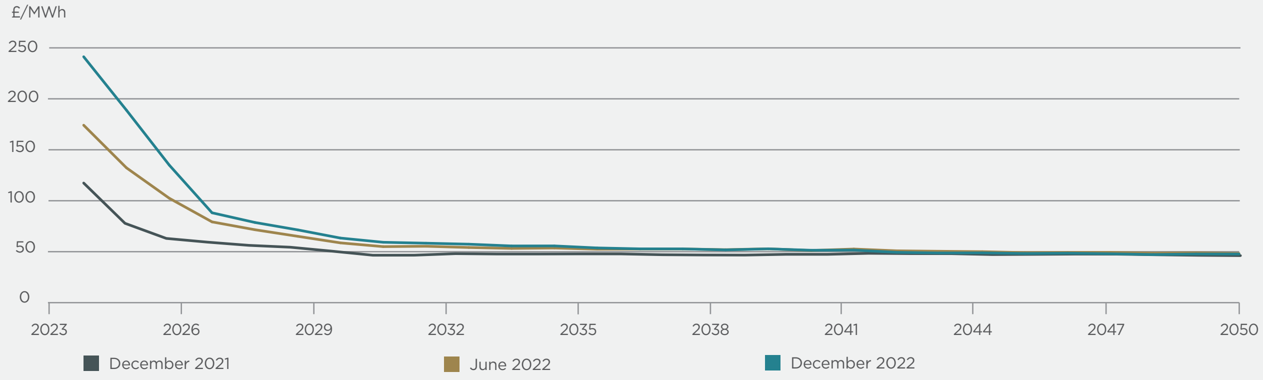
United Kingdom

When compared against June 2022 expectations, the long-term average annual power price forecast used for December 2022 valuations increased 5.1% 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 resulting from the current elevated pricing environment.

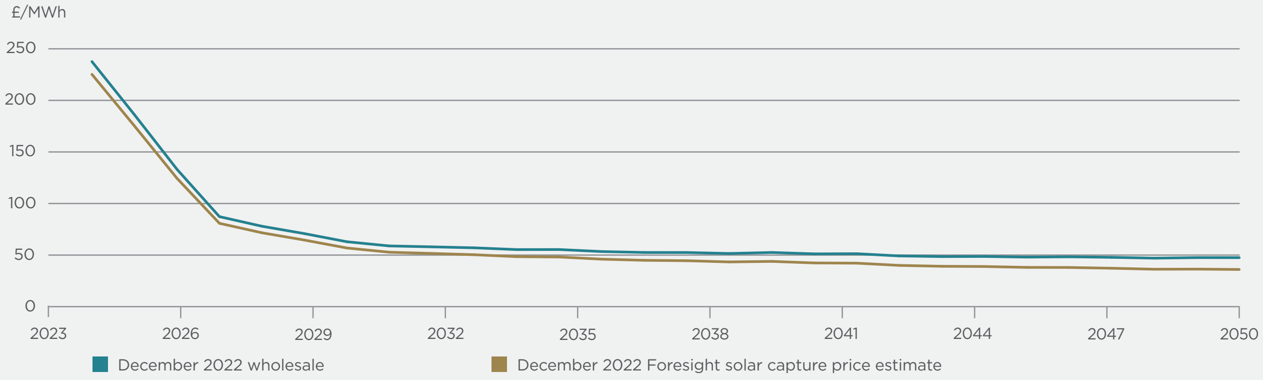
The Company's forecasts over the short to medium-term assume a decrease in prices in real terms of 16.6% per annum as the current market is expected to revert to historical levels by around 2030. From that point on, prices are forecast to flatten out, with a 1.5% per annum decline expected as solar capture price discounts become more prominent.

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

UK wholesale power prices



UK wholesale vs solar capture power price

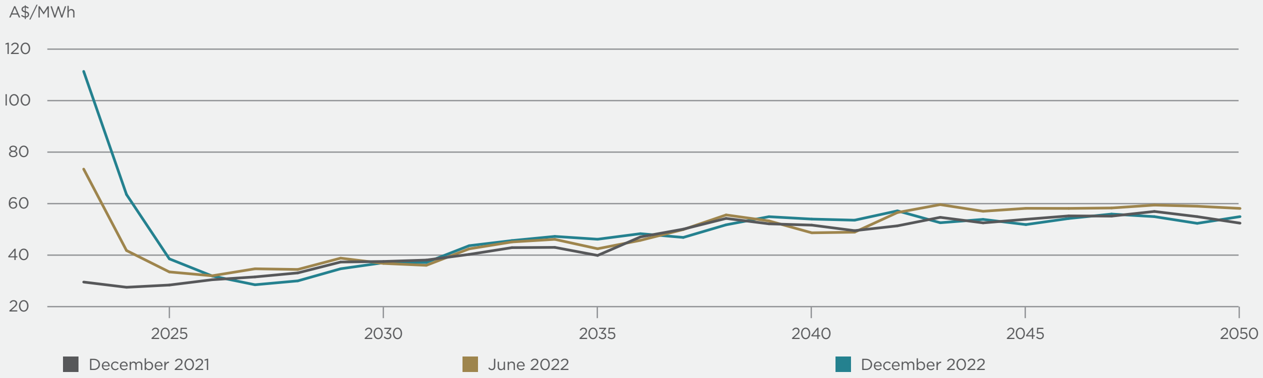


Australia

Electricity prices are forecast to trend down through the 2020s, before rising as coal-powered plants retire and more expensive gas and flexible technologies set the majority of electricity prices in the following decade.

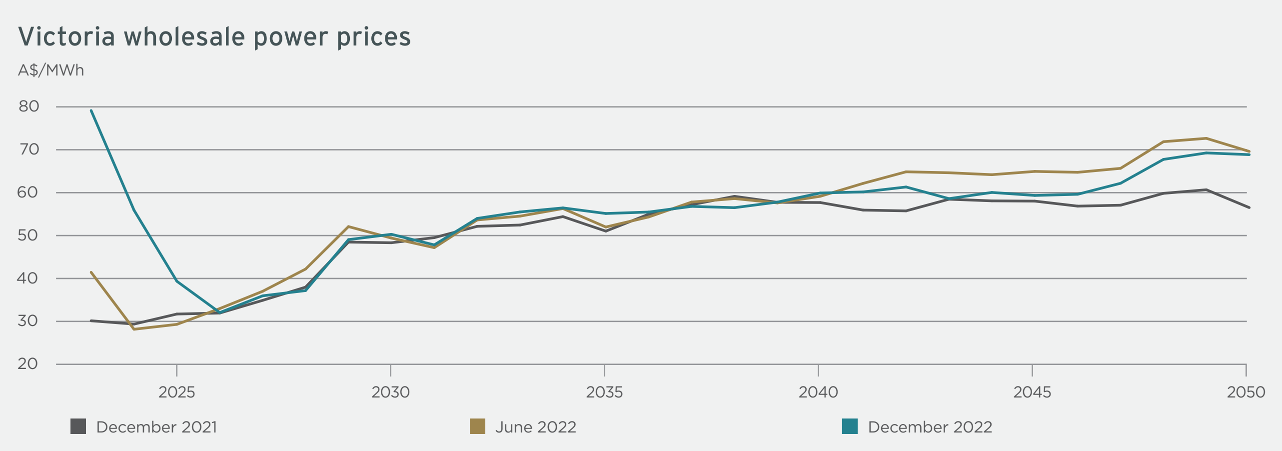
As more solar projects come online in the next few years, they will flood the grid with renewable energy during the day. This likely imbalance between supply and demand has the potential to push down prices of electricity generated from green sources. The introduction of new battery capacity, however, may help offset that discount as these storage systems can consume electricity to charge when prices are low and discharge back into the grid when demand is high – and renewable generation is low.

Queensland wholesale power prices



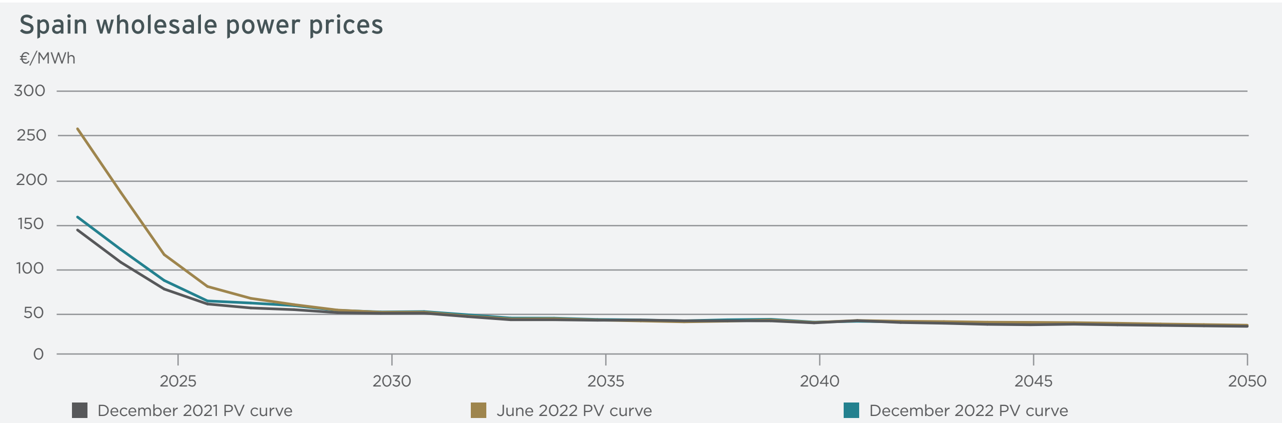
MARKET CONTEXT CONTINUED

Power price forecasts continued
Australia continued



Spain

Although short to medium-term futures saw a significant increase during 2022, long-term fundamentals in the Spanish energy market remain largely unaffected. It is expected that a significant amount of new renewable energy capacity, particularly solar PV, will be added to the grid over the coming years due to the country's high solar resource. This will cause a decrease in power prices, particularly solar capture prices, in the long-term but this is already incorporated in the projections the Company's consultants prepare and is reflected in the valuation models.



Revenue analysis

The Company's income is 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.

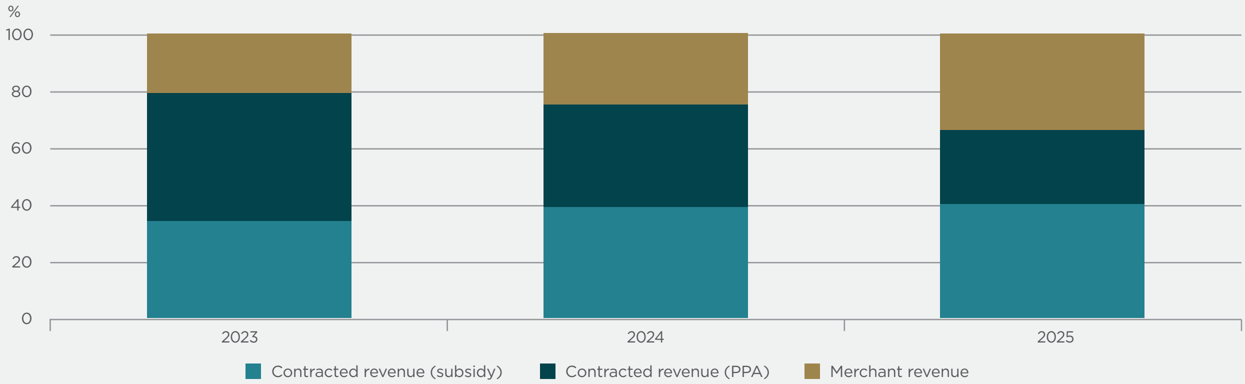
In 2022, approximately 39% of revenues were derived from subsidies, with the remaining 61% from the sale of electricity to the grid. However, given fixed price contracts secured via UK PPAs, 76% of revenues in 2022 were considered contracted (i.e. subsidy or fixed price sales), with the remaining 24% merchant.

For 2023, 79% of the total expected revenues across the portfolio are contracted. At the time of writing, the weighted average contracted price (under PPAs) for the UK portfolio in 2023 stands at £121 per MWh.

On an NPV basis, as at 31 December 2022, contracted revenues over the entire investment period represented 49% of the total forecast revenues.

The Company will continue to minimise the impact of power price volatility on future cash flows by entering fixed price arrangements for the sale of electricity. The goal is to achieve a high percentage of annual fixed revenues in the short and medium-term by actively managing the power price exposure of production. By way of example, the Company can fix some electricity sales in the summer, due to the seasonal production profile of solar assets, to support the dividend policy, while leaving some exposure to market rates that allow the Company to capture potential upside from power price volatility.

Contracted vs merchant revenue breakdown



Status of contracted revenues

The table below sets out the average PPA fixed price achieved for the UK portfolio in each calendar year, and the proportion of generation that has been forward hedged.

As at 31 December 2022	2023	2024	2025
Average fixed price for UK portfolio £/MWh	£121	£96	£92
Proportion of contracted revenue for the global portfolio	79%	75%	66%

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 £1,296.3 million on 31 December 2022.

On that same date, the Company had 609,958,720 Ordinary Shares in issue, all of which are listed on the premium segment of the Official List and traded on the London Stock Exchange's Main Market.

Operating structure

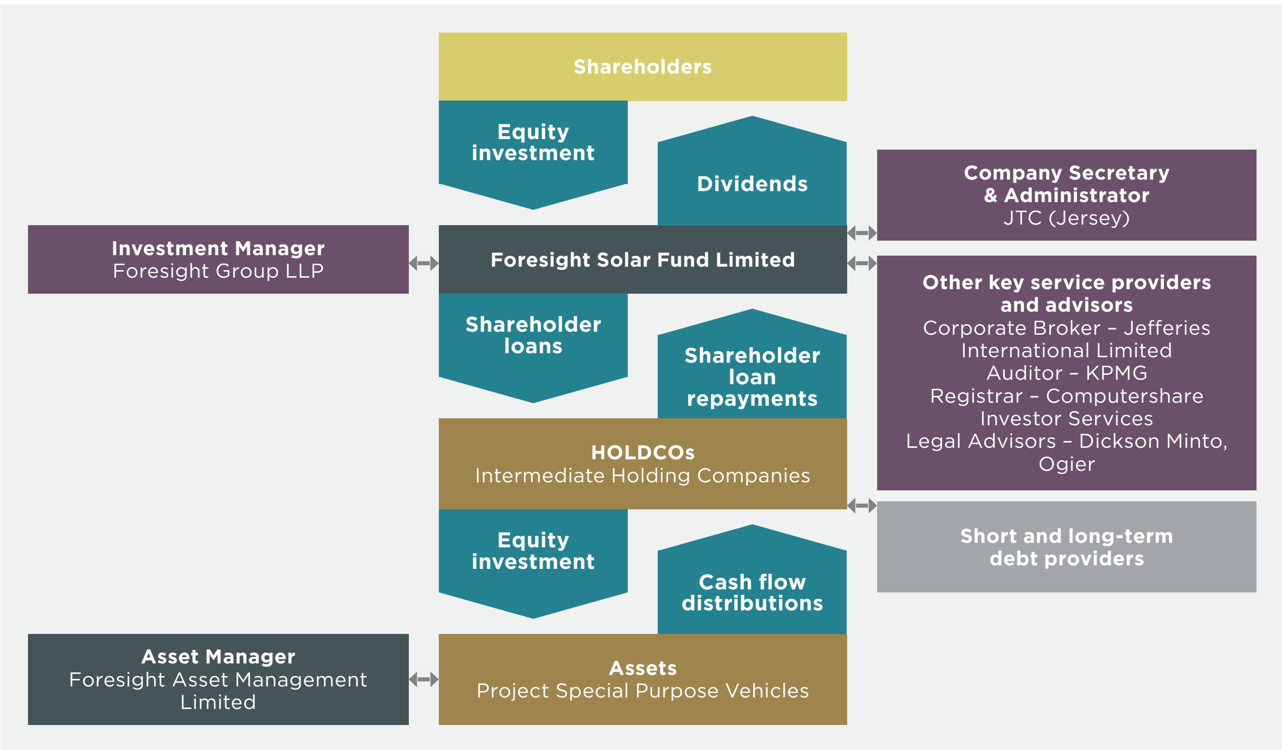
As an investment company, the Company has no direct employees and outsources all operations to a few key service providers.

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 a diversified portfolio of ground-based solar farms and battery storage systems ("BSS") predominantly located in the UK.



Investment policy

The Company pursues its investment objective by acquiring ground-based 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, calculated at the time of investment. There is also scope for the Company to invest up to 5% of its GAV in development-stage assets, in other words, solar or BSS opportunities that are pre-construction and may not have secured grid connection rights or planning consent at the date 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. (Refer to the Alternative Performance Measures ("APMs") shown on page 152 for more details.)

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 a battery SPV, the Company will secure its rights through shareholders' agreements and other legal transaction documents.

Power purchase agreements ("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

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 no 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, but will not be limited to, ROCs and FiTs for UK assets).

The Company will also seek diversification 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, such as borrowing between members of the Group, and revolving credit facilities) will not exceed 40% of GAV at the time of drawdown.

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.

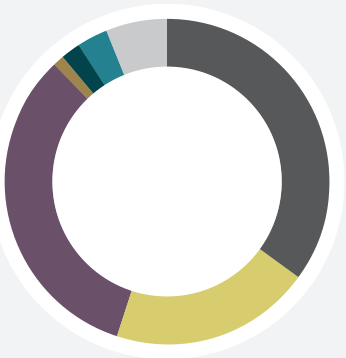
Alternative Investment Fund Management Directive ("AIFMD")

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 firms that manage or distribute Alternative Investment Funds ("AIFs") in the EU or that market shares in such funds to EU investors. Under the AIFMD, the Company is self-managed and acts as its own AIFM.

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

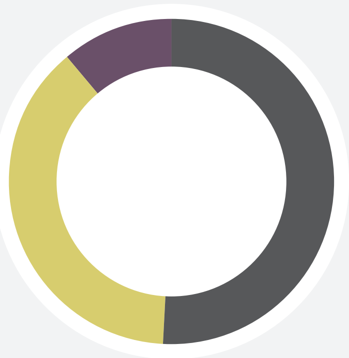
PORTFOLIO ANALYSIS

Global portfolio revenue split



Key:
- UK subsidy income – **35%**
- UK electricity sales – Merchant – **20%**
- UK electricity sales – Fixed – **33%**
- AUS subsidy – Merchant – **1%**
- AUS subsidy – Fixed – **2%**
- AUS electricity sales – Merchant – **3%**
- AUS electricity sales – Fixed – **6%**

Global portfolio revenue split – NPV basis



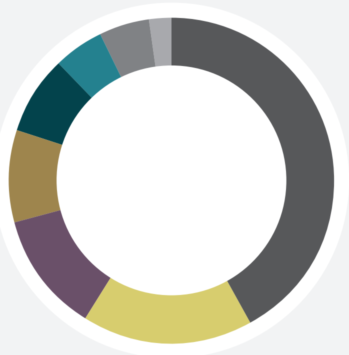
Key:
- Electricity sales – Merchant – **51%**
- Subsidy – **38%**
- Electricity sales – Contracted – **11%**

Countries by production

Key:
- UK – **75%**
- Australia – **25%**
- Spain – **0%**[1]

1. Spanish generation during commissioning has been excluded for 2022 reporting purposes.

O&M contractors by capacity

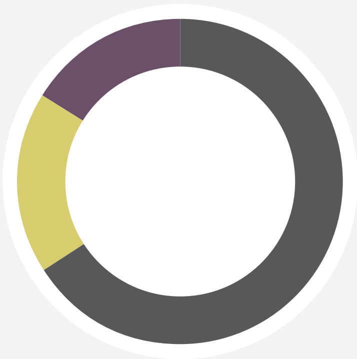


Key:
- Brighter Green Engineering Limited – **42%**
- Anesco Limited – **17%**
- IM2 – **12%**
- Canadian Solar – **9%**
- Belectric Solar Limited – **8%**
- Lightsource – **5%**
- UGL – **5%**
- Other – **2%**

Countries by installed capacity

Key:
- UK – **73%**
- Australia – **16%**
- Spain – **11%**

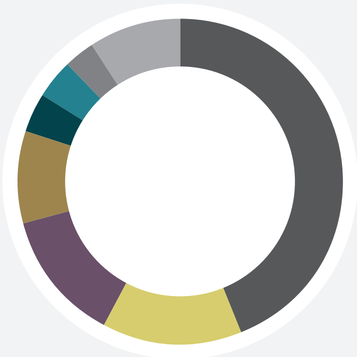
Installed capacity by revenue type



Key:
- ROC – **66%**
- Subsidy-free – **18%**
- LGC – **16%**
- FiT – **0%**[1]

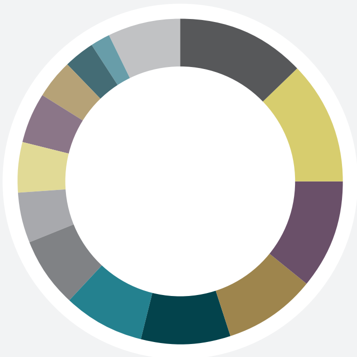
1. Yardwall is the only FiT asset in the portfolio.

Inverters by capacity



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

Solar panel suppliers by capacity



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

STRATEGIC REPORT
GOVERNANCE
FINANCIAL STATEMENTS

INVESTMENT PORTFOLIO

Current portfolio

	Type	Asset	Installed peak capacity (MW)	Operational/ under construction	Acquisition cost[1] (£m)	Revenue type
UK						
1		Wymeswold[2]	34	Operational	45.0	ROC/Electricity sales
2		Castle Eaton	18	Operational	22.6	ROC/Electricity sales
3		Highfields	12	Operational	15.4	ROC/Electricity sales
4		High Penn	10	Operational	12.7	ROC/Electricity sales
5		Pitworthy	16	Operational	19.3	ROC/Electricity sales
6		Hunters Race	10	Operational	13.3	ROC/Electricity sales
7		Spriggs Farm	12	Operational	14.6	ROC/Electricity sales
8		Bournemouth	37	Operational	47.9	ROC/Electricity sales
9		Landmead	46	Operational	52.4	ROC/Electricity sales
10		Kencot Hill	37	Operational	49.5	ROC/Electricity sales
11		Copley	30	Operational	32.7	ROC/Electricity sales
12		Atherstone	15	Operational	16.2	ROC/Electricity sales
13		Paddock Wood	9	Operational	10.7	ROC/Electricity sales
14		Southam	10	Operational	11.1	ROC/Electricity sales
15		Port Farm	35	Operational	44.5	ROC/Electricity sales
16		Membury	16	Operational	22.2	ROC/Electricity sales
17		Shotwick	72	Operational	75.5	ROC/Electricity sales
18		Sandridge	50	Operational	57.3	ROC/Electricity sales
19		Wally Corner	5	Operational	5.7	ROC/Electricity sales
20		Coombeshead	10	Operational	36.6 (Acquired as portfolio)	ROC/Electricity sales
21		Park Farm	13	Operational		
22		Sawmills	7	Operational		
23		Verwood	21	Operational		
24		Yardwall	3	Operational		FiT/Electricity sales
25		Abergelli	8	Operational	3.7	ROC/Electricity sales
26		Crow Trees	5	Operational	1.8	ROC/Electricity sales
27		Cuckoo Grove	6	Operational	2.5	ROC/Electricity sales
28		Field House	6	Operational	3.1	ROC/Electricity sales
29		Fields Farm	5	Operational	1.7	ROC/Electricity sales
30		Gedling	6	Operational	1.9	ROC/Electricity sales
31		Homeland	13	Operational	5.2	ROC/Electricity sales
32		Marsh Farm	9	Operational	4.0	ROC/Electricity sales
33		Sheepbridge	5	Operational	1.9	ROC/Electricity sales
34		Steventon	10	Operational	4.2	ROC/Electricity sales

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.

	Type	Asset	Installed peak capacity (MW)	Operational/ under construction	Acquisition cost[1] (£m)	Revenue type
UK continued						
35		Tengore	4	Operational	1.3	ROC/Electricity sales
36		Trehawke	11	Operational	4.7	ROC/Electricity sales
37		Upper Huntingford	8	Operational	3.1	ROC/Electricity sales
38		Welbeck	11	Operational	4.4	ROC/Electricity sales
39		Yarburgh	8	Operational	3.4	ROC/Electricity sales
40		Abbey Fields	5	Operational	1.5	ROC/Electricity sales
41		SV Ash	8	Operational	3.4	ROC/Electricity sales
42		Bilsthorpe	6	Operational	1.9	ROC/Electricity sales
43		Bulls Head	6	Operational	2.2	ROC/Electricity sales
44		Lindridge	5	Operational	1.7	ROC/Electricity sales
45		Manor Farm	14	Operational	6.1	ROC/Electricity sales
46		Misson	5	Operational	2.0	ROC/Electricity sales
47		Nowhere	8	Operational	3.7	ROC/Electricity sales
48		Pen Y Cae	7	Operational	2.9	ROC/Electricity sales
49		Playters	9	Operational	4.0	ROC/Electricity sales
50		Roskrow	9	Operational	3.7	ROC/Electricity sales
51		Sandridge	25[3]	Under construction	12.7	Merchant
52		Clayfords	25[4]	Under construction	14.1	Merchant
53		Lunanhead	25[5]	Under construction	16.4	Merchant
		UK subtotal	**800**		**728.4**	
Australia						
1		Bannerton	53[6]	Operational	22.9	LGC/Long-term PPA
2		Longreach	17	Operational	5.7	Long-term PPA/ Electricity sales
3		Oakey 1	30	Operational	9.2	Long-term PPA/ Electricity sales
4		Oakey 2	70	Operational	34.0	LGC/Electricity sales
		Australia subtotal	**170**		**71.8**	
Spain						
1		Virgen del Carmen	26	Operational	18.0	Long-term PPA/ Electricity sales
2		Los Llanos	49	Operational	64.2 (Acquired as portfolio)	Long-term PPA/ Electricity sales
3		Los Salinas	30	Operational		Long-term PPA/ Electricity sales
4		Los Picos	20	Operational		Long-term PPA/ Electricity sales
		Spain subtotal	**125**		**82.2**	
		Total	**1,095**		**882.4**	

3. Accounts for the 50% stake the Company holds of Sandridge BSS (50MW).
4. Accounts for the 50% stake the Company holds of Clayfords (50MW).
5. Accounts for the 50% stake the Company holds of Lunanhead (50MW).
6. Accounts for the 48.5% stake the Company holds of Bannerton (110MW).

INVESTMENT PORTFOLIO CONTINUED

Portfolio summary

As at 31 December 2022, the Company's portfolio comprised 61 assets with a total net peak capacity of 1,095MW, of which 75MW remains under construction.

In the UK, the Company has an operational portfolio of 50 solar assets with a total installed capacity of 725MW. In addition, the Fund holds a 50% share in three battery storage projects, equivalent to 75MW, that are currently in construction. The Company owns four operational solar assets in Australia, totalling 170MW of installed capacity, and 125MW of installed capacity distributed across four solar projects in Spain that commenced operations in the second half of the year.

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

The Company's Spanish projects do not benefit from regulatory support. These assets bid into the long-term power purchase agreement ("PPA") market, aiming to strike production deals at determined prices with specific counterparties for a certain period, providing a high proportion of contracted revenues. They have been successful in settling those transactions, with the Lorca portfolio signing a ten-year agreement with Statkraft in December 2021 and the Virgen del Carmen project establishing a ten-year offtake agreement with Shell in September 2020.

Acquisitions

Clayfords

In August, the Company announced the acquisition of a 50% equity stake in Clayfords Energy Storage Limited ("CESL"), a 50MW lithium-ion battery energy storage plant based in Aberdeenshire, UK. The project is fully consented and construction-ready, and is expected to start commercial operations at the end of 2024.

CESL represents the Company's second investment into standalone battery storage systems, adding to the Sandridge project in Wiltshire, England, which was acquired in May 2021. Sandridge will provide portfolio diversification and operating efficiencies since it is adjacent to the Sandridge solar park, also owned by the Company.

Lunanhead

A third BSS project was added to the portfolio in September. The Company acquired a 50% equity stake in Gigabox No 4 Limited, known as Lunanhead, which holds the development rights to construct a 50MW energy storage plant in Angus, Scotland.

The project is fully consented and is expected to start commercial operations by mid-2024. It will be connected to Scottish Hydro Electric Power Distribution's network initially for a capacity of 45MW, increasing to the maximum capacity by early 2025.

INVESTMENT MANAGER'S REPORT

QUESTIONS AND ANSWERS WITH THE INVESTMENT MANAGER

Ross Driver recounts some of the opportunities and challenges faced in 2022, discusses the approach for the current year and outlines Foresight Solar's organic growth opportunities.

Ross Driver
Managing Director, Foresight Group

Q

There were many macroeconomic and geopolitical issues affecting energy prices, renewables policy and equity markets in 2022. How would you summarise the year?

A

From an economic perspective, 2022 was certainly a year without recent comparison. Natural gas prices, and by extension electricity prices, were beginning to normalise from elevated levels when Russia invaded Ukraine in late February. The subsequent sharp rise in fossil fuel costs, particularly gas, was the catalyst that sent prices spiralling to the highs of late last year. In the UK and other developed economies, double-digit inflation led central banks to hike interest rates at the fastest pace seen in a generation. In combination, rampant inflation and rising interest rates had a significant impact on investors' risk appetite and, consequently, on equity markets.

In the UK, the already complex macroeconomic environment was compounded by political instability and regulatory uncertainty. Specific details on how the government's Electricity Generator Levy ("EGL") would operate were announced in December, a full six months after the initial indication that a windfall tax might be extended to renewable energy producers. This gap created a long period of uncertainty.

Inflation and what is next for gilt rates remains at the forefront of investors' minds. Political instability, government intervention and the potential for wide ranging market reform, however, risk undermining investor confidence, especially when other countries are planning significant economic support for renewable energy roll-out.

Despite this challenging backdrop, the Company managed to withstand external pressures, grow and deliver strong returns. Good operational availability across the generating portfolio resulted in production above expectations, and the Investment Manager continues to deliver on opportunities with the potential to organically grow the NAV. (Refer to the Alternative Performance Measures ("APMs") shown on page 152 for more details.)

Q

As you mention, Russia's invasion of Ukraine and the UK government's Electricity Generator Levy ("EGL") had a direct impact on energy prices. Did they peak in the third quarter of 2022?

A

That most likely is the case, but it does not mean that energy prices will quickly revert to levels seen in the years before the pandemic. Day-ahead gas prices fell significantly from mid-December to the start of 2023 but remain almost three times the historic average. Remember, Europe has experienced a milder winter than average, a glut of liquefied natural gas arrived in response to price signals, and until recently China was still pursuing its strict zero-COVID-19 policy. It appears the worst is over for now, but it remains to be seen what happens heading into next winter, especially if the Chinese economy can successfully re-open.

Late last year, the UK government provided much-needed clarity on the EGL. Whilst questions about its efficacy remain, mitigating factors in the draft legislation include the introduction of inflation indexation to the benchmark energy price from 2024. The EGL itself is unlikely to dampen immediate pressures in markets that typically forward-hedge power prices several years in advance, but we expect it will provide a meaningful contribution towards the government's price cap subsidy. Prices are falling in response to increased supply and a fall in demand, albeit in the UK there has not been a targeted government scheme on the latter. This helps reduce prices for now, but there could be further bumps in the road before power prices revert to historical averages.

In the near term, Foresight Solar is well insulated from potential falls in power prices thanks to its active hedging approach. The proportion of contracted revenues for the global portfolio now stands at 79% for 2023, 75% for 2024 and 66% for 2025, offering reassurance for dividend cover.

Q

Inflation has been steadily climbing since the COVID-19 pandemic. In the UK, the Consumer Prices Index ("CPI"), a measure of inflation, rose by 10.5% in 2022. What are your expectations for this year?

A

The Bank of England will certainly hope that its programme of rate rises has been sufficient to stem the inflation spiral, and it appears indicators are beginning to fall even if January 2023 inflation remained in double figures.

As with energy prices, peak inflation is now likely behind us and most analysts expect it to fall significantly during the year, but the real question is how quickly that happens. Labour markets remain tight, understandably adding upward wage pressure and core inflation could prove to be stickier than initially thought. Peak passed, but we are not out of the woods yet.

The Company has always taken a prudent approach to inflation estimates and, as measures come down from their December 2022 and January 2023 peaks, our expectation is that the average throughout 2023 will be around 6.5%. Over the medium and long term, inflation assumptions remain unchanged at 3.0% from 2024.

Q

In 2022, the Spanish portfolio became fully operational. Tell us a bit more about the evolution of those assets and what it means for the Company.

A

The four assets in Spain represent an exciting growth story. The Company acquired the project rights to the 125MW subsidy-free portfolio in late 2020, taking advantage of the Investment Manager's presence in the country, and shepherded the projects through construction to full operation.

Located in Granada and Huelva, in the south of Spain, the solar plants are in a region with some of the highest irradiation levels in continental Europe and are expected to make a significant contribution to revenues in 2023.

The Spanish electricity market is one of Europe's most active for the deployment of new renewable projects and continues to be a strong focus for the Company because of the attractive opportunities it offers.

Q

The Company is now able to invest in development-stage projects. How do you see that creating additional value?

A

Development-stage projects are those that have a delivery plan and have secured some form of land rights but still require additional work before they are ready to start construction. This means the upfront capital commitment can be significantly lower than that for "construction-ready" assets. Whilst not all projects in a development portfolio will always achieve final approval for construction, those that do present the opportunity for superior returns. Hence why it is desirable to enter development with a portfolio approach.

The Investment Manager has the expertise to take on such projects, carefully pricing risks and being able to capture that increased financial upside from projects that are built out and brought into operation. Foresight Group has been doing this with joint venture development partnerships for several years, realising strong value uplift as projects reach the ready-to-build stage and once again at construction completion.

Delivery of the Lorca portfolio and Virgen del Carmen in Spain demonstrate the Company is already familiar with the second stage of this strategy. Taking the four assets from construction to operation delivered approximately 2 pence per share of NAV uplift in 2022.

Q

What about battery storage systems ("BSS"), how do they fit into the overall strategy?

A

As the proportion of renewable generation increases, the requirements for grid stability and for services able to rebalance the intermittent nature of solar and wind energy are expected to increase. BSS will gain in importance and will play a significant role in the energy transition. It also offers diversification of revenue streams, both with the ability to capture capacity market contracts but also to arbitrage the peaks and troughs in volatile energy markets.

The Company currently has three BSS assets in its portfolio. Post year end, it entered exclusive negotiations for a potential fourth project, aiming for a closing date by the second quarter of 2023. The development of greenfield BSS projects, and the co-location with solar assets, has strong growth potential, and offers an additional, differentiated source of portfolio revenue with attractive risk/return characteristics.

Q

Looking ahead, what should FSFL stakeholders expect?

A

The Company's investment objectives remain unchanged. Going into its tenth year, the Company continues to build an attractive, diversified portfolio with the goal of preserving and enhancing capital value whilst also delivering a progressive quarterly dividend.

Alongside offering a strong, reliable yield, the Fund will further seek to offer an attractive Total Shareholder Return. As the markets continue to develop, we see a large number of growth opportunities to also offer investors continued NAV growth.

We are doing that with demonstrable environmental, social and governance benefits. We are proud to contribute to the transition to a lower carbon economy.

Our ultimate objective is to be the premium diversified solar energy platform in the industry, and we are delivering that sustainably.

Key investment metrics

	31 December 2022	31 December 2021
Market capitalisation	**£724.6m**	£618.5m
Share price	**118.8p**	101.4p
Dividend declared per share for the year	**7.12p**	6.98p
Gross Asset Value ("GAV")	**£1,296.3m**	£1,172.0m
Annualised total NAV return since IPO	**9.0%**	7.3%
Annualised total shareholder return since IPO	**7.8%**	5.9%
Net Asset Value ("NAV")	**£771.5m**	£660.0m
NAV per share	**126.5p**	108.2p
Profit after tax for the year	**£154.5m**	£117.9m

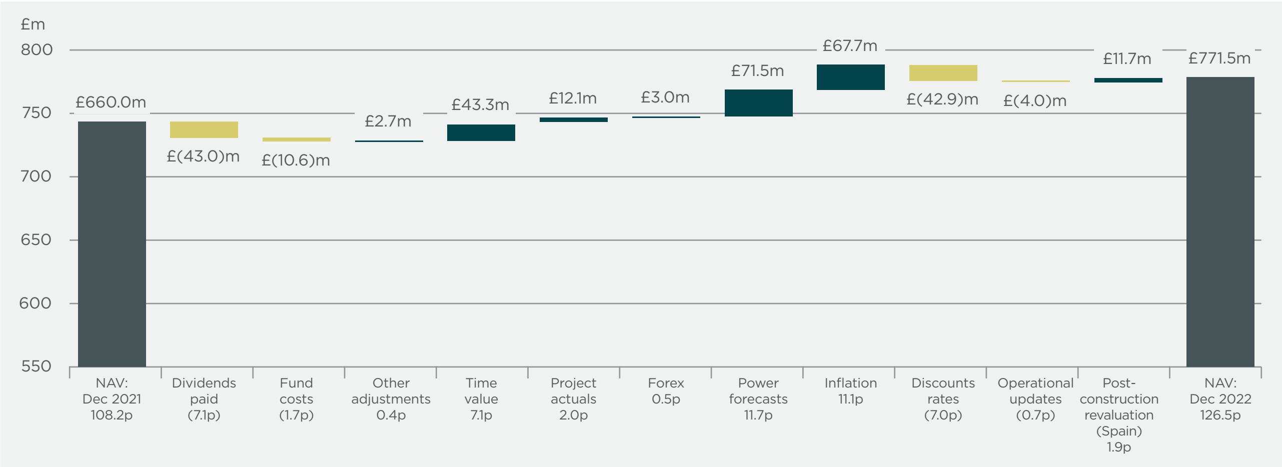
The purpose and calculation methodology of the key APMs are shown on page 152.

Movements in Net Asset Value

The Company's NAV per share increased to 126.5 pence during the year from 108.2 pence in 2021. A breakdown in the movement of the NAV is shown in the table below.

	NAV	NAV per share
NAV as at December 2021	£660.0m	108.2p
Dividends paid	**(£43.0m)**	**(7.1p)**
Fund costs	**(£10.6m)**	**(1.7p)**
Other adjustments	**£2.7m**	**0.5p**
Forex	**£3.0m**	**0.5p**
Time value	**£43.3m**	**7.1p**
Project actuals	**£12.1m**	**2.0p**
Power forecasts	**£71.5m**	**11.7p**
Inflation	**£67.7m**	**11.1p**
Discount rates	**(£42.9m)**	**(7.0p)**
Spanish assets revaluation	**£11.7m**	**1.9p**
Operational updates	**(£4.0m)**	**(0.7p)**
NAV as at December 2022	**£771.5m**	**126.5p**

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



Valuation methodology

The Investment Manager is responsible for providing fair market valuations of the Company's underlying assets to the Board of Directors every quarter. A broad range of assumptions is used in the models. These assumptions are based on long-term forecasts and generally are not materially affected by short-term fluctuations, economic gyrations or portfolio technical performance unless they represent a significant movement. Material changes to long-term forecasts typically have a greater impact.

It is the policy of the Investment Manager to value assets based on 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 and costs accrued during construction or during 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 while the assets have not yet reached commissioning.

This approach adheres to both IAS 39 and IFRS 13 accounting standards (page 125), as well as the International Private Equity and Venture Capital ("IPEV") Valuation Guidelines.

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

Discount rates for valuation

During the year, the Investment Manager reviewed the discount rates applied to the valuation of the portfolio due to increases in government bond rates. As a result of this analysis, discount rates for the UK portfolio were increased by 100bps from 6.0% to 7.0% on a levered basis to maintain an adequate premium to the risk-free rate. 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 8% for subsequent years, reflecting the merchant risk of the expected cash flows beyond the first two and a half decades.

For the Australian portfolio, assets are valued using a discount rate which is dependent on the level of contracted revenues in place. The weighted average discount rate across the Australian portfolio has increased to 8.00% (31 December 2021: 7.88%). This is due to assets with higher discount rates now forming a larger percentage of the Australian portfolio, rather than any underlying discount rate changes.

Since the Spanish assets commenced operation, they moved to valuation on a DCF basis. The discount rate for the three Lorca portfolio assets is 7.5%, whilst the discount rate for Virgen del Carmen ("VdC") is 7.0%. VdC is an unlevered project, therefore a lower risk premium is applied. It should be noted that the discount rates have not been reduced following construction completion given the recent increase in Euribor. As with all jurisdictions, these discount rates will also continue to be reviewed against recent transactions to ensure they reflect market values, and rates will be adjusted accordingly.

The weighted average levered discount rate across the portfolio is now 7.16% compared to 6.26% as at 31 December 2021.

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

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

Asset life

The expected weighted average life of the UK portfolio as at 31 December 2022 is 30.8 years (31 December 2021: 30.6 years) from the date of commissioning. This represents a remaining portfolio useful life of 23.0 years when the historical operational periods are taken into account.

The average useful economic life across 40 of the 50 operational UK assets goes beyond 25 years, averaging 32.3 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 remained stable at 34.4 years (31 December 2021: 34.4 years).

Movements in NAV

Dividends paid

The Company paid £43.0 million in dividends during the year to 31 December 2022.

Fund costs

Total costs were £10.6 million, which predominantly include management fees, financing costs and corporation tax incurred by the Company and its subsidiaries on a consolidated basis.

Other adjustments

Working capital adjustments in relation to the Company and its subsidiaries released £2.7 million.

Time value

A value uplift of £43.3 million, resulting from moving the valuation date forward and, therefore, bringing future cash flows closer to the present (and discounting them less).

Project actuals

Cash generation from UK projects exceeded modelled forecasts by £12.1 million in the year due to electricity generation base case outperformance, which is predominantly a function of the high power prices achieved across the portfolio and of strong operational availability.

Foreign exchange movements

Fluctuations in the exchange rate over the period positively impacted the GBP valuations of the Australian and Spanish assets by £3.0 million.

Power price forecasts

The Company uses forward-looking power price assumptions to assess the likely future income of its assets for valuation purposes. The Company's assumptions are based on a blended average of the forecasts provided by third-party consultants, which are updated on a quarterly basis.

The valuation change of £71.5 million during the period includes the impact of the UK, Australian and Spanish price forecasts. This also includes the effects of the UK Government's Electricity Generator Levy (EGL) on the UK portfolio.

Inflation forecasts

This update reflects actual inflation for 2022, which has been more than the 5% forecast used in the valuation modelling; as well as forecast inflation, which has been increased to 6.5% for 2023. For future years, assumptions remain unchanged: 3% from 2024 to 2030, dropping to 2.25% thereafter to reflect the convergence of RPI to CPIH, which is a more comprehensive measure of inflation. This modelling leads to the £67.7 million uplift.

Discount rates

The Investment Manager reviewed discount rates and, as a result, the UK levered discount rates increased to 7% from 6% during the year, causing the negative £42.9 million impact. The discount rates for other geographies were left unchanged.

Operational updates

Operational updates to the portfolio, including life extensions, newly signed O&M contracts, business rates updates and other asset-related costs came to £4.0 million.

Post-construction revaluation (Spain)

As the Spanish assets began exporting to the grid in the third and fourth quarter of 2022, their valuations moved to a discounted cash flow basis, leading to a £11.7 million gain, equivalent to a 1.9 pence per share increase in the NAV.

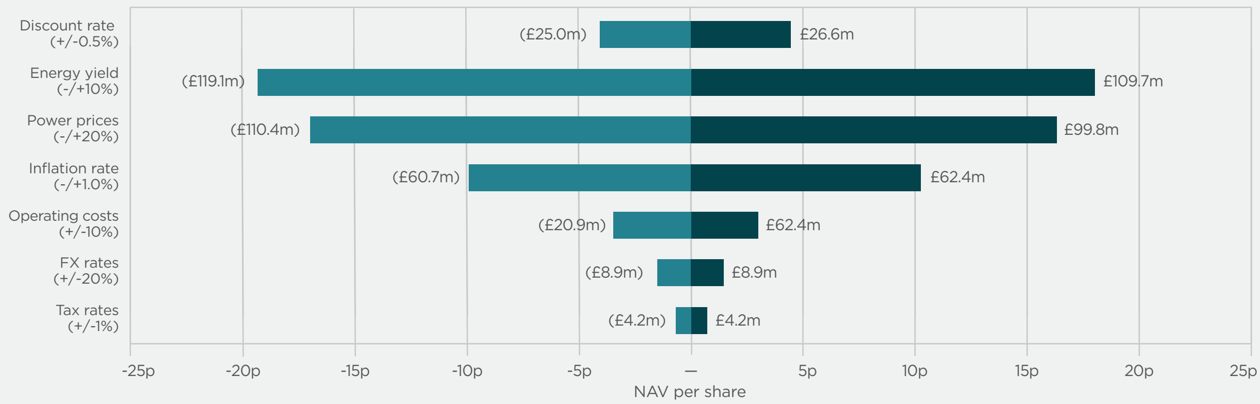
The Lorca portfolio added 1.1 pence per share to the NAV when it reached operations in the third quarter. The Virgen del Carmen project moved to a discounted cash flow valuation in the fourth quarter of 2022, adding 0.8 pence per share to the NAV. This represents a project valuation, whilst the overall NAV factors in the additional costs of bringing the asset to commissioning following schedule delays.

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 chart below shows the impact per share of changes in key valuation assumptions on NAV.)

The Investment Manager has set out the inputs which it has ascertained would have a material effect on the NAV in note 16 of the Financial Statements. All sensitivities are calculated independently of each other.

Impact on NAV per share



OPERATIONAL REVIEW

United Kingdom portfolio performance

The UK operational assets outperformed expectations during the year, with electricity generation 8.6% above base case reflecting annual irradiation that was 9.4% higher than forecast, and after adjusting for financial compensation received.

Whilst irradiation was notably higher during the year, especially over the summer, two other factors ensured high levels of asset availability and helped drive outperformance. The first was the utilisation of key spare parts that the Company has warehoused and the other was the Asset Manager's prompt resolution of a small number of material incidents across the portfolio. Both served to reduce assets' downtime and maintain production.

Some issues, however, were outside the Company's control. In 2022, the portfolio experienced a higher number of distribution network operator ("DNO") outages than in the previous year. The most notable was at Crow Trees, which lasted 12 days. When DNO outages occur, the Asset Manager works with the network operator to minimise their impact. Excluding these types of outages, production during the year was 9.0% above base case.

Another challenge was the lack of supply chain reliability. A few assets were affected by issues with certain inverter manufacturers. In the instances in which these problems have persisted, repowering of the assets was initiated, with works scheduled to begin in the first quarter of 2023 so that all solar farms are ready in time to benefit from the higher irradiation periods from spring.

Health and safety

The unusually hot summer in the UK led to ground fires at two of the Company's assets. Fire services promptly dealt with the incidents at Sandridge and Verwood, and there were no injuries or material impact on the solar farms or their production. Lessons were learnt and have been communicated to the Company's operator partners to further minimise the risk during high irradiation periods in the future.

One RIDDOR (Reporting of Injuries, Diseases and Dangerous Occurrences Regulations) was recorded during 2022 when an electrical fault occurred on an inverter at Verwood. Follow-up actions were undertaken to ensure procedures were correctly followed and to reduce the risk of further incidents.

Health and safety services to the SPVs remain in place via an independent consultancy that continues to provide additional support to the projects. The Asset Manager continues to monitor health and safety incidents and uses the feedback from these events to raise awareness, drive improvements and limit risks.

Ofgem audits

Audits remain open by the Office of Gas and Electricity Markets (Ofgem), the UK energy regulator, and the Asset Manager awaits further instruction to close them fully – but does not anticipate any material issues. At the end of the year, a total of 11 audits remained open awaiting responses from Ofgem, and one was fully closed.

Ofgem continues to request audits and the Asset Manager follows up promptly. As part of the regulator's oversight role, more audits are anticipated in 2023. To prepare for this, the Asset Manager has been conducting mock audits across the portfolio to establish any potential issues in advance and to mitigate the prospect of future reviews.

Security

One theft occurred at Crow Trees in early 2022 that had a minor impact on the solar farm's performance. The material damage and the production losses, however, were recovered in a successful insurance claim.

To minimise these types of occurrences and improve protection – with robust security systems – the Asset Manager completed CCTV upgrades across the portfolio. Additional initiatives, such as mock thefts, were also carried out to identify weak spots and determine potential corrective measures.

In terms of cybersecurity, the Company completed a global portfolio review to identify key risks at operator and asset level. For operational assets, technical risks are being mitigated with the completion of programmes of work to upgrade routers. On newly constructed assets, there is focus on the EPC contract to ensure that cybersecurity specifications are up to date and relevant.

Optimisation

During 2022, concerns about the potential for systemic inverter failures for some manufacturers increased, with the Company more actively reviewing options to repower sites where such risks may become a serious performance issue. The decision stems from the Company's abundance of caution since the inverters in question are not a significant proportion of the portfolio.

Regardless of isolated problems, technical optimisation of assets continued to further improve performance. Special attention was paid to string monitoring and reducing repair times. As part of that process, the Company continued to review the need for key spare parts and to make purchases accordingly. This strategy has proven successful, reducing downtime and driving operational efficiency.

On the commercial front, the work to extend leases continued to progress and the Company secured multiple extensions throughout the year. This has direct, positive financial implications as they are recognised in higher valuations of the assets. The programme of works continues into 2023 and more extensions are expected.

Regarding operations, two key operations and maintenance ("O&M") contracts were signed in 2022. In the first half of the year, a tender was completed for the five Second Generation Portfolio 1 assets, with a new 15-year agreement penned with Lightsource BP, the existing operator.

The second contract was with Brighter Green Engineering, which operates 25 assets in the UK. The agreement includes a reduction in price, with an average cost per megawatt 20% lower, and introducing more robust contractual guarantees to drive the performance of those assets.

The changes resulted in annual cost savings for the Company and uplifts in NAV. (Refer to the Alternative Performance Measures ("APMs") shown on page 152 for more details.)

Australia portfolio performance

The Australian market experienced unprecedented volatility in the first six months of 2022; so much so that the market operator suspended the National Electricity Market ("NEM") in June to address energy security issues.

The wild price variability was a positive for some renewables companies and the elevated spot prices ensured the Company's Australian assets, for example, beat expected revenue in the months to July. In the second half of the year, the NEM returned to normality and re-established historical intraday patterns with negative pricing intervals in the central hours of the day.

Good operational performance from the Company's solar farms was not sufficient to mitigate the lasting effects of La Niña, which continued to limit irradiation across the country and led to generation 12.5% below forecast.

At the state level, in Queensland, despite the government completing the New South Wales interconnector works in May, Units C3 and C4 of the Callide coal plant remained out of service and will continue out of commission until April 2023. This combination of factors will likely result in smaller intervals of negative pricing in the middle of the day, benefiting solar generation.

Looking specifically at the Company's operational assets, Bannerton was affected by network constraints and outages, as well as irradiation levels below budget.

To improve the performance of assets more generally, the Asset Manager worked with a tracker manufacturer to implement a new algorithm that increases energy yield in diffused light conditions and early and late winter sun hours. The new tool was implemented in the first half of 2022.

Spain portfolio update

The three assets of the Lorca portfolio started producing electricity in late June and began full commercial operations in August. The project programme remained on track for construction completion, and the Provisional Acceptance Certificate ("PAC"), a significant milestone towards completion, was signed in December. Lorca is now operating under the Engineering, Procurement and Construction ("EPC") contract warranty and the Asset Manager is working with the EPC contractor to monitor the sites and ensure optimal performance.

Further west, in Huelva, the Virgen del Carmen ("VdC") solar farm commenced exporting to the grid in October and is going through the final commissioning phases of the EPC contract. The project was originally due to complete at the start of 2022, but a combination of delays in achieving the necessary public approvals and a subsequent halt to the energisation process due to wildfire risk meant that the connection occurred materially later. As a result, there were additional costs involved in bringing the asset to operations. These additional overheads were covered from group cash flows, but the project expects to recover liquidated damages from the contractor under the EPC contract.

Due to the recent commissioning date of the solar farms, generation from the Spanish portfolio was not included in the 2022 figures. All four sites are now operating in line with design specifications and with a full year's production in 2023, the projects will make a significant contribution to revenues, and this will be laid out in line with the rest of the portfolio. Spain consistently has some of the best irradiation levels in Europe and, with a supportive regulatory environment, the country remains an attractive market.

Battery storage systems ("BSS") construction update

Sandridge

The Company's 50% investment in Sandridge Battery Storage Limited, a 50MW lithium-ion project located in the UK, experienced construction delays in 2022 because of setbacks in broader grid enhancement works being carried out by the distribution network operator ("DNO").

Operations will now likely start in late 2023 or early 2024, although the effects of the delayed completion are expected to be more than offset by the improved market outlook for large-scale batteries.

OPERATIONAL REVIEW CONTINUED

Battery storage systems ("BSS") construction update continued

Clayfords

Discussions with the DNO took place to bring forward the connection date for the UK-based 50MW project from the second half of 2024. A definitive date, however, has not yet been agreed.

The focus for the next steps of the project is on construction procurement, with the Investment Manager now evaluating options for extending the project to a two-hour duration.

Lunanhead

The principal activity is final negotiation of the EPC contract with the preferred supplier. A framework construction and operation contract is at an advanced stage, with an expected closing date during the first half of 2023.

The Investment Manager is evaluating the possibility to construct the 50MW Lunanhead BSS as a two-hour duration site, which would likely form the basis for future projects.

Electricity generation

The generation figures below for Australia and the UK have been adjusted, where relevant, for events in which compensation has been, or will be, received. The Spanish assets have not been included in the analysis due to their recent commissioning date.

Site	Connection date	MW	Total electricity generation (MWh)	Generation variance vs base case	Irradiation variance vs base case
UK					
Abbey Fields	March 2016	4.9	4,977	0.0%	12.8%
Abergelli	March 2015	7.7	7,352	2.0%	4.9%
Atherstone	March 2015	14.8	14,408	7.5%	10.3%
Bilsthorpe	November 2014	5.7	5,877	11.5%	12.3%
Bournemouth	September 2014	37.3	41,834	8.9%	6.3%
Bulls Head	September 2014	5.5	5,732	14.2%	13.0%
Castle Eaton	March 2014	17.8	17,480	11.8%	12.9%
Coombeshead	December 2014	9.8	10,449	4.6%	6.2%
Copley	December 2015	30.0	31,213	14.3%	14.3%
Crow Trees	February 2016	4.7	4,523	6.8%	19.0%
Cuckoo Grove	March 2015	6.1	6,490	-2.2%	-0.6%
Field House	March 2016	6.4	6,730	6.6%	8.2%
Fields Farm	March 2016	5.0	5,375	16.1%	11.7%
Gedling	March 2015	5.7	5,768	12.6%	16.3%
High Penn	March 2014	9.6	12,530	14.0%	13.1%
Highfields	March 2014	12.2	9,857	11.3%	11.3%
Homeland	March 2014	13.2	14,414	6.1%	4.0%
Hunters Race	July 2014	10.3	10,934	5.7%	6.6%
Kencot Hill	September 2014	37.2	38,110	9.0%	7.6%
Landmead	December 2014	45.9	45,705	10.0%	13.2%
Lindridge	January 2016	4.9	4,680	1.9%	8.8%
Manor Farm	October 2015	14.2	13,802	12.0%	12.8%
Marsh Farm	March 2015	9.1	9,638	6.5%	7.7%
Membury	March 2015	16.5	17,292	12.3%	8.2%
Misson	March 2016	5.0	4,229	-8.9%	6.8%
Nowhere	March 2015	8.1	8,888	13.5%	15.1%
Paddock Wood	March 2015	9.2	10,176	12.6%	9.4%
Park Farm	March 2015	13.2	12,577	8.0%	9.0%

Site	Connection date	MW	Total electricity generation (MWh)	Generation variance vs base case	Irradiation variance vs base case
UK					
Pen Y Cae	March 2015	6.8	5,819	-7.6%	6.7%
Pitworthy	March 2014	15.6	16,017	14.9%	7.0%
Playters	October 2015	8.6	9,313	10.9%	13.7%
Port Farm	March 2015	34.7	35,066	9.0%	9.2%
Roskrow	March 2015	8.9	8,838	-1.6%	3.2%
Sandridge	March 2016	49.6	48,628	4.1%	8.7%
Sawmills	March 2015	6.6	6,664	1.5%	5.7%
Sheepbridge	December 2015	5.0	4,608	-0.2%	15.2%
Shotwick	March 2016	72.2	68,481	8.8%	7.5%
Southam	March 2015	10.3	10,485	11.0%	8.2%
Spriggs Farm	March 2014	12.0	13,104	15.0%	8.2%
Steventon	June 2014	10.0	10,319	6.4%	11.1%
SV Ash	March 2015	8.4	8,536	12.9%	9.9%
Tengore	February 2015	3.6	3,861	8.5%	5.4%
Trehawke	March 2014	10.6	10,967	4.1%	6.8%
Upper Huntingford	October 2015	7.7	7,618	6.4%	6.3%
Verwood	February 2015	20.7	22,391	8.5%	8.7%
Wally Corner	March 2017	5.0	5,104	5.6%	6.8%
Welbeck	July 2014	11.3	11,485	9.8%	13.3%
Wymeswold	March 2013	34.5	34,247	11.6%	12.8%
Yarburgh	November 2015	8.1	8,427	9.6%	13.7%
Yardwall	June 2015	3.0	3,248	4.2%	3.8%
Total		**723.2**	**734,266**	**8.6%**	
Weighted total					**9.4%**
Australia					
Bannerton	July 2018	53.4	71,838	-9.2%	-9.5%
Longreach	March 2018	17.3	31,422	-6.8%	-7.0%
Oakey 1	February 2019	29.7	49,420	-2.1%	-10.5%
Oakey 2	May 2019	70.0	95,636	-20.6%	-15.5%
Total		**170.4**	**248,316**	**-12.5%**	
Weighted total					**-11.8%**
Overall portfolio					
Total		**893.6**	**982,582**	**2.3%**	**2.1%**

CASE STUDY

BATTERY STORAGE SYSTEMS (“BSS”)

LONGER DURATION OPPORTUNITIES

Context

Since the implementation of the Electricity Market Reform (“EMR”) in the UK in 2013, the take-up of renewable generation increased to 38% in 2021 from 13% the year the policy was implemented. That share is likely to continue to grow if the country is to meet its 2050 net zero target. With more and more nations seeking to deliver on their own decarbonisation goals, the reliance on solar and wind production will only rise.

The intermittent nature of renewables, however, needs to be balanced with storage solutions if grid operators are to successfully manage supply and demand requirements.

It was the opportunity to capitalise on the nascent battery storage market that led Shareholders to vote overwhelmingly in favour of updating the Company’s investment policy in 2020 to include BSS projects.

In the time since, the Company has acquired stakes in three UK-based projects, and the Investment Manager has an extensive pipeline of yield-accretive BSS opportunities from trusted partners.

The storage market is growing quickly. In 2022, the UK added a record 800MWh of new utility-scale energy storage capacity, bringing the total of connected projects to 2.6GWh. The country’s battery pipeline has also continued to grow, reaching 34.5GW in December.

That same month, the EPEX wholesale day ahead market reached a new record high of £2,585/MWh. Roughly two weeks later, the N2EX wholesale market settled a record low price of minus £50.08/MWh. Negative pricing provides BSS with an opportunity to be paid to charge, and longer duration projects can take advantage of this to maximise revenues when pricing in other markets, such as ancillary services, is not as favourable.

After the year ended, in January 2023, the balancing mechanism registered the highest monthly volume of battery dispatches since late 2020. Numbers almost tripled to reach 0.3% of the BM total, demonstrating the BSS growth potential.

Description of revenue streams

Types	Ancillary services	Wholesale markets	Balancing mechanism (“BM”)	Capacity market
Potential	Ancillary services have been the dominant revenue stream for BSS. Batteries’ fast response times make them ideally suited to help balance grid requirements. Since the energy throughput required is relatively low, there’s limited additional benefit to longer duration systems – although they can still tap this market.	This platform for buying and selling electricity has multiple duration contracts, including intraday and years-ahead deals. Longer duration assets have the capability to trade over multiple auction blocks, making them a good option for this type of market.	BM ensures balance is maintained in the power system. Longer duration assets can secure higher revenues due to their higher capacity.	These long-term contracts pay for batteries’ availability to provide capacity in case of system stress. Longer duration projects can be available for more time, leading to higher revenues. A two-hour asset, for example, can earn almost two times more than a one-hour site for contracts awarded in the same auction.
Best-placed technology	Shorter duration	Longer duration	Longer duration	Longer duration

Rationale

The abundance of projects has made longer duration assets even more appealing.

Part of that is due to the fast-evolving nature of the market. Short duration sites coming online have had a direct impact in the ancillary services market, increasing supply and pushing down revenues. One way to counter this budding saturation is to branch out to other revenue streams, capitalising on trading in the wholesale market, tapping capacity markets, and increasingly benefiting from the balancing mechanism. Longer duration sites are better positioned to capture these opportunities and generate growth for the Company.

Another important aspect of BSS projects with higher capacity is the potential to benefit from increased economies of scale in construction and connection. EPC contractors, for example, are offering more appealing terms for two-hour solutions, making these projects even more competitive in comparison to their one-hour counterparts. The longer duration sites may also be connected at transmission level, which provides the potential for additional revenue streams and for reduced upfront grid connection costs.

Considerations

The location of BSS sites is crucial to maximise returns. Parts of the network where batteries can turn up to solve locational constraints are the ones that offer the highest revenue potential. For longer duration assets, operating in a place where energy costs are high at peak times but there is cheap energy available because of turning down for constraints can be especially profitable.

Another relevant consideration is tied to the improved reliability of the latest battery storage technology, especially when it comes to its environmental footprint. Ensuring the traceability and the compliance of all project components and suppliers is already standard practice for the Company (as described in the Sustainability section of this report, on page 42, but it's something that has even stronger relevance when it comes to the extraction of the commodities needed to produce batteries.

Overview of existing assets

Project	Clayfords	Lunanhead	Sandridge
Site location	Aberdeenshire	Angus	Wiltshire
Technology	Li-ion	Li-ion	Li-ion
Project size	50MW	50MW	50MW
Status	Ready to build	Ready to build	Ready to build
Target operations start date	H2 2024	H2 2024	H1 2024
Regulatory regime	Subsidy-free	Subsidy-free	Subsidy-free
Total investment amount	Current total expected costs for the three projects at 1-hour durations amount to approximately £43 million – for the 50% equity stake in each of the assets		

SUSTAINABILITY AND ESG

The Company's direct investments into solar energy generation and battery storage support global decarbonisation targets and the broader sustainability agenda.

Highlights

During 2022, the Company delivered on several landmarks:

- **1,113GWh[1] of clean electricity generated, enough to power 383,900 UK homes**
- **859,486 tonnes of carbon dioxide emissions avoided[2]**
- **£177,602 contributed to communities via benefits payments to local authorities**
- **100% of assets aligned with the EU Taxonomy, based on internal assessment**
- **93% of key suppliers have undergone enhanced due diligence checks on the Ethixbase platform, providing greater visibility over the supply chain and helping mitigate the risk of forced labour amongst the Company's panel and inverter manufacturers, and O&M providers**
- **The Investment Manager launched its Nature Recovery Ambition Statement, which will pave the way for a Solar Nature Recovery Blueprint – a tool to help restore nature and improve biodiversity across the Company's natural assets**

Ratings

The Investment Manager is a signatory to the Principles for Responsible Investment ("PRI"), a set of voluntary guidelines that help companies address social, ethical, environmental and corporate governance issues as part of the investment process. The scorecard for Foresight Group's latest annual assessment is available via the PRI's assessment portal but, in summary, the Investment Manager achieved:

- 5-star rating for Infrastructure
- 5-star rating for Investment & Stewardship

Approach to sustainability

Sustainability and environmental, social and governance (ESG) considerations are central to the Company's strategy, helping drive decision-making in both its investment and asset management processes.

A key component of this is the Company's ability to quantify, measure and enhance the sustainable impact it generates as a result of its investments and operations. The nature of the Company's business activities means it is well positioned to serve the needs of investors seeking to achieve positive environmental and social outcomes alongside attractive financial returns.

The Investment Manager's Sustainable Infrastructure Investment Strategy is based on:

- Establishing **sustainability-led investment strategies**, informed by Foresight's sustainable investment principles and considering climate risks and opportunities
- Incorporating sustainability and ESG into investment processes using **proprietary systems for assessing and enhancing sustainability performance** throughout the investment lifecycle
- **Ongoing monitoring and management** of sustainability performance through collection and analysis of Portfolio Sustainability Metrics, driving performance optimisation
- **Reporting** to all relevant stakeholders in a transparent way

1. This represents the unadjusted generation total for all solar sites in the portfolio irrespective of ownership stakes or loss adjustment.
2. As of 2023, the Company will start using the International Financial Institutions ("IFI") approach. More detail on this can be found on page 40.

Sustainable Finance Disclosure Regulation ("SFDR") categorisation of fund

As a UK-managed entity, the Company is not obligated to deliver the EU-legislated reporting requirements under SFDR.

Due to the sustainable nature of the Company and its assets, however, it is currently in the process of obtaining Article 9 status under SFDR. The necessary disclosures will be published once this process has been finalised.

Pursuant to Article 11 of SFDR (which requires transparency via periodic reports), disclosures relating to the Company's overall sustainability-related impact by means of relevant indicators will be included in the SFDR Product Disclosures. The Principal Adverse Impacts ("PAI") of its investment decisions on sustainability factors will also be included and updated on an annual basis.

EU Taxonomy alignment

A key element of the European Commission's sustainable finance agenda, the EU Taxonomy is a classification system that provides transparent, science-based, industry-specific thresholds to determine truly sustainable assets and funds. The classification system aims to provide assurance to investors that projects make a genuine contribution to sustainability targets whilst also having no material negative environmental consequences.

Following internal review, 100% of the Company's assets were assessed as being aligned with the EU Taxonomy. The assessment involves scrutinising each asset against the EU Taxonomy's Technical Screening Criteria, inclusive of the Do No Significant Harm ("DNSH") criteria, to ensure that the projects meet the required standard.

Sustainable impact reporting

The UN's Sustainable Development Goals ("SDGs") are a set of 17 objectives that seek to mobilise the international community to deliver sustainable development by 2030. They represent a key driver of the Company's investment activities.

The table below and the subsequent graphic demonstrate to which SDGs the Company contributes, the underlying targets that contribution is measured against and the yearly performance.

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.	Achieved through the reduction of pollution and emitted greenhouse gases ("GHGs") by the installation and management of low-carbon energy generation assets.
7. Affordable and clean energy	**7.2** Increase substantially the share of renewable energy in the global energy mix.	Achieved by reducing reliance on fossil fuels by investment in utility-scale, renewable energy generation assets.
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.	Achieved by future-proofing energy systems through investment in de-centralised, interconnected generation assets, using the latest technologies to maximise electrical output.
13. Climate action	**13.3** Improve education, awareness-raising and human and institutional capacity on climate change mitigation, adaptation, impact reduction and early warning.	Achieved by raising awareness and improving institutional capacity on climate change mitigation.
15. Life on land	**15.5** Take urgent and significant action to reduce the degradation of natural habitats, halt the loss of biodiversity and, by 2020, protect and prevent the extinction of threatened species.	Achieved by preserving the integrity of land through investment in low-impact and low-polluting technologies and introducing environmental initiatives through active asset management, supporting biodiversity and the ecosystem.

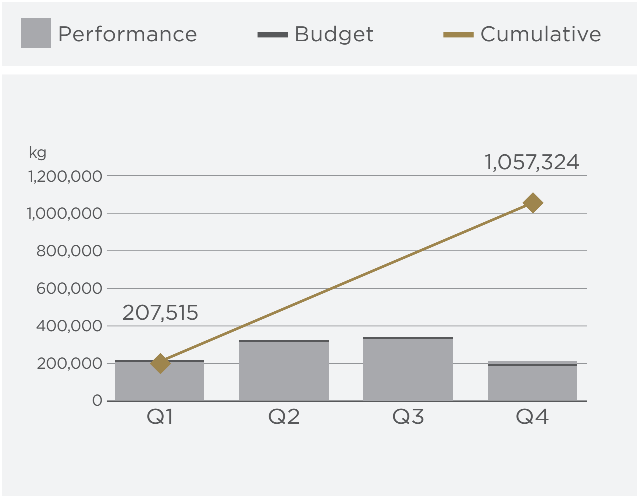
Good health & well-being

601,195kg
NOx (nitrous oxide) avoided vs energy generated from gas

10,465kg
PM10 avoided (μm10 particulate matter)

440,876kg
SOx avoided (sulphur dioxide)

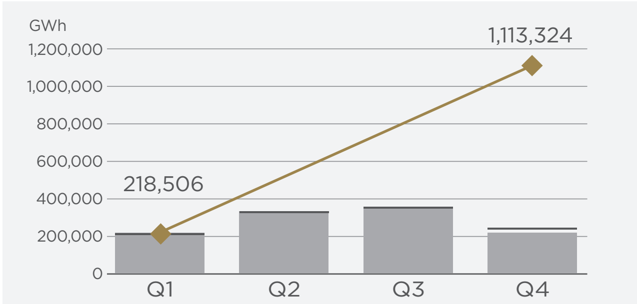
4,787kg
PM2.5 avoided (μm2.5 particulate matter)



Affordable & clean energy

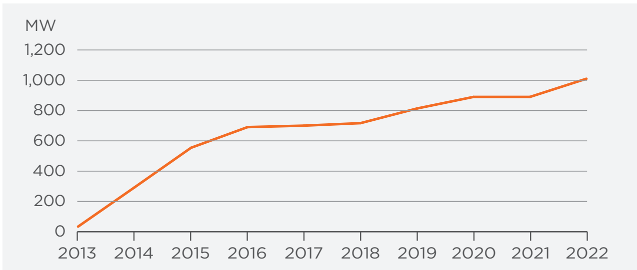
1,113GWh
Renewable energy

383,905
Homes powered for a year



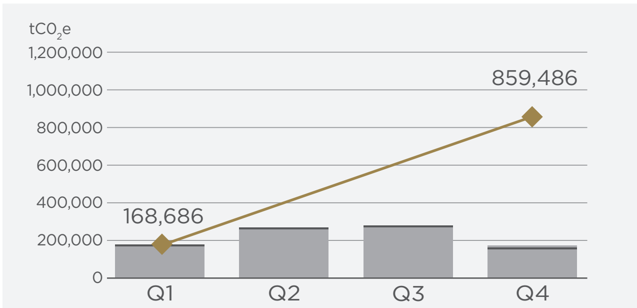
Industry, innovation & infrastructure

1,095MW
Renewable generation capacity added to the electricity grid



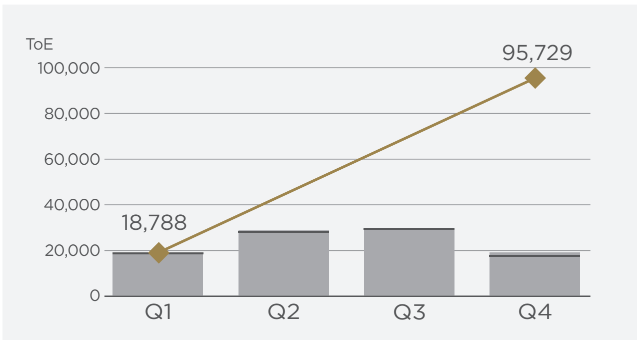
Climate action

859,486 tCO_2e
Emissions avoided compared to coal



Life on land

95,729 ToE avoided
(Tonnes of oil equivalent) contributing to the avoidance of fossil fuel use



Portfolio Sustainability Metrics

For the Company's operational sites, a series of metrics are reported on quarterly, tracking sustainability and ESG performance via the Investment Manager's data platform, Sennen. In 2022, the Company completed its first full year of reporting against these metrics for each asset.

This information forms part of the Investment Manager's commitment to ongoing monitoring and is processed to generate data pertaining to sustainable impact, emissions reporting, social value, community benefits payments and other statistics pertaining to employment, Inclusion & Diversity, and waste management.

For the coming year, continued emphasis will be placed on encouraging participation from across the operator base to ensure the dataset continues to improve in quality and consistency. The information from 2022 will also give the Company a robust baseline against which to compare future results and help identify new opportunities for enhanced sustainability performance across the portfolio.

GHG emissions

Zero

(2021: Zero)

Scope 1 GHG emissions (tCO_2e)

897

(2021: 1252.69)

Scope 2 GHG emissions (tCO_2e)

21,410

Scope 3 GHG emissions (tCO_2e)

Carbon footprint

1.16

(2021: 1.9)

Carbon footprint (tCO_2e/£1m invested)

Weighted Average Carbon Intensity ("WACI") of investee companies

5.17

(2021: 10.66)

WACI of investee companies (tCO_2e/£1m revenue)

Share of non-renewable energy consumption and production

85%

(2021: 59%)

% share of assets with a renewables tariff for on-site consumption

76%

(2021: 54%)

% of overall portfolio consumption from renewable sources

100%

(2021: 100%)

% of energy generated from renewable sources

Board gender diversity

40% female

(2021: 40% female)

Average ratio of female to male Board members

60% male

(2021: 60% male)

Average ratio of male to female Board members

Emissions reporting

Emissions avoided

As demonstrated, the Company tracks and reports on the tonnes of CO_2e[1] emissions avoided as a result of its investments.

The Investment Manager has been undertaking a full review of the GHG emissions avoidance calculation methodology to reflect best practice and, going forward, intends to calculate them using country-specific grid emissions factors for the geography in which the asset is based, rather than the previous approach of using coal as the sole comparator.

This adjustment follows the International Financial Institutions ("IFI") Approach to GHG Accounting for Renewable Energy Projects and uses the Harmonised IFI Default Grid Factors for calculation. The modification will result in a lower number of avoided emissions being reported but they will be calculated using a more standardised approach to GHG accounting.

Absolute emissions

Although the Company's investment activities make a significant and quantifiable contribution to climate change mitigation through decarbonisation of the energy system, there are still emissions associated with the operation and maintenance of the portfolio.

The table on this page represents the key Scope 1, Scope 2 and Scope 3 carbon emissions statistics for the Company's operational assets. Scope 1 and Scope 2 data have been collected as part of the quarterly operational reporting and then calculated in accordance with GHG Protocol guidance.

Meanwhile, the Investment Manager continues to work with its supply chain to gain a better understanding of their emissions and enable more accurate calculation of associated Scope 3 emissions.

In the interim, the Scope 3 emissions presented below have been calculated using the Partnership for Carbon Accounting Financials ("PCAF") methodology, a financial industry-led group that aims to develop and implement a harmonised approach to assess and disclose greenhouse gas emissions associated with investments and loans. The calculation is based on project-specific revenues and on the official statistical PCAF information that provides region and sector-specific average emissions factors. The database has been created to provide PCAF participants with a large set of publicly available emission factors enabling them to perform an initial assessment of emissions associated with their investment activities. Even though it is a widely accepted approach, it has its limitations and the data remains generic. The intention is to continually refine this analysis as more of the Company's supply chain begins to report their emissions data.

Emissions avoided:

Compared to coal generation

859,486

tCO_2e avoided

Compared to country-specific grid intensity[2]

414,341

tCO_2e avoided

Absolute emissions:

Scope 1

0

tCO_2e

Scope 2

897

tCO_2e

Scope 3[3]

21,410

tCO_2e

Total Scope 1, 2 and 3:

22,307

tCO_2e

1. CO_2e, or carbon dioxide equivalent, is a standard unit for measuring carbon footprints which uses CO_2 equivalencies for all greenhouse gases ("GHGs") to enable a single figure for emissions reporting.
2. For consistency of reporting, both figures will be presented for both this Annual Report and the subsequent Interim Report, after which the previous methodology will cease to be used.
3. Data quality is assessed to be Data Quality 5.

Case study:

Nature Recovery Blueprint in collaboration with the Eden Project

Towards the end of 2022, the Investment Manager launched its Nature Recovery Ambition Statement. Written in collaboration with the Eden Project, its sustainability partner. The statement sets out the Investment Manager's ambition to drive nature recovery and deliver biodiversity enhancements across its portfolio.

One of the larger initiatives underway with the Eden Project is the composition of a "Nature Recovery Blueprint," which will seek to guide land managers on the practical actions they can take to measure, manage and improve nature and biodiversity across their land holdings. The Company's solar portfolio is acting as the basis for this blueprint, and specific sites have been selected as potential pilot projects, where targeted approaches to sustainable land management and proactive, nature-focused interventions will be applied to try and maximise biodiversity gain.

As mentioned in the 2022 Interim Report, Sandridge solar farm is the first of these projects. As one of the Company's larger sites, it offers huge potential for the implementation of nature recovery interventions that have the ability to create meaningful change to the site's biodiversity.

The Company will continue to provide progress updates on the partnership with the Eden Project and the associated plans for the portfolio.

Supply chain due diligence

The Company believes there is no "one-size-fits-all" approach to solving supply chain issues. As such, the Investment Manager takes a layered approach to the mitigation of sustainability and ESG risks. The cumulative effect of this overlay is a combination of actions that helps diminish exposure to prevalent risks within the supply chain. These actions include, for example:

- **Selective fund geographies –** Setting investment strategies focused on geographies with strong regulatory frameworks
- **Robust internal DD processes –** Interrogating key counterparties and their governance frameworks at the project level
- **Promulgation of a Supplier Code of Conduct –** Referencing directly the "UN Guiding Principles on Business and Human Rights" and the "OECD Guidelines for Multinational Enterprises," and contractually binding counterparties to uphold the Code of Conduct
- **Direct engagement –** Interacting with primary, secondary and tertiary suppliers to interrogate their approaches to risk mitigation within their own supply chains
- **Enhanced DD –** Using specialist third-parties to conduct in-person audits of higher-risk counterparties and their facilities
- **Collaboration –** Working with industry partners and peers to deliver more effective engagement with key suppliers
- **Ethixbase platform –** Enabling indirect interrogation of suppliers across regulatory and ESG risk via a specialised service

As an investment trust managed by Foresight Group, the Company's policy and practices in relation to modern slavery and human trafficking are covered by the Investment Manager's Modern Slavery Act statement. The statement sets out Foresight Group's approach to matters such as services and supply chain due diligence, training of employees, recruitment and welfare and can be found on the Foresight website: **https://www.foresightgroup.eu/modern-slavery-statement**.

Case study:
Ethixbase and FSFL's primary suppliers

As part of the ongoing work with Ethixbase, the Company committed to use the platform to conduct enhanced due diligence on its primary suppliers for solar panels, inverters and O&M service provision. This obligation also forms part of the Company's sustainability-linked revolving credit facility. During 2022, Foresight Solar conducted enhanced due diligence reporting on 93% of the contractors in the above-mentioned groups.

The Enhanced Due Diligence reports for the Company's existing suppliers contained no material red flags.

Having proactively submitted prospective suppliers through the same Enhanced Due Diligence reporting process, two panel manufacturers were identified as having enhanced levels of human rights risk. These findings were sent to the Investment Manager's compliance team for review. They deemed that until these suppliers could demonstrate that satisfactory measures were in place to address these red flags, they would need to proactively engage with the Investment Manager on enhanced due diligence and be subject to ongoing monitoring if they wished to be considered for any future transaction.

Direct engagement activity with these suppliers has taken place and, since then, the points discussed have been remedied, showing the willingness of providers to address what has become an ever-increasing concern for investors and investment managers.

FSFL suppliers by service category

Key:
- Panel manufacturers – Merchant – **50%**
- Inverter manufacturers – **30%**
- O&Ms – **20%**

Suppliers submitted to enhanced DD via Ethixbase

Key:
- Undergone Ethixbase enhanced due diligence – **93%**
- Not submitted to Ethixbase – **7%**

Case study:
Measuring the social value the Company generates in financial terms

Social value looks to capture and quantify the additional positive value that a business creates. Historically, quantifying social value in financial terms has been difficult to do, but increased visibility of inequality and unrest has been a key factor in driving capital towards socially impactful and community-focused investment strategies. The growing awareness has meant a greater need for this type of assessment.

In 2022, the Investment Manager conducted an exercise to quantify the social value attributable to the Company's portfolio using the themes, outcomes and measures ("TOMs") framework, managed by the Social Value Portal. This methodology ties specific measures to social outcomes, all of which have an associated monetary value, allowing for the calculation in sterling terms.

Each monetary value is broken down and apportioned into three areas: benefit to individuals, benefit to the community and benefit to the government.

The Investment Manager identified the commonalities between the TOMs framework and the metrics the Company reports, resulting in the calculation of the portfolio's total social value. The results are set out in the table in the table on this page.

As integration of sustainability and ESG factors into investment and asset management processes continues to advance, social value potential may be included as a contributing factor to investment decision-making to inform where capital can be best directed.

Savings in CO_2 emissions worth:

£101,360,495

Donations/contributions to local community projects:

£177,602

Promotion of local skills and employment worth:

£67,228

Total

£101,605,325

Climate change-related risk – 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 long-term shareholder returns across many sectors. The Company's investments are making a meaningful contribution towards decarbonisation efforts in the countries in which it operates and the Investment Manager is working to assess climate-related risks and opportunities within the portfolio.

The Company also acknowledges that climate change is 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 their business over time.

As a result, the Company is voluntarily reporting on the Task Force on Climate-related Financial Disclosures for the second year. This will continue to develop over time to identify and share both risks and opportunities the Company faces because of climate change.

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 2022, while 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	Strategy	Risk management	Metrics and targets
See pages 44 and 45	See pages 45 to 55	See pages 56 to 58	See pages 59 and 60

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 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 in the Company's investment processes. The Board also ensures that the asset management activities are effective and aligned with market best practices.

Meeting at least once a quarter, the Board and the Investment Manager discuss broader strategic risks and opportunities, ensuring they are monitored and managed. Climate-related risks are incorporated in the Company's Business Risk Assessment (BRA) framework, are reported against on an ongoing basis and are considered in the Company's broader strategy, as well as in its specific assets.

The Board also 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 Manager's Investment Committee (IC) 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 consider and review each proposed investment during a series of meetings that apply increasing scrutiny as a transaction progresses towards completion.

It is the responsibility of the Investment Manager to track all sustainability and climate change related issues and collaborate with 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 due diligence process for sub-contractors on new investments, such as liaising with third-party consultants to undertake supply chain auditing.

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"). (Refer to pages 57 and 58 for further details on the SET.)

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 potential systemic risk. The Asset Manager acts proactively to mitigate such risks.

For example, on certain project sites the Asset Manager has previously overseen the installation of cooling systems to 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 Scope 2 emissions. This tracking 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, contributing to the decarbonisation of the energy system.

It is acknowledged at this stage that further work is required to better understand Scope 3 emissions and the ability to reduce them. Since Scope 3 factors in emissions created by third-party providers, it naturally requires working with partners such as operations and maintenance suppliers to understand their carbon footprints and their plans to reduce them. As previously mentioned, Scope 3 emissions in this report have been calculated using the PCAF methodology, and the associated sector and geography-specific emissions factors.

Governance See pages 44 and 45 | **Strategy** See pages 45 to 55 | **Risk management** See pages 56 to 58 | **Metrics and targets** See pages 59 and 60

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 its investments, asset management and Shareholders. 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.

Task Force on Climate-related Financial Disclosures continued

Governance See pages 44 and 45 | **Strategy** See pages 45 to 55 | **Risk management** See pages 56 to 58 | **Metrics and targets** See pages 59 and 60

Impacts of climate-related risks and opportunities on the Company continued

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

Climate-related risks

Risk	**Lower than forecast power prices due to warmer winters will place pressure on the revenue streams of the generating assets**	**Significant competition for investments as the number of funds and corporates focused on renewable assets increases**
Description	• Climate-driven changes in prevailing seasonal temperatures may result in changes in typical seasonal demand and reduce electricity prices at certain times of the year. • This could result in less predictable, more volatile market pricing.	• Increased competition for investment leads to higher acquisition and construction costs. • Positive regulatory environment incentivises growth of renewables, which requires basic resources, raising commodity prices and increasing costs to construct the Company's assets.
Category	**Transition – Market**	**Transition – Market**
Likelihood	Likely	Likely
Time period	S M L	S M L
Impact	S F E	S F
Investment Manager response	• The portfolio's geographic diversification and strategic composition provides some resilience to changing power prices. • Increased market volatility promotes the case for flexible storage assets, such as batteries, which realise greater trading revenues during periods of heightened volatility.	• The Company has changed its investment mandate to include a modest level of development exposure, enabling it to minimise competition by investing in assets at an earlier stage, or to take advantage of enhanced risk-adjusted returns by bringing assets from development to ready-to-build or operational status.

Time period key:

- S Short term (0-5 yrs)
- M Medium term (5-10 yrs)
- L Long term (10+ yrs)

Impact key:

- S Strategy
- F Financial planning
- E Existing portfolio

Over-deployment of renewables resulting in mass power price cannibalisation	**Extreme weather-related events causing damage to Company assets or negatively impacting their production (e.g. heat stress, flooding, poor irradiation, storms, bush fires)**	**Changing climate patterns fundamentally altering the availability of renewable resource**
• Increased focus on renewables leads to overbuild of renewable capacity. • Low power prices might limit investor appetite because of potential insufficient returns, limiting capital available to continue the build-out of renewables. • Regulators and policymakers may intervene in markets to decouple low marginal cost generation from fossil fuel marginally priced wholesale markets or to alter market signalling (e.g. REMA in UK).	• Risk of unforeseen weather events interrupting site construction, resulting in delays; or operations, leading to downtime or reduced power exportation.	• Unprecedented changes to weather patterns, as observable in Australia – which has been experiencing La Niña-caused events over recent years.
Transition – Market, Policy and legal	**Physical – Acute**	**Physical – Chronic**
Likely	Likely	Likely
L	S M L	S M L
S F E	S F E	S F E
• FSFL reviews its strategy in line with market analysis and movements. It is also actively engaged in regulatory discussions. • The Company introduced battery storage, diversifying the portfolio. In addition, the portfolio comprises a well-diversified set of solar assets by location and points of connection within the UK. • Current investor sentiment indicates that decarbonisation and the renewables sector remain attractive investment opportunities. • National energy movement analyses disagree with discussed levels of cannibalisation.	• During the investment decision-making process, site topography is considered alongside susceptibility to certain weather events such as flooding. This aims to minimise flood risk and limit the effects of extreme wind, for example. • The full range of acute physical weather risks is assessed through sustainability and ESG-focused due diligence during the acquisition process. See heatmap on page 57.	• Asset construction factors in geographical diversity, which ensures the portfolio's exposure to any one market is limited. If chronic patterns persist, models can be updated and markets can be reviewed.

Task Force on Climate-related Financial Disclosures continued

Governance	Strategy	Risk management	Metrics and targets
See pages 44 and 45	See pages 45 to 55	See pages 56 to 58	See pages 59 and 60

Impacts of climate-related risks and opportunities on the Company continued

Climate-related risks continued

Risk	**Climate change placing a greater strain on natural resources required for the construction and operation of Company assets**	**Continued global focus on climate change mitigation, driving technological enhancements and causing displacement of existing assets of the Fund by new technologies**
Description	• Increased risk across international markets should prices for core commodities soar. • Positive regulatory environment, increased climate focus and popularity of renewables could lead to supply issues and price pressures on raw materials. • Increased prevalence of climate-related natural disasters could result in scarcity of commodities if production or supply is disrupted.	• Portfolio technology no longer being the most efficient in the market. • Risk of obsolescence or being outcompeted by more efficient technology.
Category	**Transition – Market, Technology**	**Transition – Technology, Policy and legal, Reputation**
Likelihood	**Possible**	**Unlikely**
Time period	M L	M L
Impact	S F	S E
Investment Manager response	• The development of greenfield assets is an important step forward in the Company's strategy of geographic and revenue diversification. This is currently limited to up to 5% of the GAV of the Company and subsidiaries. • The ability to be agile in its investments protects the Company from a market-wide increase in the price of core commodities required in construction. • The Company considers the risk of supply chain disruptions, procuring and stocking extra parts crucial for operations. This ensures cost savings on the purchases and limits maintenance downtime.	• New, more efficient renewable generation or storage technologies would most likely present an opportunity for the Company since it is well placed to invest in such technologies once proven due to its experience and presence in the market. • Substituting technologies would take a long time to deploy at sufficient scale to render the existing portfolio obsolete. The Company would likely be able to explore repowering opportunities over this timescale.

Time period key:

S Short term (0-5 yrs)
M Medium term (5-10 yrs)
L Long term (10+ yrs)

Impact key:

S Strategy
F Financial planning
E Existing portfolio

Climate-related opportunities

Opportunity	**Increased capital flows directed towards sustainable investing**	**Enhanced focus on battery storage to enable the continued build-out of renewables**
Description	• Continued and accelerated disinvestment from fossil fuels and shift towards renewable energy infrastructure opportunities across capital markets.	• Increased need for grid flexibility and greater demand for battery storage systems ("BSS") infrastructure to help balance the intermittent generation profile of renewables as low-carbon national grids are built out at scale.
Category	**Transition – Market**	**Resource efficiency, Products and services, Markets, Resilience**
Likelihood	**Very likely**	**Very likely**
Time period	S M L	S M L
Impact	S F	S F
Investment Manager response	• Continued deployment of capital into solar and battery storage is advantageous for FSFL since it can enable future fundraising. • This environment sparks a more competitive debt market for assets which are attractive to lenders.	• The Company can currently invest up to 10% of the GAV into BSS. In time, it may be attractive to review the investment mandate's allocation to BSS so the Company can take more active steps in this sector.

Task Force on Climate-related Financial Disclosures continued

Governance	Strategy	Risk management	Metrics and targets
See pages 44 and 45	See pages 45 to 55	See pages 56 to 58	See pages 59 and 60

Impacts of climate-related risks and opportunities on the Company continued

Climate-related opportunities continued

Opportunity	**Increasing volatility in power prices benefits the trading strategies of battery storage assets**	**Changing GHG emissions prices**
Description	• Increased penetration of renewable generation leads to more volatility in electricity markets. More storage is required to both balance and stabilise the grid.	• GHG prices rise, leading to greater demand for renewables as more governments, corporates and individuals look to decarbonise. • Enhanced emissions reporting obligations create a more transparent market, resulting in a market shift towards low-carbon intensity funds.
Category	**Markets**	**Markets**
Likelihood	**Very likely**	**Very likely**
Time period	S M L	S M L
Impact	S F E	S F E
Investment Manager response	• The Company believes these market conditions would provide additional revenue opportunities. Specifically, increased trading revenues for the battery storage assets.	• FSFL predominantly invests in European and Australian solar, so it is well placed to benefit from greater demand for solar power. • As a fund with a low carbon intensity, FSFL is in a good position compared to the wider market. Emissions reporting could become a differentiator for the Company.

Time period key:

- S Short term (0-5 yrs)
- M Medium term (5-10 yrs)
- L Long term (10+ yrs)

Impact key:

- S Strategy
- F Financial planning
- E Existing portfolio

Political and societal support for the energy transition	Growth of sustainability-linked credit facilities	A supportive regulatory and planning environment
• Government policies aimed at facilitating the transition to a net zero carbon economy may subsidise certain technologies to increase their uptake or buildout.	• A growing number of lenders targeting sustainability-led companies that can demonstrate climate change mitigation activities.	• A favourable regulatory environment reduces barriers to extensions and optimisations of existing assets and opportunities for new projects. For example: co-location and BSS plans; opportunities for refinancing extensions; and a greater ability to repower.
Markets, Products and services	**Markets, Products and services**	**Markets, Resilience**
Likely	Likely	Likely
S M L	S M L	S M L
S E	F	S E
• This would create further opportunities for investment.	• FSFL's sustainable investment track record gives it an edge to take advantage of the greater availability of funding. This can help facilitate future portfolio development.	• This can help drive the Company's NAV growth and asset life extension. Ultimately, these ensure the longevity of the Fund and offer a greater level of resilience.

Task Force on Climate-related Financial Disclosures continued

Governance See pages 44 and 45 | **Strategy** See pages 45 to 55 | **Risk management** See pages 56 to 58 | **Metrics and targets** See pages 59 and 60

Impacts of climate-related risks and opportunities on the Company continued

Climate-related opportunities continued

Opportunity	**Greater promulgation of and alignment to international regulation that supports decarbonisation and sustainable investment**	**Technological developments in energy generation and storage that complement the existing Company portfolio**
Description	• The facilitation of more efficient investment into renewables and lower barriers of entry to growing markets.	• Advances in new and existing technologies, both solar and storage, improve efficiency.
Category	**Markets, Products and services, Resilience**	**Resource efficiency, Energy source**
Likelihood	**Likely**	**Likely**
Time period	M L	M L
Impact	S F	S E
Investment Manager response	• The Company is well placed to raise capital in debt and equity markets in new geographies, resulting from lower barriers to entry.	• FSFL would benefit from improvements in solar technologies for future projects. Any advances in solar, energy storage and grid technologies would complement the existing portfolio.

Time period key:

S Short term (0-5 yrs)

M Medium term (5-10 yrs)

L Long term (10+ yrs)

Impact key:

S Strategy

F Financial planning

E Existing portfolio

Further development of renewable markets in Europe and other OECD markets

- Driven by the international communities' increased focus on climate action, a stronger competitive market for offtakers and O&Ms emerges. This offers greater market opportunities and selection.

Markets, Resilience

Possible

M L

S F E

- FSFL will benefit from increased capital deployment opportunities in key target markets, demonstrating the longevity of the Company's strategy.
- This is an opportunity for the Company to enter new advantageous offtake contracts and capitalise on opportunities for corporate PPAs – as has been done for the Spanish assets.

Existing portfolio

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 grow organically whilst continuing to deliver a stable and progressive dividend.

With respect to the existing portfolio, there is a risk that extreme weather conditions may become more commonplace in the future, affecting the assets directly as well as the markets they operate in.

The UK, for example, has experienced a higher frequency of severe flooding in recent years. To stay ahead of it, the Asset Manager continues to carry out flood risk assessments across sites as part of its operational due diligence and management.

On the other hand, in extreme heat, the efficiency of solar panels can also be reduced. In countries such as Australia, severe drought and bush fires may become increasingly commonplace, affecting production. Even in more temperate climates such as the UK, higher temperatures can lead to heat stress on critical equipment. Where this has been observed, fans have been fitted to force cool inverters and transformers. This has been completed at Spriggs Farm and High Fields, for example, but with heat stress likely to become a more prominent issue in the future, sites will continue to be adapted.

Volatility in wholesale power prices is forecast to increase with the retirement of coal and nuclear baseload generation and intermittent renewable power will deliver an increasing proportion of electricity supply. 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 more actively monitor new technologies to ensure that its core assets are not displaced. Solar is currently well placed, offering one of the most cost-effective sources of energy production, 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 the energy transition away from fossil fuels. 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. Significant further investment into solar and battery storage is forecast in the Company's core markets. Russia's invasion of Ukraine in February 2022 also reignited the energy security debate in many Western nations, pushing the renewable agenda higher up governments' priority lists.

Task Force on Climate-related Financial Disclosures continued

Governance	Strategy	Risk management	Metrics and targets
See pages 44 and 45	See pages 45 to 55	See pages 56 to 58	See pages 59 and 60

Strategy continued

All these factors contribute to create an environment supportive of steady growth for the Company as long as it can continue to source investments with attractive returns and acceptable risk profiles. Assuming so, this positive environment should help to improve the Company's success in attracting more capital.

There is, however, risk in the excessive flow of money to the sector. High levels of investment into both solar generation and battery storage can lead to intensified competition for assets as more renewable-focused investment funds are launched in the drive towards decarbonisation and net zero. Greater competition for renewable projects could place downward pressure on returns and heighten the risk of overpayment. In this regard, maintaining discipline is key to ensuring the Company continues to make investments that are value accretive.

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 is a key example. A prolonged fall in electricity prices and the associated merchant revenues for the generating solar portfolio is a significant risk. The Company manages this by forward-hedging. In other words, it secures a significant proportion of income with price agreements up to four years ahead. It retains a level of merchant exposure to make sure it can capture the upside in case prices rise – as was seen in 2022.

Significant deployment of renewable energy generation in a short period of time could lead to greater power price cannibalisation.

The Company's forecasters currently estimate 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 assumptions well below expected levels. However, this will likely result in a reduction in the number of new projects, as many would become economically unviable, and thus re-balance development.

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

Enhanced disclosure of ESG metrics presents an opportunity for clean energy generators to further differentiate their offering to current and prospective Shareholders. It is reasonable to assume that investors will increasingly screen opportunities and allocate capital based on sustainable criteria, including TCFD compliance, and to assume that the companies that score well on those standards will be more successful in attracting capital from such investors.

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

Overview

In the Company's TCFD disclosure in the 2021 Annual Report, it referenced the work with market advisors to establish a more robust and quantitative approach to scenario analysis under different potential climate futures. The Investment Manager has since identified the S&P Global Climanomics platform as offering the most comprehensive analysis across four climate scenarios, integrating not only physical and transition risks, but also climate-related opportunities.

The basis for Climanomics' analysis is the Representative Concentration Pathways ("RCPs") generated by the Intergovernmental Panel on Climate Change ("IPCC"). The RCPs represent a wide range of possible changes in future anthropogenic greenhouse gas emissions ("GHGs") and their impact on atmospheric concentrations of CO_2. The scenarios are best summarised as:

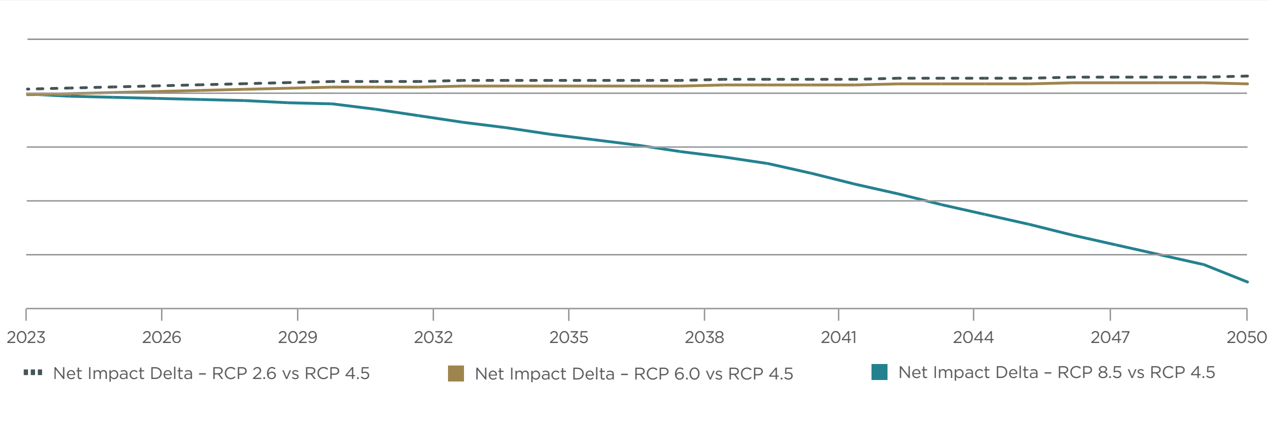
- **RCP 2.5** assumes that emissions peak early and then fall due to the active removal of GHGs from the atmosphere. It is estimated that end-of-century increases in global mean surface temperature will be in the range of 0.9 to 2.3°C.
- **RCP 4.5** implies coordinated action to limit GHG emissions to achieve a global temperature warming limit of approximately 2°C, wherein global emissions peak around 2040 and then decline by 2045.
- **RCP 6.0** assumes a high GHG emission rate with radiative forcing stabilisation only after 2100. It is estimated that end-of-century increases in global mean surface temperature will be in the range of 2.0 to 3.7°C.
- **RCP 8.5** assumes that no major global effort to limit GHG emissions will be brought into effect. It is estimated that end-of-century increases in global mean surface temperature will be in the range of 3.2 to 5.4°C.

Climanomics integrates econometric assumptions driven by high resolution geographic, climate, socioeconomic, business and sector-specific data to the RCPs to quantify climate risk. The models assess both the risks and the opportunities associated with each scenario and generate outputs dependent on asset type. These outputs can then be applied to the Company's valuation model to estimate the potential financial impact in the four different scenarios.

This landscape of scenario analysis is evolving quickly, and current assessments are made with the most credible existing frameworks and input data available. Given the very nature of this analysis, limitations remain. However, the Company is committed to using best-in-class methodologies to accurately estimate its performance under different climate futures and will continue making the necessary adjustments as the methodologies progress.

Estimates

Assuming the RCP 4.5 scenario as the most likely outcome due to the current global emissions trajectory, the below chart shows the assessed central case and the potential variations between the three remaining scenarios:



Applying these estimates to the Company's Net Asset Value ("NAV")[1], it is possible to make an assessment of the potential financial impact in each of the RCPs over the years until 2050:

+0.16p/ share	Central case	+0.13p/ share	-2.1p/ share
RCP 2.6	RCP 4.5	RCP 6.0	RCP 8.5

In terms of categorisation of risks and opportunities, the Climanomics platform fully aligns with the TCFD framework:

- **Physical risk** – Analysing atmospheric data related to acute and chronic climate hazards across temperature, precipitation, drought, wildfire, coastal flooding, tropical cyclones, water stress and fluvial-basin flooding to provide a rigorous estimate of risk under various conditions.
- **Transition risk** – Incorporating modelling of hazards associated with a global transition to a low-carbon economy via litigation, reputational, technology and market risk[2].
- **Opportunity modelling** – Calculating opportunities derived from resource efficiencies, energy sourcing, changing markets and resilience.

Climanomics' methodology estimates direct financial impacts that the hazards are expected to incur on each asset type. Each asset type's vulnerability is characterised by the specific ways in which it is likely to be impacted (i.e."impact pathway") by a given climate-related variable. An asset type's overall "impact function" is comprised of these individual impact pathways. The platform has developed an extensive library of detailed impact functions for a wide variety of sectors, all of which are based on peer-reviewed and government-published research papers.

1. Refer to the Alternative Performance Measures ("APMs") shown on page 152 for more details.
2. Due to the immaterial emissions associated with the portfolio's business activities (disclosed on page 40), carbon pricing has been excluded.

Task Force on Climate-related Financial Disclosures continued

Governance	Strategy	Risk management	Metrics and targets
See pages 44 and 45	See pages 45 to 55	See pages 56 to 58	See pages 59 and 60

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

Risk framework

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 pages 57 and 58) 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 management.

Climate-related risks are identified in the Company's Business Risk Assessment.

As is industry standard, the Company's climate-related risks can be categorised in two principal ways:

Transition risks: Risks related to the transition to a lower-carbon economy

	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

Physical risks: Risks related to the physical impacts of climate change

	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	

These relevant physical risks are placed onto 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				
Probability	**1 Negligible**	**2 Minor**	**3 Major**	**4 Hazardous**	**5 Catastrophic**
5 Almost certain					
4 Likely		Changing precipitation patterns	Heat stress/ Changing temperatures Heat wave		
3 Possible		Storm	Changing wind patterns		
2 Unlikely			Heavy precipitation/ Flood Wildfire		
1 Rare			Landslide		

Managing climate risk

All potential investments are evaluated in accordance with the SET to ensure that they 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 alterations is important. The Investment Manager carries out regular in-house consultations to decide on the individual "weighting" for each metric within the assessment parameters. The weighting dictates the materiality of the metric in the overall asset score, which can be updated based on new information obtained.

The SET 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").

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 metrics, with each weighted based on internal materiality assessments and scored in line with response bands corresponding to a five-point scale:

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

Task Force on Climate-related Financial Disclosures continued

Governance	Strategy	Risk management	Metrics and targets
See pages 44 and 45	See pages 45 to 55	See pages 56 to 58	See pages 59 and 60

Managing climate risk continued

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 a project'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 specific queries.

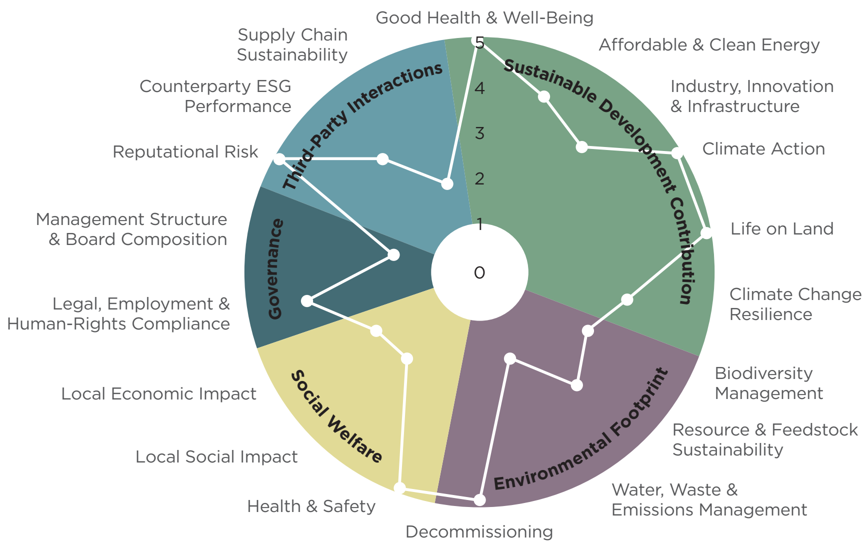
The above-mentioned physical risks are assessed as part of the climate Change Resilience assessment parameter. A climate risk heatmap is then produced and used to identify the most material physical risks assets face from climate-related extreme weather events. This allows for further investigation to be conducted or mitigation measures to be put in place.

During the investment stage, it is the responsibility of the Investment Manager's 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's exposure to risk, ranging from health and safety to climate change. Material changes to the ratings of any risk are considered in line with the periodic reassessment and, where possible, are mitigated accordingly.



Governance	Strategy	Risk management	Metrics and targets
See pages 44 and 45	See pages 45 to 55	See pages 56 to 58	See pages 59 and 60

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.
- Disclose Scope 1, Scope 2 and, if appropriate, Scope 3 greenhouse gas (GHG) emissions and the related risks.
- Describe the targets used by the Company to manage climate-related risks and opportunities and performance against targets.

TCFD Core Metrics

The Company's focus on quantitative reporting on exposure to climate-related risk is achieved using the universally accepted core metrics, as recommended by the TCFD. These include:

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

In line with current guidance from the Financial Conduct Authority (FCA), the UK markets regulator, the calculation of these metrics is performed using Scope 1 and Scope 2 emissions only. In using these core metrics, the Company is able to compare performance, amongst its own assets, but also 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 drive decarbonisation further across the portfolio, and to highlight carbon hotspots in specific business areas as a means of influencing decision making across the business.

For FSFL, the results are:

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 (%)
5.17	897.11	1.16	5.51	0

Task Force on Climate-related Financial Disclosures continued

Governance	Strategy	Risk management	Metrics and targets
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Absolute Emissions (pages 39 and 40)

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

The portfolio sustainability metrics, collected quarterly at the asset level, enable accurate calculation of both Scope 1 and Scope 2 emissions. Meanwhile, the Investment Manager continues to cultivate its relationships with suppliers to gain a more granular understanding of its Scope 3 emissions. It has used the PCAF methodology and the associated geographic and sector-specific emissions factors to estimate its Scope 3 emissions throughout this report.

Sustainable impact reporting (pages 37 and 38)

Tracked against the SDGs, these demonstrate the positive environmental and social benefits created as a result of the Company's investment activities, helping drive forward the global sustainability agenda. This has included the Investment Manager's review of the methodology used to quantify the decarbonisation benefit of the portfolio, which is now aligned to the IFI's Harmonised GHG Accounting methodology. This is used in conjunction with lifecycle emissions intensity figures, drawing on the data presented in the IPCC's Special Report on Renewable Energy (SRREN)[1]. The report uses a 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 Company intends to continue delivering sustainable impact in line with its growth to ensure it is regularly driving forward the decarbonisation agenda.

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

STAKEHOLDERS

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

Stakeholder engagement

Directors are required to always act in good faith and to act in a way that promotes the long-term success of the Company for the benefit of all stakeholders. While Foresight Solar is an investment company with no employees, it has identified its key stakeholders. A description of these main groups, their interests and how the Board has taken these interests into account when making decisions is set out in the following pages.

Shareholders

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

All Shareholders are invited to the Annual General Meeting, where they have the opportunity to ask the Directors, including the Chairman, questions, as well as the Chairs of the Audit and Risk, Remuneration, Nomination and Management Engagement Committees.

Shareholders are also invited to submit questions to the Company, its Directors and the Investment Manager in advance of the AGM to maximise this engagement opportunity.

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

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 multiple direct engagement sessions with major Shareholders. The main topics covered during these sessions were the operational performance of the portfolio and the factors influencing the Company's Net Asset Value, as well as the methodology implemented in calculating it. Towards the end of the year, Shareholders were also interested in understanding the potential impacts of the UK government's Electricity Generator Levy on Company performance and on the Investment Manager's power price forecasts. Consistent with previous years, Shareholders were also interested in understanding 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 at least quarterly and provide an overview of Shareholders' feedback, along with recommendations on how to address any concerns they might have 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 to ensure Shareholders' expectations are being met and that the Board is cognisant of challenges the Investment Manager may be facing.

The Board and the Investment Manager maintain an ongoing and open dialogue about the Company's key issues to ensure that the latter's recommendations and the former's decisions are aligned with achieving long-term Shareholder value. More details on the Management Engagement Committee's review of the Investment Manager can be found on pages 92 and 93.

Communities

The Company remains committed to proactively engaging with the communities in which it operates. Details of the Company's community initiatives can be found on page 43.

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 feedback from its key service providers.

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

STAKEHOLDERS CONTINUED

Summary of key stakeholders

Stakeholder group	Key stakeholder interests	Key decisions impacting stakeholder group during the year
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 7.12 pence per share for 2022. • Amended the Investment Policy to allow the Company to deploy up to 5% of its Gross Asset Value (GAV) in development-stage projects. • Acquisition of 50% equity stake in Clayfords Energy Storage Limited, a 50MW BSS development opportunity. • Acquisition of a 50% equity stake in Project Lunanhead, a 50MW BSS development opportunity.
Lenders • Banks.	• Diversification and resilience of income streams. • Quality of security provided for liabilities. • Ability to meet debt servicing requirements.	• New three-year RCF facility of £150 million with an uncommitted accordion facility of up to £30 million.
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.	• Additional flexibility to deploy capital to development-stage projects. • Diversification of the portfolio with additional BSS purchases.
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, continued engagement with service providers through the Company's Management Engagement Committee.

Stakeholder group	Key stakeholder interests	Key decisions impacting stakeholder group during the year

Regulators
• Jersey Financial Services Commission.
	• 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
		• Ongoing oversight of all service providers to support the Company's successful operations and 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.

Asset-level counterparties • Operations and maintenance ("O&M") contractors. • Supply chain counterparties. • Landowners. • PPA counterparties.	• 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.	• Continued engagement through the Investment Manager. • Growth of commercial relationships through new acquisitions and development opportunities.
Local communities • Local authorities and agencies. • Area residents. • Landowners. • Community funds.	• Frequent engagement with local authorities to ensure safe and compliant operation of assets. • Active engagement with local authorities on construction planning and permissions. • Regular interaction between the owners of land on which assets operate and the asset management team. • Educational site visits for local community schools and colleges.	• Details of the Company's community initiatives can be found on page 43.

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 its 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 to reduce the likelihood and the impact of principal and emerging risks. Reliance is placed on the internal systems and controls of the Investment Manager and on external service providers, such as the Administrator, to effectively manage risk across the portfolio and maintain an up-to-date risk register.

Risk management, as well as the Risk Management Framework, are regularly reviewed by the Audit and Risk Committee and then checked in detail by the Board at least annually.

Principal risks

Set out on the next page are the principal risks and uncertainties, along with their mitigants, which the Company believes are most relevant given the nature of its business.

During the year, the risks that have been most closely monitored are those related to direct government market intervention, such as windfall taxes; the effects of a higher interest rate environment; and volatile power prices. These risks are meticulously tracked because of their potentially significant impact on cash flow generation in the short and medium term.

Whilst the Company has benefited from elevated power prices and strong cash generation in 2022, the Investment Manager is closely monitoring the level of risk posed by sustained higher costs if electricity prices fall back to historic averages.

The Directors also note the potential effects of higher costs for the short-term financing facilities in place across the portfolio, as well as access to capital more broadly given the challenging state of equity markets.

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

Emerging risks

Emerging risks are those that are characterised by a greater degree of uncertainty. They are regularly reviewed by the Board, with the support of the Investment Manager, the Administrator and other relevant advisors.

The Board continues to monitor and review the geopolitical environment and its wider impact on the Company's business in what has the potential to be a more turbulent period in international relations. Attention has also been given to challenges in supply chains that may impact the construction and operation of solar farms and battery storage systems. The risk of forced labour being used anywhere in the supply chain is something the Company is especially alert to and is part of its Risk Management Framework.

Finally, the Company is poised to engage in a new form of investment risk as it enters projects in the development stage. This constitutes an area where the Fund is actively assuming a higher level of risk, albeit one that is mitigated via project structuring and limited upfront investment to benefit from potentially greater upside returns.

Business area	Risk summary	Mitigant	Trend and outlook
1 **Risks relating to regulatory changes, including changes to subsidies**	**The risk:** Changes to the level of political support may result in adjustments to the levels of subsidy and incentives for renewable generation, whether on a prospective or retrospective basis. **Why it exists:** Whilst subsidy regimes are underwritten by government support, they are also open to prevailing political pressure. There are well-known examples in which they have been retrospectively reduced, albeit with subsequent legal challenges (i.e. Spain). As part of the discussions related to UK government's intervention in energy markets at the end of 2022, the option of moving UK ROC subsidy-backed projects onto another mechanism, such as CfDs, was discussed. This may present both a risk and an opportunity, depending upon the approach. **Potential impact:** Any changes having a retrospective effect may adversely impact the Company's valuation and its ability to meet return targets.	The Investment Manager monitors relevant regulatory developments and political statements on an ongoing basis across all jurisdictions the Company operates in. It is acknowledged that the Investment Manager's ability to influence political decision-making on its own is highly limited, and it has, therefore, become a member of select investor groups and trade associations which lobby on behalf of the industry. The Investment Manager keeps the Board informed of risk issues relating to political activity, status and mitigants by way of formal quarterly board meetings and periodically, in real time, as appropriate. Following the UK government's signal that existing ROC generators may be moved onto new CfD mechanisms, the Investment Manager took part in direct discussions with the government via industry representatives. The goal was to ensure any changes did not result in a worse position for investors or result in unintended consequences, as well as to communicate the risk to long-term investment from hastily-prepared policy.	Record-high power prices in the UK and in Europe led governments to intervene in energy markets via various windfall taxes and price caps. It was positive that changes to existing subsidy regimes were not included in recent legislation, however, this may be considered as part of a wider review of energy market arrangements.
2 **Risk relating to energy prices** **a) Long-term energy prices**	**The risk:** Downward adjustments to long-term power forecasts have the potential to significantly impact NAV and the Company's ability to meet its future obligations and dividend payments. **Why it exists:** Power curve forecasters assume the mass deployment of renewable generation – with a low marginal cost of production – will limit real price increases. **Potential impact:** A greater reduction in future power curves than currently forecast may have a significant negative downside effect on the Company's NAV in the short term and reduce dividend cover in the medium and the long term.	Whilst the Company can readily fix power prices under its current PPA agreements out to around five years, beyond this becomes more challenging. The Company uses a blended rate of three specialist power price forecasters that estimate market prices to 2050. There is a developing corporate PPA market that the Investment Manager is tracking and is beginning to offer longer-term offtake agreements; however, the maximum length of these is generally 10 years to 15 years. The trade-off will also be locking in acceptable pricing compared to the forward curves. Notwithstanding the above, risk remains that the long-term power curves drop significantly. That will then be reflected on the long-term PPA market as well.	Long-term power prices remain difficult to predict as they are a function of supply and demand. There has been incentive to deploy renewable generation at scale, though it is unclear whether the introduction of windfall taxes on the industry will slow roll-out to meet 2030 targets.

RISK AND RISK MANAGEMENT CONTINUED

Business area	Risk summary	Mitigant	Trend and outlook
2 **b) Near-term energy prices**	**The risk:** Generally, the price at which a solar PV plant sells its electricity is determined by market prices. **Why it exists:** The price of electricity can be broadly separated into supply side risks, demand side risks and regulatory risk. A decline in the market price of electricity could materially adversely affect the price of electricity generated by solar PV assets and the Company's financial position. Power prices sustained record highs throughout 2022, which became the prompt for governments to implement windfall taxes and/or price caps on what was deemed to be "excessive profits." **Potential impact**: A sudden fall in power prices that are largely unhedged could result in the Company not generating sufficient cash flow to pay its dividends.	In the short and medium-term the Company manages energy price risk by actively hedging electricity prices. The Company has adopted a strategy with the aim of minimising the impact of power price volatility to future cash flows by entering fixed price arrangements for the sale of electricity. The goal is to achieve: (i) A minimum percentage of annual fixed revenues of 60% of expected total annual revenues (ii) A target percentage of annual fixed revenues of 75% of expected total annual revenues on a two-year rolling basis The Investment Manager continually monitors the Company's merchant exposure to power price movements and, depending on market conditions, will seek to fix pricing up to five years ahead. Looking over the viability assessment period, the Company has already fixed more than 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. The risk that a windfall tax cuts across price fixes already implemented by the Company with its offtakers was realised following confirmation that the UK's Electricity Generator Levy would apply to the sale of all electricity above the reference price of £75/MWh (indexed). Following clarification, the impact is to reduce net revenues in the near term, and the tax's implications have been reflected in the NAV and in expected cash flows.	During 2022, power prices reached record highs following a significant rise in natural gas prices. Following a market adjustment, it is expected that they will fall back during the next few years; however, upward pressure remains.

Business area	Risk summary	Mitigant	Trend and outlook
3 **Access to capital**	**The risk:** There has been a significant increase in renewable energy investment in recent years, which itself creates far greater competition for available capital. Additionally, risk exists that there may be a change in perception of the Company or the wider market because of significant macroeconomic shifts, causing investors to view the investment case less favourably. The primary risk for the Company is weaker demand for its shares due to a perceived opportunity to earn more attractive returns elsewhere. **Why it exists:** Increased opportunities and demand for renewable energy investment has led to what was a handful of listed funds at the time of the Company's launch to become several dozen specialist and generalist, listed and unlisted funds. In addition, a significant rise in government bond yields reduces the spread between the risk-free rate and yield available from the Company, potentially making it less attractive to investors. **Potential impact:** The risk of reduced appetite for the Company's shares is that it may struggle to raise additional capital for new investments and be unable to grow, which would result in a long-term decline in the NAV. Negative shareholder sentiment, including short selling, can also result in shares trading at a discount to NAV, creating a risk of capital raise failure and the reputational risk that this accompanies.	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 industry, to which the Company and its peers were early entrants. To an extent, there will always be interest in new sector launches as they are marketed to serve certain niches. However, many of these platforms have yet to establish themselves. It should also be highlighted that this risk is not unique to the Company as it can similarly impact other established funds in the sector. The Company's best response to this threat is to improve the narrative on its strong track record of delivering dividend growth and high relative yield, which few other funds can match, and continue to offer an attractive risk/return proposition. Having altered its Investment Mandate, the Company is now also able to invest in a broader range of assets to offer a differentiated proposition. The Investment Manager and the Company's broker employ a strategy of investor communication that aims to be frequent, clear and transparent, and includes regular meetings.	Equity markets for the entire infrastructure and renewables markets have been exceptionally challenging since mid-2022. Investors are likely re-appraising portfolios given the significant change in macroeconomic factors and keenly watching movements in inflation and government bond yields.

RISK AND RISK MANAGEMENT CONTINUED

Business area	Risk summary	Mitigant	Trend and outlook
4 Counterparty risk	**The risk:** The Company's main contractual counterparties either fail or perform poorly, resulting in them being unable to fulfil their obligations. **Why it exists:** The Company outsources key services, such as construction (EPC), operations and maintenance ("O&M") and offtake arrangements (via PPAs) to third-party specialists in these areas. In addition, the Company has financial hedging with banking counterparties. The market volatility in the energy sector and the increasing inflation and interest rates during 2022 likely placed enhanced pressure on their balance sheets. **Potential impact:** If the counterparty fails, without sufficient protections the Company is left with the risk of continuing the services and the potential associated additional costs. In the event of a PPA offtaker failing, the Fund would be able to replace the agreement in a liquid market relatively quickly, however, the primary risk would be that of the market being lower than previously contracted prices.	The Investment Manager structures its decisions with counterparty risk as a key consideration in the procurement and contracting arrangements. When selecting construction contractors, their credit rating, balance sheet strength and payment record are all taken into consideration. Parent company guarantees or performance bonds are also typically sought to provide downside protection to the project; however, delays would be expected if a contractor failed during construction. The Investment Manager regularly monitors the market for O&M providers and offtakers, benchmarking costs and terms. Standard contracts include termination provisions for insolvency or poor performance. Replacement risk is relatively well mitigated by an actively competitive market. The Investment Manager has carried out additional enquiries with the Company's counterparties during the last year to ascertain whether current market conditions are placing strain on them. Discussions with any potential new counterparties have also been paused when there was insufficient confidence about their financial position.	Pressure on counterparties from additional debt or refinancing costs will likely become evident in the next 12 months to 24 months.

Business area	Risk summary	Mitigant	Trend and outlook
5 New market participants	**The risk:** The Company faces significant competition for assets in the markets it operates in. This is currently more pronounced in the solar market than for battery storage projects, but competition for assets continues to increase and drive down returns. **Why it exists:** Large European and international utility companies, financial organisations and many of the Company's competitors are participants in the solar power sector – and potentially have lower returns requirements. Competition for appropriate investment opportunities may, therefore, increase. **Potential impact:** This could potentially lead to a risk of overpaying for assets in competitive processes. The broader risk is a failure to continue to grow the NAV in a more highly competitive environment.	The Investment Manager regularly updates the Board on the options available to respond to the changing market, and the strategic positioning of the Company in the competitive landscape. The Fund strategy is reviewed at the quarterly Board meetings and periodically in dedicated strategy updates. Alongside this, the Company also can make further changes to the Investment Mandate; however, this process requires Shareholder support, and the perception of such changes must be carefully weighed up in advance. The Investment Manager continuously monitors the Company's competitiveness in bidding processes and updates the Board with its recommendations, including potential evolution of the current mandate. The Manager also restricts itself to pricing that meets the Company's requirements (based on all reasonable assumptions at the time), so this risk is viewed as limited.	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.

Business area	Risk summary	Mitigant	Trend and outlook
6 **Financial gearing**	**The risk:** The Company's subsidiaries and its investments have in place third-party debt facilities that can create greater potential for loss as cash may be insufficient to meet repayments and the Company may not be able to refinance existing borrowing on equal terms, or at all. **Why it exists:** The yield payable to Shareholders relies on banks making project finance facilities on normal terms. Any change to the availability of these facilities or significant alterations to the terms would impact on the level of yield to Shareholders. The variable interest payable by the Company (directly or through its holding entities) on revolving credit facilities as a function of SONIA movements is unpredictable. At present, the Company has not deemed it necessary to hedge this element of interest rate exposure. However, it will continue to monitor this position. **Potential impact:** A reduction in available cash flow at borrower level can impact the ability to cover debt service obligations on a periodic basis and affect the Company's financial capacity to pay dividends. There is also the risk of a significant rise in interest rates that will make short-term facilities (i.e. RCF, Australian debt) materially more expensive at the point of refinancing.	Prior to introducing third-party debt to the portfolio, the Investment Manager carefully sizes the level of gearing to ensure the risk of missing debt repayments is as low as possible. This includes a process of running a suite of downside risk scenarios. The Investment Manager also aims to reduce the exposure to benchmark rates by entering interest rate hedging arrangements for a minimum of 80% of the outstanding debt balances, reducing the risk of cash flow volatility resulting from interest rate movements. Once the debt is arranged, the Investment Manager continually monitors the covenants on the various facilities as a way to flag and mitigate risks. The Investment Manager keeps the Board informed of risks related to leverage, compliance with facility agreement covenants and mitigants by way of formal quarterly Board meetings and periodically, in real time, as appropriate. It is now increasingly likely that the shorter-term debt in the portfolio will be refinanced at a higher overall rate at the time of the next negotiation. It is positive that both the RCF and the Australian facilities were refinanced during a period of lower rates in 2021/22, and, while some subsidiary loans are due in 2023, a significant part of the overall debt will only need to be refinanced between 2025 and 2027.	It is likely that the era of "near zero" interest rates is over. Whilst yields on government bonds have eased back from their highs in the second half of 2022, there is no expectation that they will return to the lows experienced during the last decade anytime soon.

Business area	Risk summary	Mitigant	Trend and outlook
7 Risks relating to the construction of assets	**The risk:** There is a risk to delays in the construction timetable, which may result in projects not being able to start generating power; the risk of bad workmanship in constructing plants; and delays in the connection of solar projects to the grid. **Why it exists:** The Company invests in construction-stage projects that are inherently riskier than investing in projects that are already operational. **Potential impact:** If protracted, delays to generating revenue can negatively impact returns. Projects may also have debt obligations that they are required to service or a PPA.	The Investment Manager carries out due diligence on the third-parties that it contracts for asset construction. Their use exposes the Company to various risks associated with the delegation of responsibility to a third-party, such as non-performance, but this is mitigated through the negotiation of construction contracts in which the key risks of delivery are borne by the contractor. Contractual risks will typically be mitigated by 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 construction, with support from independent technical advisors to ensure milestones are achieved on schedule and in line with the specifications. Because of the time required to construct each solar project, there will be a period when each site is unable to generate any operational cash flow, but during which it will still be accruing interest on the repayment of financing. Given the increased proportion of construction assets in the portfolio, the Investment Manager has strengthened both its investment and asset management teams with construction experience.	Many contractors are keen to enter the renewables space post-pandemic. This is welcome competition as deployment increases.
8 The risk of portfolio under-performance	**The risk:** Significant operational underperformance of the portfolio versus budgeted expectations. **Why it exists:** There are multiple factors that could result in underperformance of the assets, including poor technical performance, network issues, low input resource (i.e. irradiation) or overly optimistic initial assumptions. **Potential impact:** Underperformance of a significant proportion of the portfolio or systemic issues resulting in high levels of asset downtime may threaten the ability of the Company to meet its obligations to Shareholders and creditors.	Portfolio diversification is one of the primary mitigants to the risk of systematic underperformance. This covers: geography, technology and diversification of revenues streams, equipment manufacturers and offtakers for example. The Company's portfolio is sufficiently well diversified that no one single issue should itself be large enough to threaten the resilience of the Fund. The Asset Manager also closely monitors the performance of the operations and maintenance contractors to ensure a high quality of service. The portfolio has a variety of providers, and services are periodically re-tendered.	The Company is continuing to progress its diversification strategy that includes geographies, technologies, and stages of investment, alongside a diversified group of key contractors and suppliers.

RISK AND RISK MANAGEMENT CONTINUED

Business area	Risk summary	Mitigant	Trend and outlook
9 **Supply chain procurement risks**	**The risk:** The Company inadvertently acquires equipment required for a solar park or BSS project that has had input from forced labour or modern slavery in the supply chain. **Why it exists:** The solar supply chain has been under increased scrutiny following press articles about the use of forced labour and modern slavery in China. **Potential impact:** As a leading renewable investment fund, there is a serious reputational and share price risk of connection to firms that are suspected of using forced labour in their supply chains. That's why the Investment Manager, as a major renewable energy investor, is proactively seeking to shed greater light on the supply chain that supports the manufacture of solar panels and battery storage cells.	In response to supply chain issues, Solar Energy UK ("SEUK") 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 understand the risk posed by the Company's existing supply chain, the Investment Manager has engaged with consultant Ethixbase for a subscription package that includes the following services: • Due diligence and ESG reports for up to 250 suppliers; • Dashboard analytics that can be split between assets, locations etc.; • Ongoing monitoring and remediation service; • Modern Slavery Questionnaire and Dashboard/Analytics; • Managed service to follow up on the questionnaires directly with the suppliers (on the Investment Manager/Company behalf); and • Potential to roll out varying levels of due diligence to other asset types including battery storage. Whilst it is acknowledged that there are limitations in the Consultant's ability to penetrate the full supply chain, the Ethixbase subscription will significantly improve the Company's ability to identify risk areas and suppliers that may require further support or work to ensure their processes are more robust.	The Company has found that engagement with the manufacturers is beginning to yield greater transparency. Manufacturers understand the risk to their own business model by potential blacklisting and have begun to shift their behaviour accordingly.

Business area	Risk summary	Mitigant	Trend and outlook
10 Climate and weather-related risks	**The risk:** A change in climate or weather-related events may have a direct impact on the Fund's assets or ability to generate and thus a negative impact on its abilities to meet its obligations. **Why it exists:** In the short-medium term there is heightened risk of weather-related catastrophic events damaging or impacting performance of Company assets, causing disruption to the business model. On a longer time horizon, Climate Change impacts place a greater strain on natural resources required for the operation of Company assets or changing climate patterns can fundamentally alter the availability of renewable resources such as solar irradiation. **Potential impact:** Assets may be directly damaged by climate conditions leading to a loss of generation. 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.	The impact of climate and weather-related risks are 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 three 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 vs 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.	Climate risks specifically have the potential to become to become far more disruptive if global warming continues unabated. To this end the Company has included climate related scenario analysis on pages 54 and 55.

GOING CONCERN AND VIABILITY STATEMENT

Going concern

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 Board has decided the going concern assessment period should be the period to 30 June 2024. 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 typical requirement of 12 months.

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

A detailed evaluation of the cash flow impact for the going concern period took into consideration the following elements individually and combined:

- All assets consistently generate a P90 level (90% probability of exceeding expected production over a 10-year period) of electricity output. The Directors consider this is an appropriate, market standard stress test with a relevant example being the UK onshore wind market, which experienced a low-yielding year in 2021.
- Power prices were reduced by 50% across the portfolio. This downside scenario emulates the power price volatility seen in 2022, when prices reached four times the Company's forecast before dropping significantly. Inflation-linked debt and the portfolio's costs are assumed to increase by 15% per annum. This downside test represents the possibility of the high inflation registered in 2022 continues into the going concern assessment period.
- The PPA provider that the group is most exposed to fails to settle merchant revenue under its contract. This downside evaluation represents the risk of offtaker insolvencies in response to the high number of bankruptcies during 2021 and 2022, which could continue into 2023 because of the high power prices in the market.

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

The evaluation demonstrated the Company would be able to meet its 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 period.

Viability statement

The Directors confirm that they have a reasonable expectation the Company will be able to continue operating and meet its liabilities as they fall due through 2027. 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 2027, on the basis that the Company has significant long-term fixed and subsidised revenues and long-term debt, both extending beyond the half decade timeframe.

This is the period focused on by the Board during the strategic planning process and is considered reasonable for a business of the Company's size and nature. Whilst the Directors have no reason to believe the Company will not be viable over a longer period, they believe this presents readers of the Annual Report with a reasonable degree of confidence whilst still providing a longer-term perspective.

The Directors have considered the emerging and principal risks, identified on pages 64 to 73, in relation to the Company's resilience over a five-year period. In doing so, the Directors believe the key direct principal risks to the Company's viability for the five-year period are: changes to the level of political support for subsidies across the geographies the Company operates, 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 factors in line with the recommendations of the Task Force on Climate-related Financial Disclosures ("TCFD"), discussed in detail on pages 44 to 60.

Government-backed subsidy revenue comprises 40% of the portfolio's revenue for the period to December 2027. Whilst this is a considerable proportion, the subsidies are split across two different jurisdictions (United Kingdom and Australia). It is expected the respective governments, in light of global commitments to tackling the climate emergency and the rapid 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. In the UK, the government has been considering more fundamental changes to energy markets with the former Department for Business, Energy, and Industrial Strategy ("BEIS") publishing its consultation on the Review of Electricity Market Arrangements ("REMA"). Any potential change will develop over the five-year period, and the outcome remains unclear. However, the Directors do not expect this process or related outcomes to materially weaken the existing subsidy regime as this would significantly undermine investment in the UK renewable energy market. Whilst changes are possible, they are not expected to threaten the viability of the Company.

For the period to December 2027, 70% of the portfolio revenue is contracted through government subsidies or forward electricity sales at a fixed price, leaving 30% of revenues exposed to power price volatility. Excluding any battery storage revenues, all other UK electricity sales above the £75/MWh reference price are subject to the Electricity Generator Levy during the five-year period. 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, and therefore considers short and medium-term changes in localised weather patterns to be a risk. Australia, for example, has experienced three consecutive La Niña summers with low irradiation, which could 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 potential impacts on an ongoing basis.

In making this statement, the Directors have reviewed the summary five-year cash projections of the Company, considering cash balances, dividend cover and debt covenants. Sensitivity analysis covers the potential impact of the Company'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 Annual Report. 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 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.

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 Holdco) 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 the 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 61 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 120.

Key metrics for the year ended 31 December 2022

All amounts presented in £million (except as noted)	Year ended 31 December 2022	Year ended 31 December 2021
Net Asset Value ("NAV")[1]	**771.5**	660.0
Gross Asset Value ("GAV")[2]	**1,296.3**	1,172.0
Operating income and gains on fair value of investments	**163.0**	124.9
Net assets per share (pence)	**126.5**	108.2
Distributions from and on behalf of solar investments	**111.8**	82.9
Profit after tax	**154.5**	117.9

1. Total net assets as per the Statement of Financial Position on page 117.
2. Calculated as the sum of the NAV and total outstanding debt.

Net assets

Net assets increased by 16.9% to £771.5 million at 31 December 2022 from £660.0 million at 31 December 2021, primarily driven by power price forecasts and the impact of actual inflation on future cash flows, which are detailed in the Investment Manager's Report on page 26.

The net assets of £771.5 million comprise the £1,196.9 million portfolio of UK, Australian and Spanish solar and UK battery investments and the Group's cash balance of £101.2 million, offset by £409.8 million long-term debt, £115.0 million of RCF outstanding debt and group net liabilities of £1.8 million.

Analysis of the Group's net assets at 31 December 2022

All amounts presented in £million (except as noted)	Year ended 31 December 2022	Year ended 31 December 2021
Gross portfolio value[1]	**1,196.9**	1,107.8
Intermediate holding companies' cash	**90.1**	56.4
Intermediate holding companies' long-term debt	**(409.8)**	(388.6)
Intermediate holding companies' revolving credit facility	**(115.0)**	(123.4)
Intermediate holding companies' other liabilities	**(1.5)**	(3.0)
Company's cash	**11.1**	11.0
Company's other net liabilities	**(0.3)**	(0.2)
Net Asset Value	**771.5**	660.0
Number of shares	**609,958,720**	609,958,720
Net Asset Value per share	**126.5p**	108.2p

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 2022, total outstanding long-term debt was £409.8 million, representing 31.6% of the GAV (calculated as NAV plus outstanding debt) of the Company and its subsidiaries (31 December 2021: £388.6 million or 33.2% of GAV).

As at 31 December 2022, total outstanding debt including RCFs was £524.8 million, representing 40.5% of GAV (31 December 2021: £512.0 million or 43.7% of GAV).

The Group's net debt position, after deducting existing cash balances, is £423.7 million, representing 32.7% of GAV (31 December 2021: £444.6 million or 37.9% of GAV).

Long-term facilities

As at 31 December 2022, £409.8 million of long-term debt facilities were outstanding.

Inflation-linked debt facilities represent £89.6 million of total long-term debt outstanding as at 31 December 2022.

On that same date, the average cost of long-term debt was 2.53% per annum, including the cost of inflation-linked facilities of 1.23% per annum. The cost of the inflation-linked facilities is expected to increase over time in line with the Company's long-term RPI expectations of 3.00% in the medium term and 2.25% post-2030.

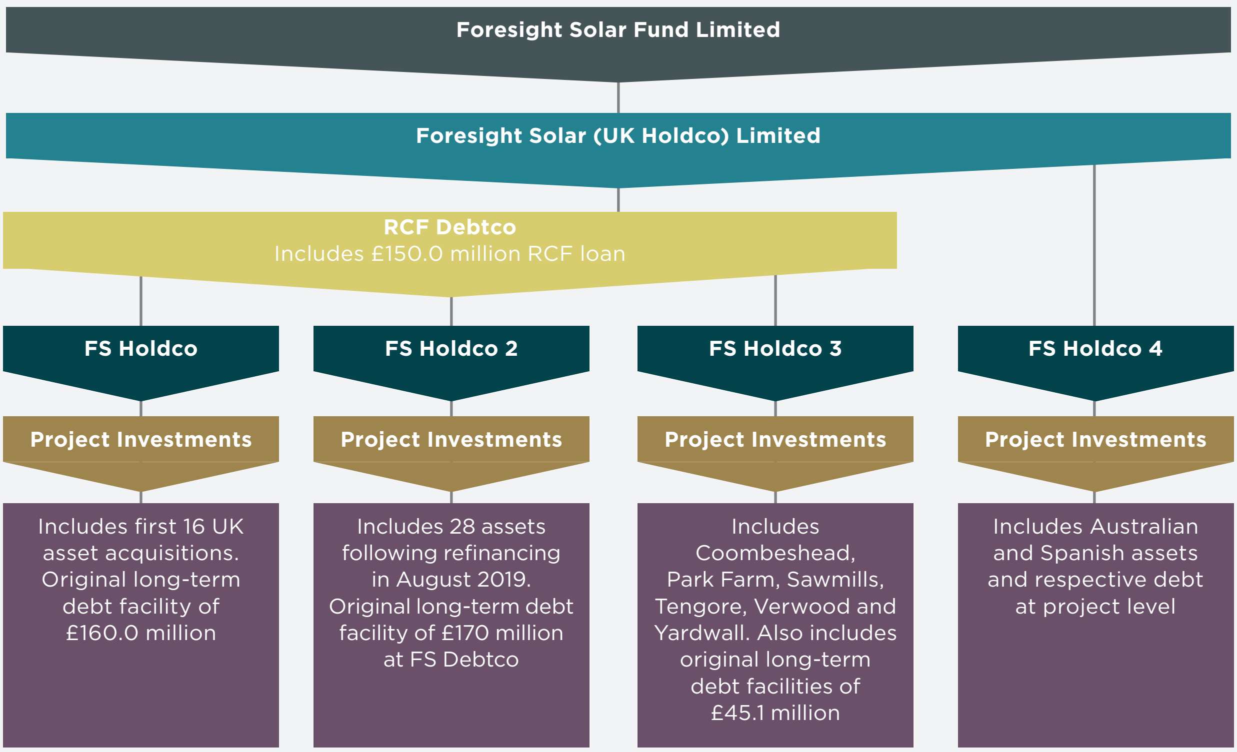
The refinancing of the senior debt facilities for the Longreach and Oakey 1 assets took place in April 2022, with facility terms reflective of an investment grade offtaker on both projects.

Revolving credit facilities

During the year, the Company announced it had refinanced and replaced two existing revolving credit facilities ("RCFs") with a new single £150.0 million facility. As at 31 December 2022, the Company had used £115.0 million of its RCF, with £35.0 million remaining undrawn following £8.4 million net repayments during the year. Of the undrawn balance, £11.8 million was allocated to letters of credit due to expire in 2023.

At 31 December 2022, the weighted total cost of the RCF was 2.08% per annum (2021: 1.69%).

Debt structure



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

Revolving credit facilities continued

Debt structure continued

The following table summarises the debt position of the Company as at 31 December 2022.

Borrower	Holding vehicle	Provider	Facility type	Outstanding (m)	Maturity	Interest rate hedge	Applicable rate
FS Holdco	FIHC	MIDIS	Fixed rate, fully amortising	£55.9	Mar-34	100%	3.78%
		MIDIS	Inflation linked, fully amortising	£63.1[1]	Mar-34	N/A	RPI Index + 1.08%
		Santander	Term loan, fully amortising	£7.5	Mar-24	80%	SONIA + 1.70%
Total				**£126.5**			
FS Debtco	FS Holdco 2	Helaba	Term loan, fully amortising	£150.5[2]	Mar-36	100%	SONIA + 1.30% (margin step to 1.35% in 2029)
Total				**£150.5[2]**			
Second Generation Portfolio 1	FS Holdco 3	MIDIS	Fixed rate, fully amortising	£3.3	Aug-34	100%	4.40%
			Inflation linked, fully amortising	£26.5[1]	Aug-34	N/A	RPI Index + 1.70%
Total				**£29.8**			
Global Solar Energy 27 SL (Lorca)	FS Holdco 4	BayernLB	Senior loan	€26.5[3]	Dec-31	100%	Double tranche: €20m at 1.61% fixed rate, €8m at Euribor + 210 bps
Foresight Solar Australia Pty Ltd	FS Holdco 4	CEFC	Term loan	A$37.9[4]	Jun-26	100%	Base rate (0.96375%) + margin (2.00%)
Longreach		ANZ/ Deutsche	Term loan	A$22.3	Apr-27	100%	BBSY Base rate + margin (1.20%)
Oakey 1		ANZ/ Deutsche	Term loan	A$36.1	Apr-27	100%	BBSY Base rate + margin (1.20%)
Oakey 2 Finco Pty Ltd		CEFC	Term loan	A$44.6	Jun-23	100%	Base rate (2.48%) + 2.25%
Total				**A$140.9**			
Total long-term debt				**£409.8[5]**			
FS RCF Debtco	UK Hold Co	Santander	Revolving credit	£115.0	Mar-25	0%	SONIA + 1.9%
Total revolving debt				**£115.0**			
Total debt				**£524.8**			

1. Nominal loan balance as at 31 December 2022 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. EUR/GBP exchange rate of 0.8868 as at 31 December 2022.
4. Australian debt prorated for Company's share of asset ownership.
5. AUD/GBP exchange rate of 0.5647 as at 31 December 2022.

The Company continues to have limited exposure to benchmark interest rate movements in the UK, Australia and Spain as a result of the long-term interest rate swaps in place to protect the Company from underlying interest rate movements. In total, 99.5% of the £409.8 million of long-term debt is not exposed to interest rates movements. The short-term £115.0 million RCF is subject to interest rate volatility.

Sterling-denominated debt facilities priced over SONIA 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 with CEFC have no exposure to the Bank Bill Swap Bid Rate ("BBSY") as the rate was fixed at financial close. The remaining debt facilities have interest rate swaps on a decreasing nominal amount for a notional tenor of 20 years in place.

In Spain, the debt facility priced over Euribor benefits from 100% interest rate swaps of the outstanding debt during the term of the loan.

Profit and loss

The Company's profit after tax for the year ended 31 December 2022 is £154.5 million, generating profits of 25.3 pence per share (31 December 2021: £117.9 million or 19.7 pence per share).

In the year to 31 December 2022, the operating income and gains on fair value of investments was £163.0 million (31 December 2021: £124.9 million), which comprised the receipt of £36.2 million of interest on the Foresight Solar loan notes and £126.8 million net profits on investments at fair value in the year.

Operating expenses included in the income statement for the year were £8.5 million, in line with expectations. These comprise Investment Management fees of £7.4 million and £1.1 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 2022**	Year ended 31 December 2021
Interest received on Foresight Solar (UK Holdco) Limited loan notes	**36.2**	38.1
Net profits on investments at fair value	**126.8**	86.8
Operating income and gains/losses on fair value of investments	**163.0**	124.9
Operating expenses	**(8.5)**	(7.0)
Profit after tax	**154.5**	117.9
Earnings per share	**25.3p**	19.7p

Cash flow

The Company had a total cash balance at 31 December 2022 of £11.1 million (31 December 2021: £11.0 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 2022 (£million)

	Year ended 31 December 2022	Year ended 31 December 2021
Cash balance at 1 January	**11.0**	16.9
Interest on loan notes received from Foresight Solar (UK Holdco) Limited	**51.5**	41.1
Directors' fees and expenses	**(0.3)**	(0.3)
Investment Management fees	**(7.4)**	(6.0)
Administrative expenses	**(0.7)**	(0.7)
Dividends paid in cash to Shareholders	**(43.0)**	(40.0)
Company cash balance at 31 December	**11.1**	11.0

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Combined profit and loss of underlying investments

For the year ended 31 December 2022	UK £m	Australia A$m	Consolidated £m	2021 Consolidated £m
Revenue				
Wholesale revenue	85.9	16.9	95.4	54.5
Subsidised revenue	61.4	8.2	66.0	54.4
Other income	2.8	0.5	3.1	1.2
Total revenue	150.0	25.7	164.5	110.1
Operating expenditure				
O&M quarterly	(5.9)	(1.5)	(6.8)	(6.4)
O&M variable	(1.2)	(0.2)	(1.3)	(1.3)
Other operating expenditure	(12.6)	(4.6)	(15.2)	(11.8)
Total expenditure	(19.8)	(6.3)	(23.3)	(19.5)
Total operating profit	130.2	19.4	141.2	90.6

The Australian assets are consolidated based on the Fund's ownership, using an average AUD/GBP exchange rate of 0.5618.

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

The Spanish assets have not been included in the above analysis due to their recent commissioning date.

Cash flows of the Company and intermediate holding companies for the year to 31 December 2022

During the year to 31 December 2022, the underlying solar assets paid £111.8 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 and paid to Shareholders.

The acquisition costs of £12.2 million relate to the investment in Sandridge Battery Storage Limited, Clayfords Energy Storage Limited and Lunanhead Energy Storage Limited, and further investment to fund construction milestones at the Spanish portfolio acquired in December 2020.

The Group received £24.5 million following the refinancing of the Lorca portfolio in Spain and Longreach and Oakey 1 assets in Australia.

During the year, £10.9 million was repaid on the RCF, with an additional £2.5 million drawn for refinancing costs.

	Year ended 31 December 2022
Cash distributions from solar investments	111.8
Administrative expenses	(1.7)
Directors' fees and expenses	(0.3)
Investment Management fees	(7.4)
Financing costs (net of interest income)	(9.7)
Repayments of long-term debt facilities	(18.0)
Cash flow from operations	**74.7**
Acquisition of new assets	(12.2)
Refinancing proceeds	24.5
Net drawings and repayments of RCF	(8.4)
Debt arrangement fees and refinancing fees	(1.9)
Movement on FX collateral account	(0.2)
FX gains on cash flows	0.3
Dividends paid in cash to Shareholders	(43.0)
Cash movement in the period	**33.8**
Group cash balance at 1 January	67.4
Group cash balance at 31 December	**101.2**

Dividend cover

Total dividends of £43.0 million were paid during the year ended 31 December 2022. Compared with the relevant net cash flows from operations of the Company and underlying investments of £74.7 million, these dividends were covered 1.74 times (31 December 2021: 1.21 times). During the year, the Board exercised its right to cancel the scrip dividend alternative.

Dividends

The Company has declared dividends of 7.12 pence for the year ended 31 December 2022, representing a 2% increase to the dividend paid relative to 2021.

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

Dividend timetable for FY2022

Dividend	Amount	Status	Payment date
Interim 1	1.78p	Paid	26 August 2022
Interim 2	1.78p	Paid	25 November 2022
Interim 3	1.78p	Paid	24 February 2023
Interim 4	1.78p	Declared	26 May 2023
Total	**7.12p**		

Dividend timetable for FY2022 continued

On 15 March 2023, the Company announced its final interim dividend of 1.78 pence per share for the 2022 financial year. The timetable for this payment is set out below:

Dividend timetable – Final	Date
Ex-dividend date	20 April 2023
Record date	21 April 2023
Dividend payment date	26 May 2023

The Board will keep the re-instatement of the Scrip Offer in respect of future quarterly dividends under consideration, subject to an assessment of the relevant prices and to a determination that a re-instatement of the Scrip Offer would be for the benefit of all Shareholders.

Foreign exchange

The Company is exposed to foreign exchange movements in respect to its investments in Australia and Spain. As such, the Company continues to implement a hedging strategy 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 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, 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 2022 was 1.14% (31 December 2021: 1.14%). 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)	UK Hold Co (£'000)
Investment Management fees	7,418	—
Director fees	283	—
Administration fees	200	20
Audit fees	155	8
Other legal and professional fees	316	—
Other ongoing expenses	129	62
Total		**8,591**
Ongoing charges ratio		**1.14%**

	NAV £m
31 March 2022	714.4
30 June 2022	754.9
30 September 2022	771.2
31 December 2022	771.5
Average	**753.0**

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 Group Managing Partner of the international offshore law firm Carey Olsen. 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 several companies and is also Chairman of 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 previously served 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 15 June 2022.

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 extensive experience from several senior positions in the global industrial, energy and materials sectors, where he worked for major corporations including ICI/Zeneca, The BOC Group and Centrica/British Gas, as well as from 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 15 June 2022.

External directorships
Jersey Electricity Plc, Apax Global Alpha Limited.

A N R

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

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 multiple 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 Audit and Risk Committees. She is a Chartered Accountant, having trained and qualified with Arthur Andersen.

Ms Markey was appointed as a Non-Executive Director on 1 September 2020 and was re-elected on 15 June 2022.

External directorships
Velocys Plc, Sustainable Energy Authority of Ireland, Land Development Agency, 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 is an Executive Director of Arrow Global Group Capital Management Limited, the fund manager for the Arrow Global Group business. Mrs O'Keefe also sits on the Board of Commissioners at the Jersey Financial Services Commission and on the board of the Jersey Resolution Authority.

Mrs O'Keefe was appointed as a Non-Executive Director on 1 June 2019 and was re-elected on 15 June 2022.

External directorships
Kairos Wealth Limited, Arrow Global Group Capital Management Limited, Board of Commissioners at the Jersey Financial Services Commission and Board of the Jersey Resolution Authority.

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 15 June 2022.

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

A M R

INVESTMENT MANAGER

>390	200+	4.3GW
infrastructure assets under management	**institutional clients**	**total green energy technology 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 350 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 11 regionally focused investment funds across the UK and an SME impact fund supporting Irish SMEs. This team reviews over 2,500 business plans each year and currently supports more than 250 investments in SMEs.

Foresight Capital Management manages four strategies across six investment vehicles with assets under management ("AUM") of £1.4 billion.

Foresight operates across seven countries in Europe and Australia with AUM of £12.3 billion. Foresight Group Holdings Limited listed on the Main Market of the London Stock Exchange in February 2021.

Foresight Infrastructure's team consists of 163 investment, portfolio and technical professionals as at 31 December 2022. The team is comprised of:

(i) An investment management team 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 18 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 Company's investment 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 30 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
Managing Director, Infrastructure

Background

Mr Driver joined Foresight in 2021 to oversee delivery of all aspects of the Investment Mandate. He has over 17 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.

Mr Driver holds an MBA from the University of Chicago, Booth School of Business and BA in Finance, Accounting and Management from the University of Nottingham.

CORPORATE GOVERNANCE REPORT

A successful company is led by an effective board. The Directors promote the long-term sustainable success of the Company, generating value for Shareholders and contributing to 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 2022.

Board leadership

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

The Company has a Board of five Non-Executive Directors, and all of them are considered to be independent. Profiles of each of the Non-Executive Directors are set out on pages 84 and 85.

During the year, the Board conducted an externally facilitated Board effectiveness assessment and, as part of that analysis, 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 94 to 96.

The Board believes that, as a whole, it has an appropriate balance of skills, experience and knowledge. The Board also understands that diversity of experience and approach amongst 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. Further ad hoc meetings are scheduled as required. In the year under review, eight 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 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 analyst 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 appointees remains in place. The Board has also instigated an ongoing annual training programme for its Directors on topics relevant to the Company's business.

The Board has access to the officers of the Company Secretary, who also attend 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 systems ("BSS") assets, including development-stage solar and BSS 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.

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 it 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	10/12	n/a	3/3	n/a	2/2
Ann Markey	12/12	4/4	3/3	n/a	n/a
Chris Ambler[1]	10/12	4/4	1/1	2/2	2/2
Monique O'Keefe[2]	10/12	3/4	1/1	2/2	2/2
Peter Dicks	12/12	4/4	3/3	2/2	n/a

1. As part of the Committee composition review, Mr Ambler was reappointed to the Management Engagement Committee with effect from 16 June 2022.
2. As part of the Committee composition review, Mrs O'Keefe was reappointed to the Management Engagement Committee with effect from 16 June 2022.

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 to understand how the Company can best respect their interests in the pursuit of its purpose, and work closely with key service providers to maintain a robust platform on which the Company's operational activities are supported.

Board roles	Role overview
Chairman	The Chairman 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 Chairman 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 to function effectively and efficiently.

Board Committees

The Board has four standing Committees: the Audit and Risk Committee, the Management Engagement Committee, the Remuneration Committee and the 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 Management Engagement Committee in light of the Committee's work and of the usefulness of including all Directors in the review process of Foresight, as well as other key service providers. The 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 and the Investment Manager, as well as evaluating 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:	**Composition:**	**Composition:**	**Composition:**
Ann Markey (Chair)	Alexander Ohlsson (Chair)	Monique O'Keefe (Chair)	Monique O'Keefe (Chair)
Monique O'Keefe	Peter Dicks	Alexander Ohlsson	Peter Dicks
Chris Ambler	Ann Markey	Chris Ambler	Chris Ambler
Peter Dicks	Monique O'Keefe		
	Chris Ambler		

Reports from the Company's Committees are set out on pages 92 to 103.

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. As such, neither it nor the Investment Manager are 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 and fees paid to the Investment Manager
- Review the performance of the Investment Manager and hold the Investment Manager accountable for its performance
- Review the terms of appointment 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 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 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 36 to 60.

Performance of key service providers

The Committee also conducted a review of the Company's key service providers, including its Company Secretary and Administrator, broker, PR agency, 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

14 March 2023

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 appointments to fill 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.

In light of the continued strong performance of the Directors, the longer-term nature of the Company's assets and the desire to retain corporate history, knowledge and experience, the Nomination Committee has recommended to the Board that the continued service of these Directors be welcomed. The Board notes that it is in the process of implementing a phased succession plan in respect to some of its members, as discussed in detail below.

During the year, the Committee engaged the Green Recruitment Company to support the first part of the Company's phased succession plan. This first phase will be the rotation off the Board of Peter Dicks, who will be succeeded by an appropriate candidate with a similar skillset. The next phase of the Company's succession plan is expected to focus on the succession of one of the Jersey-based Directors. The Committee expects to continue to implement this plan throughout 2023 and 2024. The Company has engaged Satori Executive Search to support its recruitment initiatives in Jersey.

Board and Committee composition

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.

The Committee has considered the tenure of Alexander Ohlsson, Chris Ambler and Peter Dicks, who have all been in position since the Company's IPO in 2013, and understands they remain independent. While it is Mr Dicks' intention to step down in the first half of 2023, Mr Ohlsson and Mr Ambler are expected to remain on the Board for the next 18 to 24 months. While the Company recognises the value of refreshing its Board composition, it still benefits from the Directors' experience and expertise. Because of the long-term nature of the Company's business, it stands to gain from leadership continuity at Board level. Mr Ohlsson and Mr Ambler's retention is also considered beneficial to support the Company's phased succession plan as it ensures an orderly handover to new Directors.

The Committee also reviewed the composition of the Company's Committees and, following this analysis, recommended that all Directors be members of the Company's Management Engagement Committee. The recommendation seeks to leverage the different skills and experiences held by the Directors and the expectation that this diversity of background is beneficial to the discussions and evaluations happening in the Management Engagement Committee. Further, allowing all Directors to be members of the Management Engagement Committee enabled each Director to provide immediate input into the performance and the review of the Investment Manager and other key service providers.

Board performance evaluation

The Board undertakes an annual evaluation of its own performance and 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 2022, the Board, supported by the Committee, instigated an externally facilitated Board effectiveness evaluation and appointed Aspida Group to conduct this process. The review involved the completion of a questionnaire by all Directors, one-on-one interviews with each of them, the Investment Manager, the Company Secretary and the broker, in-person meeting observation, a document review and a governance review. The key recommendations from the evaluation were:

- The Company's policies should be reviewed annually and be further refined to the business of the Company
- The Board could benefit from further clarification of the division of responsibilities and the matters reserved for the Board
- The Board's Committees should more clearly and formally report to the Board with a summary of their work and key recommendations and decisions

Aspida concluded that the Board has a good standard of Corporate Governance and, in all areas reviewed, it was observed that the Board was compliant with the Codes. Aspida did note that succession planning was now a key area of focus for the Board.

The Committee will continue to support the Board with the implementation and review of these recommendations throughout 2023. The Board will conduct another externally facilitated evaluation in 2025.

Overall, the Board is of the view that the Board, the Chairman, each of the Directors and all Committees have performed well during the year. The Board continues to work well with the Investment Manager in developing the Company's growth strategy and promoting its long-term success.

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 appointees 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, as well as participating in an ongoing annual training programme on topics relevant to the Company's business. Further, as Directors of a Regulated Fund in Jersey, the members of the Board are required to undertake a minimum of 25 hours' continuous professional development per year and all Directors met this requirement in 2022.

Diversity

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

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

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

NOMINATION COMMITTEE REPORT CONTINUED

Diversity continued

With reference to the Company's phased succession plan, the Committee was satisfied with the interest received from multiple female candidates. It was, however, disappointed with the lack of ethnic diversity among appropriate candidates reviewed during the process. The Board, along with its external recruitment adviser, will continue to focus on attracting and appointing diverse candidates.

For the first phase of the succession plan, the Committee considered candidates from the UK and continental Europe. For the next phase, it will look to secure Jersey residents to support the Company's Jersey Economic Substance requirements. In these subsequent rounds, and despite a more limited pool of potential candidates, the Company continues to be committed to run a process targeted at attracting the most qualified, most diverse applicant pool possible.

Conflicts of interest

The Directors are obligated 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 considered 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 103. The Board considers these interests at each scheduled meeting and remains satisfied that they do not affect their objectivity or the ability of the Directors to exercise independent judgement.

Re-election of Directors

Mr Ohlsson, Mr Ambler, Mrs O'Keefe, Ms Markey and Mr Dicks were all reappointed at the Annual General Meeting of the Company held on 15 June 2022.

It was noted with disappointment by the Committee that Mrs O'Keefe received a significant number of votes against her reappointment (>10%). Through engagement with the relevant Shareholders who submitted ballots against Mrs O'Keefe's reappointment, the Board established that this was due to inadequate ethnic diversity on the Company's Board.

As described above, the Company is continuously looking for opportunities to improve its diversity and will continue to do so. The Committee recognises that diversity is an important consideration, along with a candidate's balance of skills, experience and expertise, and these remain a key element for the Company's recruitment and succession plans.

With the exception of Mr Dicks, who, as announced in the Company's Interim Report, will be rotating off the Board during 2023, all Directors will offer themselves for re-election at the Company's 2023 Annual General Meeting.

Monique O'Keefe
Chair of the Nomination Committee

14 March 2023

AUDIT AND RISK COMMITTEE REPORT

The Committee ensures 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

The Audit and Risk Committee comprises four Directors: Ann Markey (Chair), Monique O'Keefe, Chris Ambler and Peter Dicks. Alexander Ohlsson, as Chairman of the Board, is not a formal member of the Audit and Risk Committee but is invited to attend meetings.

The Committee operates within clearly defined terms of reference, which were confirmed again during the year and were updated to include additional scope to analyse the Company's reporting on ESG and sustainability, as well as to empower the Committee to review the controls associated with the Company's ESG and sustainability activities and reporting.

During the year, the Committee reviewed and continued to develop its framework on risk management and internal control. The Committee's work in this area has improved the transparency of the Company's risk management systems and processes, and has more clearly delineated risk responsibilities.

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 Annual Financial Statements are considered. The Committee reports directly to the Board, which retains the ultimate responsibility for the Financial Statements of the Company.

AUDIT AND RISK COMMITTEE REPORT CONTINUED

KPMG LLP ("KPMG") has completed the Company's external audit for the year and has not performed any non-audit services in 2022. JTC (Jersey) Limited prepares all necessary tax returns following sign-off of the annual accounts.

Meetings are scheduled to coincide with the reporting cycle of the Company and the Committee met four times during the year. 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.

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

Significant issues considered

The Committee has identified and considered the following principal key risk in relation to the business activities and to the Annual Financial Statements:

- 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 Annual Financial Statements, as explained below. (It is also considered by the Committee in relation to the Interim Financial Statements.)

Valuation of unquoted investments

The unquoted investment is a 100% controlling interest in Foresight Solar (UK Holdco) 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 in which no quoted market price is available.

The total controlling interests of the Company's assets are held through its subsidiary Foresight Solar (UK Holdco) Limited ("UK Hold Co"): FS Top Holdco 1 Limited ("FS Topco 1"), FS Top Holdco 2 Limited ("FS Topco 2"), FS Holdco Limited ("FS Holdco") and FS Holdco 3 Limited ("FS Holdco 3") (through RCF Debtco), FS Holdco 4 Limited ("FS Holdco 4") and SBSHL. (See Note 1 for further detail.) FS Topco 1 in turn holds an indirect 100% controlling interest in FS Holdco Limited ("FS Holdco"). FS Topco 2 has an indirect 100% controlling interest investment in FS Debtco Limited ("FS Debtco"). FS Holdco 3 has an indirect 100% controlling interest in SGP 1.

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 the total assets (by value) of FS Holdco, FS Debtco, SGP1 and FS Holdco 4 are held in investments in which no quoted market price is available and are valued by using discounted cash flow models. SBSHL's investments are held at cost as they are not yet operational.

These valuations of underlying investments are seen to be an area 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, as well as appropriate industry valuation benchmarks. These valuation policies are set out in note 2 of the accounts.

The Investment Manager's valuations, including changes in assumptions, are 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 employs three independent energy consultants to provide forward-looking power price forecasts which are a key input into portfolio valuations.

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 from the Investment Manager and from the Auditor, the Committee is satisfied that the key areas of risk and judgement have been addressed appropriately in the Annual Financial Statements and that the significant assumptions used in determining the value of assets and liabilities have been properly appraised and are sufficiently robust.

The Committee has concluded that the Annual Report and Financial Statements are fair, balanced and understandable, and that they 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 the relevant guidance. It also assessed the quality and effectiveness of the engagement between the Auditor and the Investment Manager and the Administrator.

The Committee considered the performance of the Auditor during the year and agreed that KPMG 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 has carried out its duties as Auditor in a diligent and professional manner.

The Committee conducted a review of KPMG's independence and objectivity, which included an analysis of the firm's own assessment of objectivity and independence, and concluded it was satisfied that KPMG was independent and objective.

The current audit partner was rotated onto the Company audit in November 2020 and so is within the five-year permitted period. 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.

Audit tender

KPMG has audited the Company since its IPO in 2013, the first financial year end being 31 December 2014. During 2023, the Company will be required to re-tender for audit services for the reporting year ending 31 December 2024. This will be done through an Invitation to Tender (ITT) sent to audit firms. The Company's current auditors, KPMG, will be asked to re-tender as part of the ITT. To manage that process, the Committee has appointed Ann Markey and Chris Ambler as members of a steering committee. Foresight will project-manage the tender on behalf of the Company and the steering committee, and in accordance with the relevant guidance on the issue.

Internal control and risk management

The Directors of the Company have overall responsibility for its 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 Company's particular needs and the risks to which it is exposed. By its nature, however, it 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.

AUDIT AND RISK COMMITTEE REPORT CONTINUED

Internal control and risk management continued

Directors have access to the advice and services of the Company Secretary, who is responsible to the Board for ensuring that 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 a pipeline of potential 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. This process is also regularly reviewed by the Audit and Risk Committee and the Board.

The risk management 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 by other service providers, the individual activities undertaken within those functions, the risks associated with each activity, and the controls employed to minimise those risks.

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 Accountant and Administrator, 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. In addition, the Company's Annual Financial Statements are audited by external providers and, thus, an internal audit function specific to the Company is considered unnecessary.

Other matters considered

During the year, the Committee considered the benefit of having the Company's Interim Report and Financial Statements reviewed by the external auditor and concluded that, on balance, there was limited advantage in such review. The Committee will keep this decision under consideration annually to ensure that the Company's position on an interim audit remains appropriate.

The Committee also considered developments arising from the UK government's response to the consultation on restoring trust in audit and corporate governance, and its potential impact. It is keeping these developments under review so that the Company is positioned to respond to any new obligations in a timely manner.

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 has adequate measures in place through the operations of the Investment Manager and the Administrator. The Committee recognised the continued threat of a cyber security breach and continues to work with its key service providers and contractors to ensure that cyber security measures remain effective and fit for purpose.

Ann Markey

Ann Markey
Chair of the Audit and Risk Committee

14 March 2023

DIRECTORS' REMUNERATION REPORT

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

Monique O'Keefe
Chair of the Remuneration Committee

The main roles and responsibilities of the Committee are to:

- Set remuneration policies and practices to support strategy
- Determine the remuneration policy
- Set remuneration for the Directors and Chairman

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 2023 Annual General Meeting.

Annual statement from the Chair of the Remuneration Committee

The Board, which is profiled on pages 92 and 93, 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, when necessary, undertakes external comparisons and reviews to ensure that the levels of remuneration paid are 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 about Directors' remuneration. The remuneration policy set by the Board is described on the next page. Individual remuneration packages are determined by the Remuneration Committee within the framework of this policy.

The Committee reviewed the Directors' fees and noted that Directors had an increase of c.9% in 2022. The Committee also noted that fees had remained unchanged since 2018. The Committee analysed the proposed fees for 2023 and concluded that a 5% increase should be applied to Directors' remuneration. When determining the appropriate level of fees for the Directors, the Committee took into consideration a multitude of factors, including the high inflationary landscape, the complex regulatory environment, the significant increase in Directors' responsibilities due to the Company's growth agenda and the increase in the time commitment required of Directors. The Committee also considered benchmarking information in respect of directors' fees, and feedback received during the process of recruiting for new directors to support the Company's succession plans.

DIRECTORS' REMUNERATION REPORT CONTINUED

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

The detailed fees proposed for 2023 are set out on the next page. The Committee considered these fees to be justified against the available peer data and the performance of the Company. The Committee also concluded that these fees enabled the Company to competitively pursue its succession plan within the overall 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 ongoing remuneration was required. However, the Committee recognised that one-off compensation may be paid for additional work should the SID be required to provide extra support to the Board or to the Chairman on a temporary basis.

The Committee also reviewed the cap on Directors' fees under the Company's Articles of Association, currently set at £350,000 per year. To achieve the Company's succession plan, and in anticipation that the Board may, for a period, grow in number to enable an orderly handover amongst Directors, the Committee has recommended its amendment to £400,000. A resolution proposing such change to the Company's Articles of Association will be proposed at the upcoming AGM.

The Committee considered seeking external guidance from an independent remuneration consultant during 2023 and concluded that, due to the analysis provided by the Investment Manager and the 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 compensation.

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. It should also 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 2022 were agreed in 2022. It is considered appropriate that no aspect of Directors' remuneration should include share options or should be performance related due to the Directors' Non-Executive status.

The Board's policy is to determine the level of Directors' fixed annual fees in accordance with the Company's Articles of Association. In terms of the Company's Articles of Association, the aggregate remuneration for all the Directors shall not exceed the limit set out in the Company's Articles of Association.

The Company's policy is to pay the Directors personally (or to a third party if requested) every quarter, in arrears. Mr Ohlsson's remuneration is paid to Carey Olsen Corporate Services Jersey Limited. Mr. Ambler is obliged to pay 20% of the fee he receives 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 Directors are also entitled to be paid their reasonable expenses incurred while engaged on the business of the Company.

The above remuneration policy was approved by the Shareholders at the Annual General Meeting held on 15 June 2022 for the financial year to 31 December 2022 and will apply in subsequent years. Shareholders' views in respect to Directors' remuneration are communicated at the Company's Annual General Meeting and are considered in formulating the Directors' remuneration policy.

The above remuneration policy will be put to the Shareholders for approval at the 2023 Annual General Meeting for the financial year ending on 31 December 2023 and will apply in subsequent years.

Shareholders' views in respect to 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 on the next page. 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 set a 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.

	Anticipated Directors' fees for the year ending 31 December 2023 (Unaudited)	**Directors' fees for the year ended 31 December 2022 (Audited)**	Directors' fees for the year ended 31 December 2021 (Audited)
Alexander Ohlsson (Chairman)	£79,800	**£76,000**	£70,000
Chris Ambler	£51,450	**£49,000**	£48,890
Peter Dicks	£51,450	**£49,000**	£45,000
Monique O'Keefe	£51,450	**£49,000**	£45,000
Ann Markey	£63,000	**£60,000**	£51,110
Total	£297,150	**£283,000**	£260,000

Directors' interests

Directors who had interests in the shares of the Company on 31 December 2022 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 were used to acquire further shares in the Company.

	Ordinary Shares of nil par value held on 31 December 2022	Ordinary Shares of nil par value held on 31 December 2021
Alexander Ohlsson (Chairman)[1]	**25,000**	25,000
Chris Ambler	**36,162**	36,162
Peter Dicks[2]	**81,838**	77,062
Monique O'Keefe	**–**	–
Ann Markey	**–**	–

1. Shares legally and beneficially owned by a personal pension company.
2. At the time of publication Mr Dicks held 83,105 Ordinary Shares.

Approval of report

The Board will propose a resolution at the forthcoming AGM that this Directors' Remuneration Report be approved, including the remuneration of the Directors at the levels shown above for the year to 31 December 2023.

Monique O'Keefe

Chair of the Remuneration Committee

14 March 2023

DIRECTORS' REPORT

The Directors present their report and the audited Financial Statements of the Company for the year ended 31 December 2022.

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 14 March 2023 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 2022 are as follows:

Investor	% shareholding in Fund as at 31 December 2022
BlackRock Investment Management Ltd	**11.99%**
Gravis Capital Management Ltd	**6.83%**
CCLA Investment Management Ltd	**5.84%**
Cazenove Capital Management Ltd	**5.42%**
Legal & General Investment Management Ltd	**5.16%**
Total	**35.24%**

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 2022
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) 14.99% 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.

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. These transactions will only happen in the instances in which 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 because they are 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 2023 or the Company's next Annual General Meeting.

DIRECTORS' REPORT CONTINUED

Treasury shares

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

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.

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, 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 15 June 2022.

Scrip dividend option

At the Company's 2019 Annual General Meeting, held on 25 June of that year, Shareholders granted approval for 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. This authority was renewed at the Company's latest AGM, on 15 June 2022.

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

While the Scrip Dividend Scheme has been suspended, the Directors intend to continue to review this suspension with a view to reinstating the Scrip Dividend Scheme as soon as it is appropriate to do so.

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 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 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 it 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

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

AGM

The Annual General Meeting will be held on 14 June 2023 at the Company's registered office at 28 Esplanade, St. Helier, Jersey, JE2 3QA.

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

14 March 2023

STATEMENT OF DIRECTORS' RESPONSIBILITIES

IN RESPECT OF THE ANNUAL REPORT AND FINANCIAL STATEMENTS

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

Jersey Company Law requires the directors to prepare Company financial statements for each financial year which give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that year. Under that law and as permitted by UK Disclosure Guidance and Transparency Rules, they have elected to prepare the Company financial statements in accordance with International financial statements Standards issued by the International Accounting Standards Board ("IASB") and applicable law.

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 applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements
- 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 sufficient accounting records that disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the 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.

The Directors have decided to prepare voluntarily a Directors' Remuneration Report in accordance with Schedule 8 to The Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 made under the UK Companies Act 2006, as if those requirements applied to the Company.

The maintenance and integrity of the corporate and financial information included on the Company's website is the responsibility of the directors; the work carried out by auditors does not involve consideration of these matters and accordingly, KPMG LLP accepts no responsibility for any changes that may have occurred to the financial statements or our audit report since 14 March 2023. KPMG LLP has carried out no procedures of any nature subsequent to 14 March 2023 which in any way extends this date.

Legislation in Jersey governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions. The directors shall remain responsible for establishing and controlling the process for doing so, and for ensuring that the financial statements are complete and unaltered in any way.

Responsibility statement of the Directors in respect of the annual financial report

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

14 March 2023

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 2022 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 2022 and of its profit for the year then ended;
- have been prepared in accordance with the requirements of 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 in section 9. We have fulfilled our ethical responsibilities under, and are independent of the Company in accordance with, UK ethical requirements including the FRC Ethical Standard as applied to other listed entities. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

2. Key audit matters: our assessment of risks of material misstatement

Key audit matters are those matters that, in our professional judgement, were of most significance in the audit of the Financial Statements and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by us, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. We summarise below the key audit matter (unchanged from 2021), 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 results are based on procedures undertaken, in the context of, and solely for the purpose of, our audit of the Financial Statements as a whole, and in forming our opinion thereon, and consequently are incidental to that opinion, and we do not provide a separate opinion on this matter.

Valuation of unquoted investments	**Subjective valuation:**	**Our procedures included:**
(£715.9 million; 2020: £589.1 million) Refer to page 99 (Audit & Risk Committee Report), page 123 (accounting policy) and page 129 (financial disclosures). Risk level remains unchanged from prior year.	93% (2021: 89%) 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. This entity in turn makes its investments through intermediate holding companies and underlying Special Purpose Vehicles. As these investments are unquoted and illiquid, in order to determine the fair value, management adopted a number of assumptions and data points which are unobservable in the market. These include: **Significant assumptions:** The discount rate and power price curve assumptions have a high degree of estimation uncertainty with a potential range of reasonable outcomes (valuations) greater than our materiality for the financial statements as a whole, and possibly many times that amount. **Non significant assumptions and data points:** Whilst we do not consider other assumptions and data points to be at a significant risk of misstatement, due to the relevance of these elements in terms of the overall valuation and associated audit effort, we consider the following areas to also have the greatest effect on the overall audit strategy and planning of the audit: • Useful economic life assumption • Inflation assumption • Revenue and costs data 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. Our procedures for significant assumptions included: **Our valuations experience:** • We critically evaluated and challenged the significant assumptions affecting the valuation of the underlying assets, discount rates and power price curves (including the capture discount curve). We assessed whether the discount rates are within a reasonable range independently developed by us based on market data. We assessed if the power price curve used is in line with external consultants forecasted curves, with reference to publicly available market information. Our procedures in respect of the non-significant assumptions and data points included: **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. Material expenses were agreed to the supplier invoices received and where possible to underlying agreements for leases and operations and maintenance contracts. We reperformed the valuation using the Company's inputs and assumptions. We constructed our own discounted cash flow models for each underlying asset and compared the results with the Company's valuation. **Our valuations experience:** We critically evaluated and challenged other assumptions affecting the valuation of the underlying assets, useful economic life and inflation rates. We evaluated 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 forecast. **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 (2021: 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 £7.70 million (2021: £5.97 million), determined with reference to a benchmark of total assets, of which it represents 1% (2021: 0.9%).

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% (2021: 75%) of materiality for the financial statements as a whole, which equates to £5.77 million (2021: £4.47 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 & Risk Committee any corrected or uncorrected identified misstatements exceeding £0.38 million (2021: £0.30 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. The impact of climate change on our audit

In planning our audit we have considered the potential impacts of climate change on the Company's business and its financial statements.

Climate change impacts the Company principally through the valuation of investments and through potential reputational risk associated with the Company's strategy. The Company's exposure to climate change is primarily through the solar farms invested through SPVs, as the key valuation assumptions and estimates could be impacted by climate risks, for example where a new legislation on solar farms is introduced and have an impact on the forecast cash flow.

As part of our audit we have made enquiries of directors to understand the extent of the potential impact of climate change risk on the Company's financial statements and the Company's preparedness. We have performed a risk assessment of how the impact of climate change may affect the financial statements and our audit, in particular over the valuation of unquoted investments and the related key audit matter above.

Given the nature of the current investment portfolio, the valuation methods and investing strategy of the Company, we consider that climate risks do not have a significant effect on our key audit matter.

We have read the disclosure of climate related information in the front half of the annual report and considered consistency with the financial statements and our audit knowledge.

5. 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 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 and production, 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 conclusions 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.

6. 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 and Audit & Risk Committee minutes.

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 evaluating the design & implementation of controls over journals entries at the Administrator

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 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.

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

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

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.

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.

7. 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.

Directors' remuneration report

In addition to our audit of the financial statements, the directors have engaged us to audit the information in the Directors' Remuneration Report that is described as having been audited, which the directors have decided to prepare as if the Company were required to comply with the requirements of Schedule 8 to The Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 (SI 2008 No. 410) made under the UK Companies Act 2006.

In our opinion the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the UK Companies Act 2006, as if those requirements applied to the Company.

Disclosures of emerging and principal 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 pages 74 and 75 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 & Risk Committee, including the significant issues that the Audit & Risk 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.

8. 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.

9. Respective responsibilities

Directors' responsibilities

As explained more fully in their statement set out on page 108, the Directors are responsible for: the preparation of the Financial Statements including being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of Financial Statements that are free from material misstatement, whether due to fraud or error; assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

Our objectives are to obtain reasonable assurance about whether the Financial Statements as a whole are free from material misstatement, whether due to fraud or 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 Company is required to include these financial statements in an annual financial report prepared using the single electronic reporting format specified in the TD ESEF Regulation. This auditor's report provides no assurance over whether the annual financial report has been prepared in accordance with that format.

10. 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 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 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.

FangFang Zhou

Fang Fang Zhou
for and on behalf of KPMG LLP

Chartered Accountants and
Recognised Auditor
15 Canada Square
Canary Wharf
London
E14 5GL

14 March 2023

STATEMENT OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2022

	Notes	31 December 2022 £'000	31 December 2021 £'000
Revenue			
Interest earned on cash in bank		**6**	—
Interest income	4	**36,146**	38,066
Gains on investments held at fair value through profit or loss	14	**126,840**	86,816
		162,992	124,882
Expenditure			
Administration fees	6	**(200)**	(199)
Directors' fees	7	**(283)**	(260)
Management fees	5	**(7,418)**	(5,854)
Other expenses	8	**(620)**	(677)
Total expenditure		**(8,521)**	(6,990)
Profit after tax for the year		**154,471**	117,892
Taxation	2.7	**—**	—
Profit for the year		**154,571**	117,892
Other comprehensive income		**—**	—
Profit and other comprehensive profit for the year		**154,471**	117,892
Earnings per Ordinary Share (pence per share)	9	**25.32**	19.37

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

The accompanying notes on pages 120 to 148 form an integral part of these Financial Statements.

STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2022

	Notes	31 December 2022 £'000	31 December 2021 £'000
Assets			
Non-current assets			
Investments held at fair value through profit or loss	14	**715,942**	589,102
Total non-current assets		**715,942**	589,102
Current assets			
Interest receivable	10	**44,731**	60,103
Trade and other receivables	11	**279**	275
Cash and cash equivalents	12	**11,052**	10,964
Total current assets		**56,062**	71,342
Total assets		**772,004**	660,444
Equity			
Retained earnings		**141,575**	30,108
Stated capital and share premium	17	**629,892**	629,892
Total equity		**771,467**	660,000
Liabilities			
Current liabilities			
Trade and other payables	13	**537**	444
Total current liabilities		**537**	444
Total liabilities		**537**	444
Total equity and liabilities		**772,004**	660,444
Net Asset Value per Ordinary Share	18	**126.5**	108.2

The Financial Statements on pages 116 to 148 were approved by the Board of Directors and signed on its behalf on 14 March 2023 by:

Alexander Ohlsson
Chairman

The accompanying notes on pages 120 to 148 form an integral part of these Financial Statements.

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2022

	Notes	Stated capital and share premium £'000	Retained earnings £'000	Total £'000
Balance as at 1 January 2022		**629,892**	**30,108**	**660,000**
Total comprehensive profit for the year:				
Profit for the year		**—**	**154,471**	**154,471**
Transactions with owners, recognised directly in equity:				
Dividends paid in the year	21	**—**	**43,004**	**(43,004)**
Balance as at 31 December 2022		**629,892**	**141,575**	**771,467**

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

The accompanying notes on pages 120 to 148 form an integral part of these Financial Statements.

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2022

	Notes	31 December 2022 £'000	31 December 2021 £'000
Profit for the year after tax		**154,471**	117,892
Adjustments for:			
Unrealised gains on investments	14	**(126,840)**	(86,816)
Operating cash flows before changes in working capital		**27,631**	31,076
Decrease in interest receivables	10	**15,372**	3,034
Increase in trade and other receivables	11	**(4)**	—
Increase in trade and other payables	13	**93**	29
Net cash inflow from operating activities		**43,092**	34,139
Financing activities			
Dividends paid	21	**(43,004)**	(40,050)
Net cash outflow from financing activities		**(43,004)**	(40,050)
Net increase in cash and cash equivalents		**88**	(5,911)
Cash and cash equivalents at the beginning of the year		**10,964**	16,875
Cash and cash equivalents at the end of the year	12	**11,052**	10,964

The accompanying notes on pages 120 to 148 form an integral part of these Financial Statements.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

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 Holdco) Limited ("UK Hold Co"). The principal activity of the Company through its direct and indirect subsidiaries, as per the structure chart, is investing in operational and development-stage ground-based solar power plants and battery storage systems in the UK, Australia and Spain.

UK Hold Co has three investments: FS RCF Debtco Limited ("RCF Debtco"), FS Holdco 4 Limited ("FS Holdco 4") and Sandridge Battery Storage Holdings Limited ("SBSHL").

RCF Debtco has three investments: FS Top Holdco 1 Limited ("FS Topco 1"), FS Top Holdco 2 Limited ("FS Topco 2") and FS Holdco 3 Limited ("FS Holdco 3").

FS Topco 1 has one investment in FS Intermediate Holdco Limited ("FIHC"). FIHC in turn has one investment in FS Holdco Limited ("FS Holdco").

FS Topco 2 has one investment in Foresight Intermediate Solar Holdings Limited ("FISH"). In turn, FISH has one investment in FS Holdco 2 Limited ("FS Holdco 2") which has one investment in FS Debtco Limited ("FS Debtco").

FS Holdco 3 has one investment in Second Generation Portfolio 1 Holdings Limited ("SGP Holdings 1").

FS Holdco, FS Debtco, SGP Holdings 1, FS Holdco 4 and SBSHL invest in further holding companies (the "SPVs") which then invest in the underlying solar and battery storage investments.

In February 2022, the Group underwent a reorganisation of its structure ahead of the refinancing of the revolving credit facilities on 28 February 2022.

On 10 February 2022, FIHC acquired the whole of the issued share capital of FS Holdco and issued consideration shares to UK Hold Co in exchange.

FS Topco 1 then acquired consideration shares in FISH and issued consideration shares to UK Hold Co. RCF Debtco then acquired the consideration shares in FS Topco 1 and issued consideration shares to UK Hold Co in exchange.

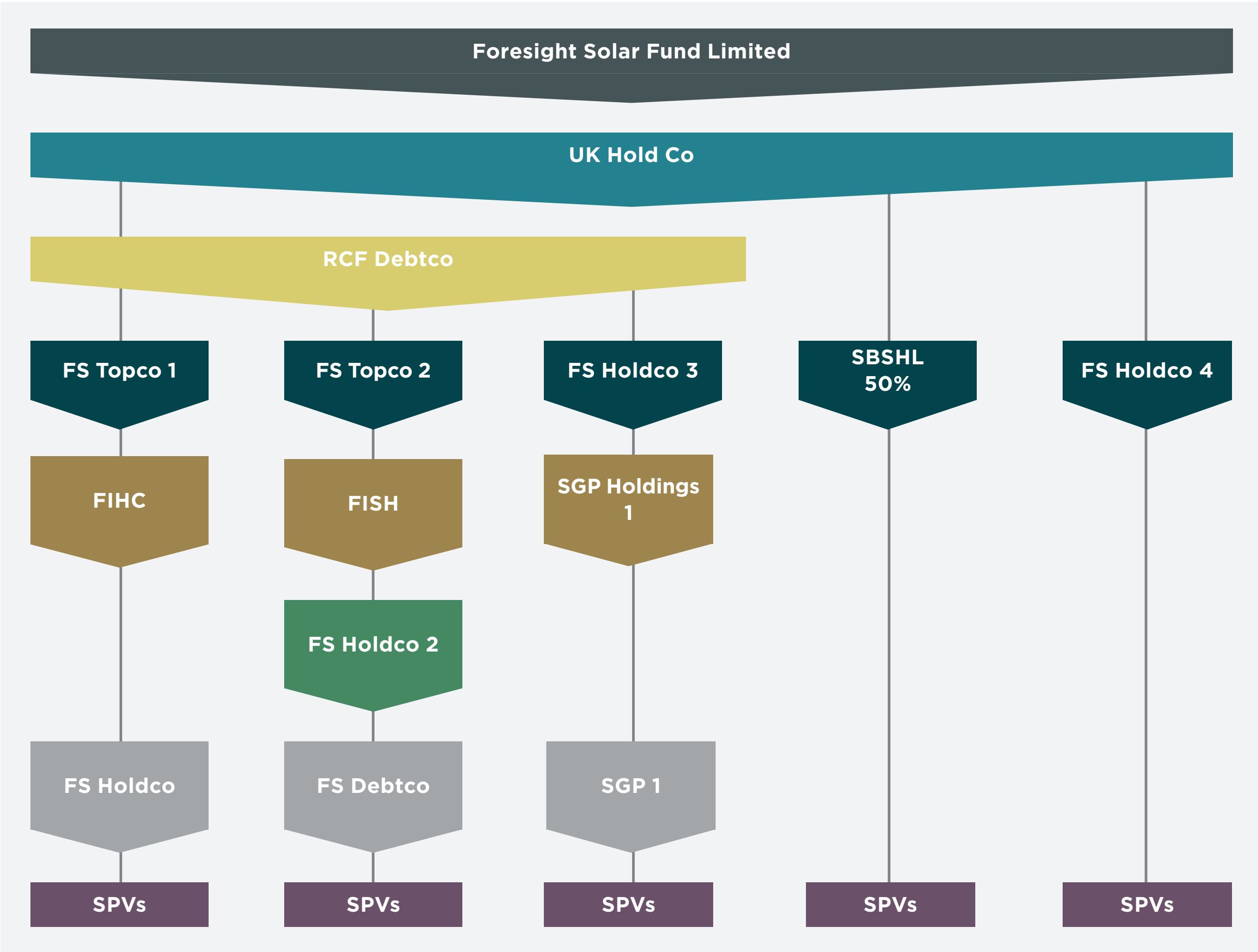
On the same date, RCF Debtco acquired the total issued share capital of FS Topco 1 and issued consideration shares to UK Hold Co in exchange.

Following that, RCF Debtco then acquired the whole of the issued share capital of FS Holdco 3 and issued consideration shares to UK Hold Co in exchange.

After the reorganisation, UK Hold Co owns 100% of the share capital of RCF Debtco.

Structure chart

The following chart shows the Group structure as at 31 December 2022 after the reorganisation:



2. Summary of significant accounting policies

2.1 Basis of presentation

The Financial Statements for the year ended 31 December 2022 (the "Financial Statements") have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union ("IFRS") which comprise standards and interpretations issued by the International Accounting Standards Board ("IASB"). 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 ("IPEV") Valuation Guidelines.

2. Summary of significant accounting policies continued

2.2 Going concern

Towards the end of 2021, high power prices were largely attributable to increased demand following the easing of COVID-19 lockdown restrictions, the tightening of the supply of natural gas with low reserves as well as a low wind-yielding year across Northern Europe. However, high prices at the start of 2022 were pushed even higher by the Ukraine conflict and the subsequent sanctions on Russia and reduced reliance on its fossil fuel exports.

The Company's exposure to wholesale power prices is reduced in the medium term by maintaining a substantial proportion of electricity generation on fixed price arrangements. This provides protection if power prices are to decline. As the Company's Power Purchase Agreements ("PPAs") are all contracted across a pool of five UK energy suppliers and a further five energy suppliers in the Australian market, the counterparty risk on existing energy suppliers is required to be continually monitored by the Investment Manager.

The high-power price environment has increased the potential risk of insolvency of the energy suppliers that provide PPAs to renewable energy generators. This is a key risk for the Company due to the high proportion of revenues that are contracted with these energy suppliers. Accordingly, the Investment Manager periodically monitors the counterparty risk on the Company's energy suppliers and will consider replacing PPA providers if the counterparty risk of existing energy suppliers is of concern.

The Review of Electricity Market Arrangements ("REMA") review of Britain's electricity market was launched on 18 July 2022. This review aims to enhance energy security and reduce long-term electricity costs for consumers. As a result, the Investment Manager expects any market changes will take years to implement and will therefore fall outside of the going concern assessment period.

The Investment Manager has concluded that it is not possible to assess the impact of the REMA review until there is further clarity upon the direction of travel and it is therefore not considered in this going concern assessment. The Investment Manager awaits further government feedback in relation to the REMA review, which is expected to be announced during 2023.

In November 2022, HM Treasury published a technical note confirming plans to charge electricity generators in the UK exceeding 50GWh per annum, a tax on extraordinary returns. The intention of the Electricity Generator Levy ("EGL") is to reduce costs for electricity customers by taxing the deemed extraordinary returns being realised by non-gas-fired electricity generators. These returns are due to inflated electricity prices driven by the marginal cost of the most expensive form of electricity generation: gas-fired generation.

The Investment Manager acknowledges the significant levy payable by Hold Co is due to the high fixes achieved across the UK portfolio of assets and elevated merchant revenues. Accordingly, due to the EGL being only applied to extraordinary profits, the EGL does not result in the basis of preparation being inappropriate.

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 and liquidity risk.

Three group subsidiaries, FS Holdco, FS Debtco and RCF Debtco are all 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, the six months look-forward debt service cover ratio and the loan life 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.

FS RCF Debtco is required to report an Interest Cover Ratio ("ICR"). ICR is a measure of how the cash generated by the borrower can be used to repay the RCF interest generated in a six-month calculation period. Pursuant to the 2022 refinancing of the revolving credit facilities and resultant reorganisation of the FSFL Group structure, there are now debt covenants at FS RCF Debtco which must be compliant each quarter to permit the movement of UK project company distributions to UK Hold Co Limited and FSFL. Without these project distributions, FSFL would be unlikely to be able to pay quarterly dividends to investors at the current dividend per share.

While the Investment Manager considers the chance of non-compliance of the RCF facility covenants remote, it has been considered prudent to investigate the lowest UK asset distributions and highest interest rate costs (driven by rising SONIA rates) that would lead to a breach of the Interest Cover Ratio.

The Board is happy to confirm that there were no instances of non-compliance of debt covenants throughout the year or during the scenarios tested in the going concern assessment period to 30 June 2024, as explained in the paragraph below.

An evaluation of the going concern was prepared by the Company's Investment Manager, then approved by the Audit and Risk Committee and subsequently by the Board. This included cash flow workings from 1 January 2023 until 30 June 2024 clearly demonstrating that the Company can continue operations for the going concern assessment period, even when five separate downside economic sensitivities and two severe but plausible downside economic scenarios were applied.

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 (90% probability of exceeding expected production over a 10-year period) 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 recent years.

(2) Power prices were reduced by 50% across the portfolio. This downside scenario represents the volatility of power prices seen during 2022 with prices reaching four times the forecasted price within the portfolio before dropping again.

(3) Inflation-linked debt and the portfolio's costs are assumed to be increased by 15% per annum.

(4) This downside scenario represents the possibility that the high inflation of 2022 continues into the going concern assessment period.

(5) The PPA provider that the Group is most exposed to fails to settle merchant revenue under the PPA contract. This downside scenario represents the risk of insolvencies of PPA offtakers in response to the high number of energy company insolvencies during 2021 and 2022, which continue into 2022 linked to the extremely high-power price market.

If any of these sensitivities or scenarios were to materialise, the Company could still meet its target dividend paid per share for the going concern assessment period. However, the Board 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.

Consequently, the Board is 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 has 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 IFRSs 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 2022 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

These standards are not expected to have a material impact on the Financial Statements.

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.

2. Summary of significant accounting policies continued

2.4 Consolidation continued

Investment entity exemption continued

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 (2021: £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.

2.9 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 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, FS Holdco 4, FS Topco 2, FISH and FS Holdco 2, FS Topco 1, FIHC, SBSHL and RCF Debtco are fair valued using their Net Asset Value as reported at year end.

The fair value of the underlying investments held by the Company's subsidiaries, which impact the value of the Company's subsidiaries, are determined by using valuation techniques. The Directors calculate the fair value of the investments based on information received from the Investment Manager. 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 ("IPEV") 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 (or 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 12-month expected loss allowance for all trade receivables and interest receivable.

2. Summary of significant accounting policies continued

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 is 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 a quarterly basis, taking into consideration market transactions with similar nature. Independent advisors are used to provide evidenced forward power price curves and therefore it is feasible that a reasonable alternative assumption may be used resulting in a different value. The power price curves are reviewed by the Investment Manager and approved by the Board on a quarterly basis. The power price curves are adjusted by the Investment manager for an estimated capture price discount as considered appropriate. The capture price discount, which forms part of the power price curve, is also reviewed by the Investment Manager and 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 investment entity exemption lease contract of the individual assets. The expected weighted average life of the UK portfolio as at 31 December 2022 is 30.8 years from the date of commissioning. The UEL of the Australian and Spanish portfolio is 34.4 and 40 years respectively. 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 the investments in unconsolidated entities.

4. Interest income

	31 December 2022 £'000	31 December 2021 £'000
Interest on loan notes	**29,975**	31,895
Interest on Shareholder loans	**6,171**	6,171
	36,146	38,066

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 (2021: £250,000,000). These loans form part of the fair value of the investments as per note 14. On 12 December 2022, UK Hold Co fully repaid its accumulative interest payable up to 31 August 2022, reducing the interest rate from 12 December 2022 to 9%.

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 (2021: £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 2022, the Investment Manager was entitled to a management fee of £7,418,165 (2021: £5,854,281) of which £nil was outstanding as at 31 December 2022 (2021: £nil).

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 2022, total administration and accountancy fees were £199,711 (2021: £198,822) of which £91,000 was outstanding as at 31 December 2022 (2021: £91,000).

7. Staff costs and Directors' fees

No members of staff were employed during the year (2021: nil).

Total Directors' fees were £283,000 (2021: £260,000).

8. Other expenses

	31 December 2022 £'000	31 December 2021 £'000
Legal and professional fees	**491**	432
General expenses	**129**	245
	620	677

Included within legal and professional fees is £154,554 (2021: £129,216) 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 £302,120 for the year ended 31 December 2022 (2021: £229,000). There were no other fees paid to the auditors for non-audit services during the year (2021: £nil).

9. Earnings per Ordinary Share – basic and diluted

The basic earnings per Ordinary Share for the Company is 25.32 pence per share (2021: 19.37 pence per share). This is based on the profit for the year of £154,470,462 (2021: £117,891,220) and on 609,958,720 (2021: 608,759,067) 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 2022 £'000	31 December 2021 £'000
Interest receivable on loan notes	**8,429**	30,131
Interest receivable on Shareholder loans	**36,302**	29,972
	44,731	60,103

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 2022 £'000	31 December 2021 £'000
Prepaid expenses	**23**	25
Other receivables	**256**	250
	279	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 2022 £'000	31 December 2021 £'000
Cash at bank	**11,052**	10,964
	11,052	10,964

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 2022 £'000	31 December 2021 £'000
Accrued expenses	**350**	257
Amounts due to subsidiaries[1]	**18**	187
	537	444

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 2022 £'000	31 December 2021 £'000
Investment in UK Hold Co	– Equity	—	—
	– Loans	715,942	589,102
		715,942	589,102
Book cost as at 1 January		554,315	554,315
Opening investment holding gains/(loss)		34,787	(52,029)
Valuation as at 1 January		589,102	502,286
Movements during the year			
Unrealised investment holding gains		126,840	86,816
Valuation as at 31 December		715,942	589,102
Book cost as at 31 December		554,315	554,315
Closing investment holding gains		161,627	34,787
		715,942	589,102

The Company has one investment in Foresight Solar (UK Holdco) 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.

In turn, UK Hold Co has three investments in RCF Debtco, FS Holdco 4 and SBSHL. RCF Debtco has three investments in FS Top Holdco 1, FS Top Holdco 2 and FS Holdco 3. FS Topco 1 has one investment in FIHC. FIHC has one investment in FS Holdco. FS Topco 2 has one investment in FISH. FISH has one investment in FS Holdco 2. FS Holdco 2 has one investment FS Debtco. FS Holdco 3 has one investment in SGP Holdings 1 which in turn has one investment in Second Generation Portfolio 1 ("SGP 1"). 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 Topco 1, FS Topco 2, FS Holdco 4, FIHC, FS Holdco 3 and FISH are fair valued using their Net Asset Value as reported at period end.

FS Holdco, FS Debtco, SGP Holdings 1 and FS Holdco 3'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. FS Holdco 4 consists of operational Australian and Spanish assets, the valuations of which are also based on a discounted cash flow methodology.

SBSL is also held at cost as it is not yet operational and the price of the recent investment acquired by the Group, SBSHL, 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 any 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.

14. Investments held at fair value through profit or loss continued

Fair value hierarchy continued

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 2022:

	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Investments held at fair value through profit or loss	—	—	715,942	715,942
	—	—	715,942	715,942

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

Sensitivity analysis

Due to the nature of the Group structure and the underlying valuation basis of UK Hold Co, RCF Debtco, FS Topco 1, FIHC, FS Holdco, FS Topco 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 and battery storage 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 Holdco) Limited ("UK Hold Co")	Direct	UK	Holding Company	100%
FS Holdco Limited ("FS Holdco")	Indirect	UK	Holding Company	100%
FS Top Holdco 2 Limited ("FS Topco 2")	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 ("FS Topco 1")	Indirect	UK	Holding Company	100%
FS Intermediate Holdco Limited ("FIHC")	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%
Foresight Solar Germany Holding GmbH	Indirect	Germany	SPV Holding Company	100%
FS Highfields 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 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%
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%

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
FS Misson Solar Limited	Indirect	UK	SPV Holding Company	100%
FS Playters 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 Limited ("SGP Holdings 1")	Indirect	UK	SPV Holding Company	100%
Second Generation Portfolio 1 Limited ("SGP 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%
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%
Ports Farms Limited (Port Farms)	Indirect	UK	Investment	100%
Membury Solar Limited ("Membury")	Indirect	UK	Investment	100%
Atherstone Solar Farm Ltd ("Atherstone")	Indirect	UK	Investment	100%
Southam Solar Farm Ltd ("Southam")	Indirect	UK	Investment	100%
Paddock Wood Solar Farm Ltd ("Paddock Wood")	Indirect	UK	Investment	100%
Shotwick Solar Limited ("Shotwick Solar")	Indirect	UK	Investment	100%
Sandridge Solar Power Limited ("Sandridge")	Indirect	UK	Investment	100%
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%

Name	Direct or indirect holding	Country of incorporation	Principal activity	Proportion of shares and voting rights held
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%
Lindridge Solar Limited ("Lindridge Solar")	Indirect	UK	Investment	100%
Misson Solar Limited ("Misson Solar")	Indirect	UK	Investment	100%
Abbeyfields Solar Limited ("Abbeyfields Solar")	Indirect	UK	Investment	100%
Playters Solar Limited ("Playters Solar")	Indirect	UK	Investment	100%
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%
Global Solar Energy Veintisiete, S.L	Indirect	Spain	Investment	100%
Virgen del Carmen Solar S.L ("Virgen")	Indirect	Spain	Investment	100%
Solar Energy Veintisiete S.L ("Lorca")	Indirect	Spain	Investment	100%
Solar de la Contraviesa 5 S.L.U	Indirect	Spain	Investment	100%
Solar de la Contraviesa 6 S.L.U	Indirect	Spain	Investment	100%
Solar de la Contraviesa 7 S.L.U	Indirect	Spain	Investment	100%
Fotovoltaica Puerto Cruz II.SI	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%

15. Subsidiaries and associates continued

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%
Lunanhead Energy Storage Limited	Indirect	UK	Investment	50%
Clayfords Energy Storage Limited ("CESL")	Indirect	UK	Investment	50%
Sandridge Battery Storage Limited ("SBSL")	Indirect	UK	Investment	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 ("IPEV") 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 2022 and have therefore been omitted from the sensitivity analysis on the following pages.

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 holding company level debt cash outflows. This has resulted mainly in a reduction of the discount rate sensitivity disclosed below.

The base valuation of £740.5 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 £740.5 million is equal to the NAV of £771.5 million less items deemed not subject to the sensitivities applied.

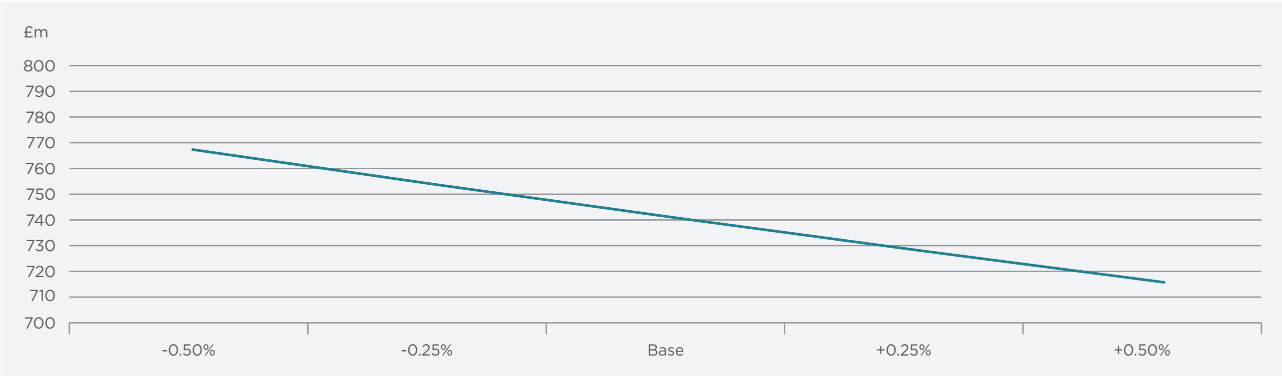
	31 December 2022 £m
Base case for sensitivities	**740.5**
Items not subject to sensitivities:	
Cash in UK and Australian assets	**33.0**
Assets in construction valued at cost	**9.5**
Company and intermediate holding companies' cash	**101.2**
RCF outstanding	**(115.0)**
Other Group net assets and DCF adjustments	**2.3**
Net Asset Value at 31 December 2022	**771.5**

The Directors consider the following to be the most significant inputs to the discounted cash flows ("DCF") calculation.

Discount rate

The weighted average discount rate used is 7.16% (2021: 6.26%). 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 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)	767.2	753.6	740.5	727.8	715.5
Change in portfolio valuation (£m)	26.6	13.1	—	12.7	-25.0
NAV per share change (pence)	4.4	2.1	126.5	-2.1	-4.1

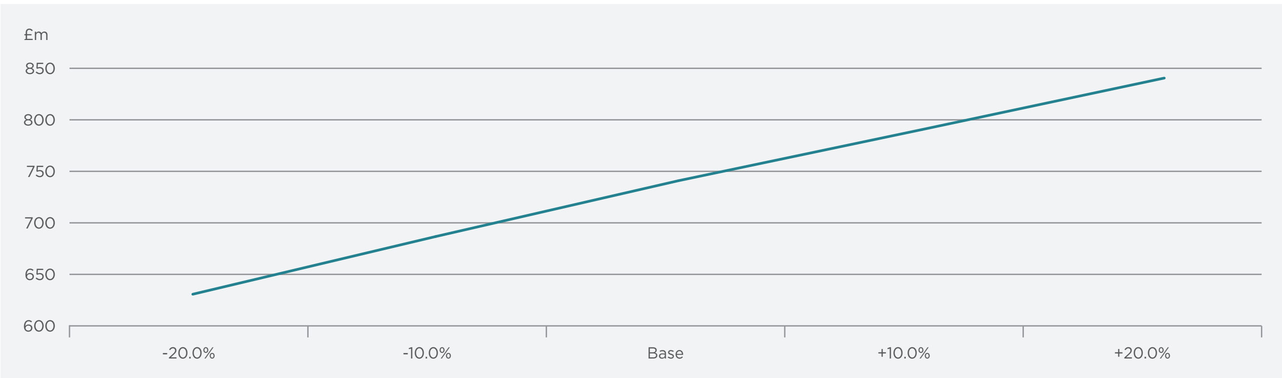


Power price

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, adjusted by the Investment Manager for the expected capture price discounts for solar generation as considered appropriate.

The forecast assumes an average annual decrease in power prices in real terms of approximately 5.5% (2021: decrease of 3.1%). During the period, c.39% of the investments' operational revenues came from regulatory support mechanisms. The remaining c.61% 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.51% of total revenues.

	-20.0%	-10.0%	Base	+10.0%	+20.0%
Portfolio valuation (£m)	630.1	686.2	740.5	790.1	840.3
Change in portfolio valuation (£m)	110.4	54.3	—	49.5	99.8
NAV per share change (pence)	18.1	-8.9	126.5	8.1	16.4

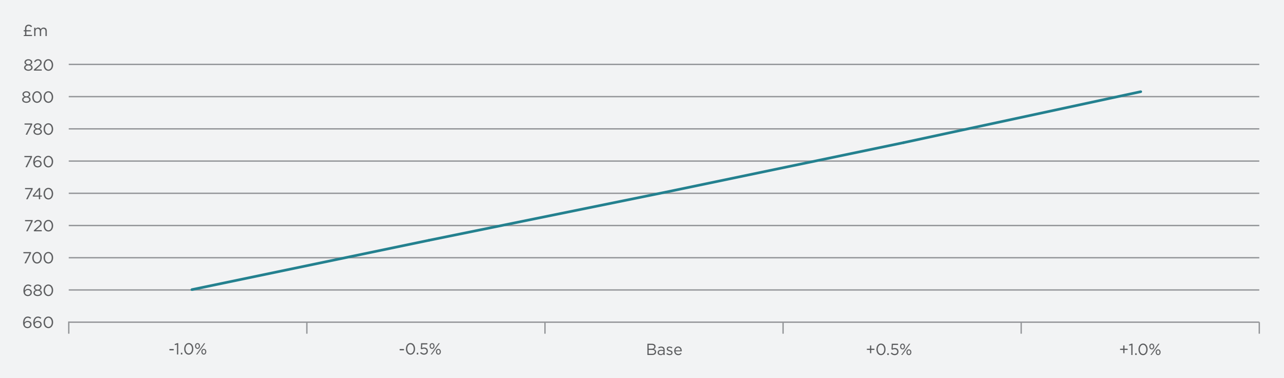


16. Fair value of the investments in unconsolidated entities continued

Inflation

A variable of 0.5% to 1.0% is considered reasonable given the long-term inflation rate of 3.00% (2021: 3.00%).

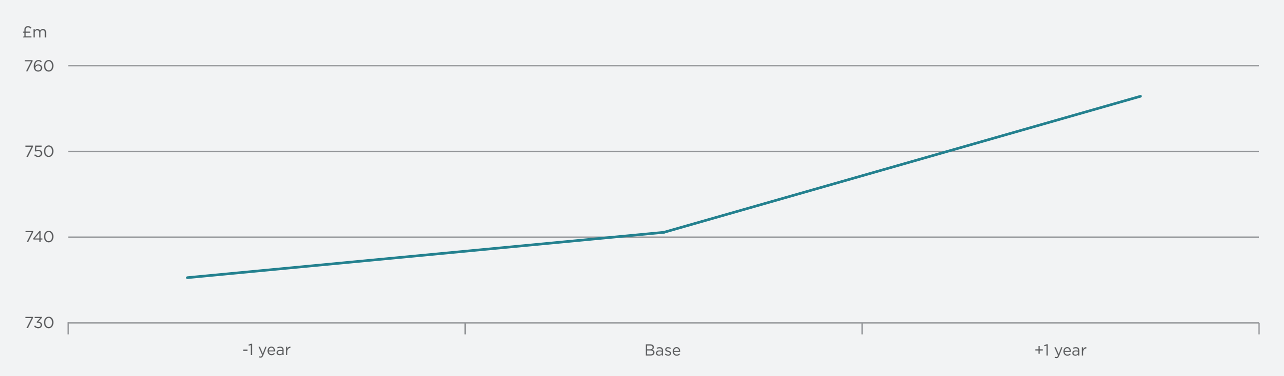
	-1.0%	-0.5%	Base	+0.5%	+1.0%
Portfolio valuation (£m)	679.8	710.5	740.5	771.2	802.9
Change in portfolio valuation (£m)	60.7	30.0	—	30.7	62.4
NAV per share change (pence)	-10.0	-4.9	126.5	5.0	10.2



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. 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.

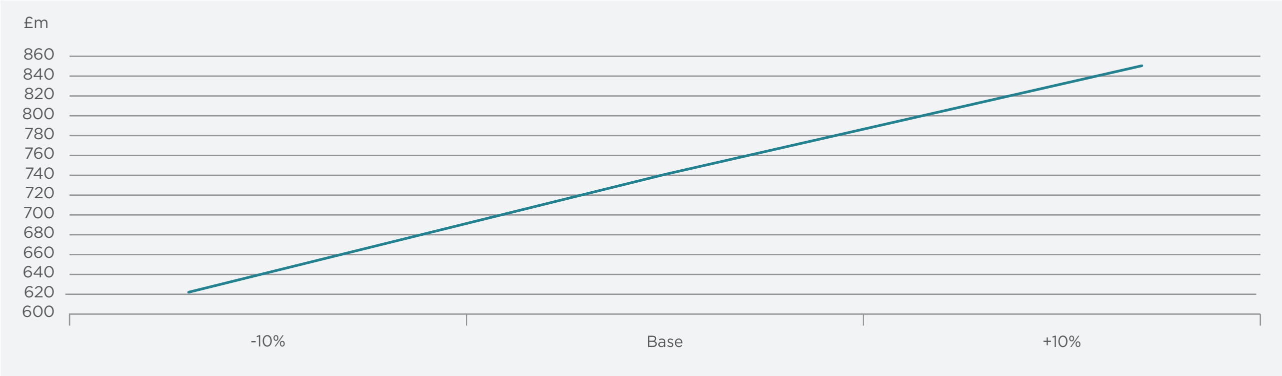
	-1 year	Base	+1 year
Portfolio valuation (£m)	735.2	740.5	756.4
Change in portfolio valuation (£m)	-5.3	—	4.1
NAV per share change (pence)	-0.9	126.5	0.7



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.

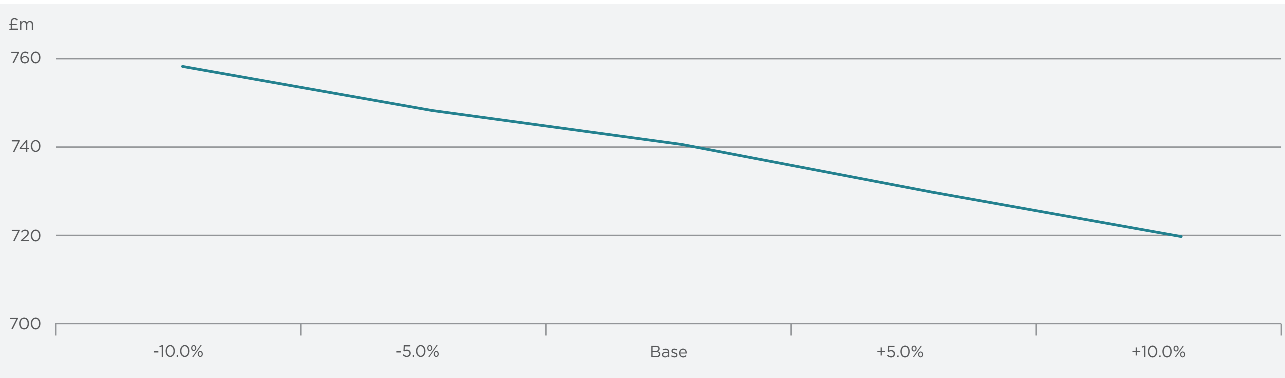
	-10%	Base	+10%
Portfolio valuation (£m)	621.4	740.5	850.2
Change in portfolio valuation (£m)	-119.1	—	109.7
NAV per share change (pence)	-19.5	126.5	18.0



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)	758.2	748.2	740.5	729.7	719.6
Change in portfolio valuation (£m)	17.6	7.7	—	-10.8	-20.9
NAV per share change (pence)	2.9	1.3	126.5	1.8	3.4

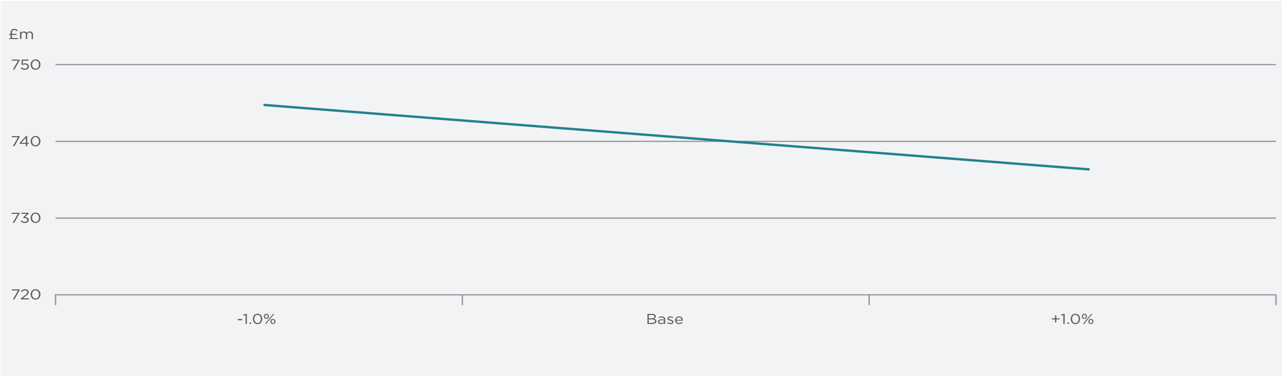


16. Fair value of the investments in unconsolidated entities continued

Tax rate

In spring 2021, the UK government announced its 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 2022 valuation. On that basis, a variable of 1.0% is considered reasonable given historic information.

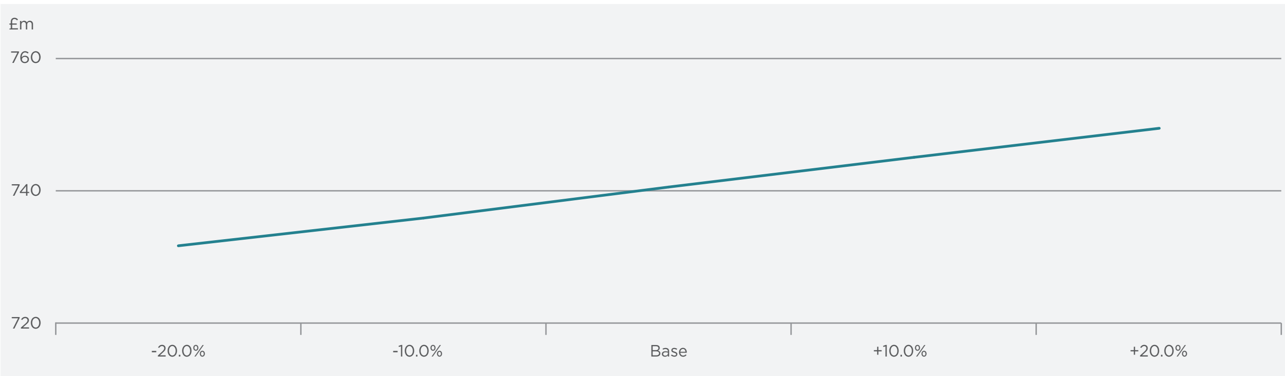
	-1.0%	Base	+1.0%
Portfolio valuation (£m)	744.7	740.5	736.3
Change in portfolio valuation (£m)	4.2	—	-4.2
NAV per share change (pence)	0.7	126.5	-0.7



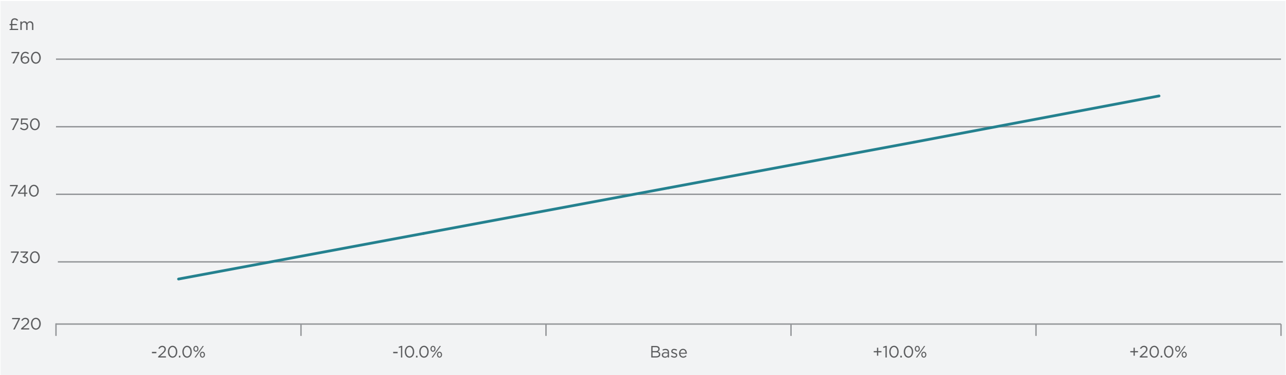
Exchange rate

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 also exposed to fluctuations in EUR. The Group also mitigates its exposure to fluctuations in EUR through the use of forward contracts.

AUD/GBP	-20.0%	-10.0%	Base	+10.0%	+20.0%
Portfolio valuation (£m)	731.6	736.1	740.5	745.0	749.4
Change in portfolio valuation (£m)	-8.9	-4.5	—	4.5	8.9
NAV per share change (pence)	-1.5	-0.7	126.5	0.7	1.5



EUR/GBP	-20.0%	-10.0%	Base	+10.0%	+20.0%
Portfolio valuation (£m)	726.7	733.6	740.5	747.4	754.4
Change in portfolio valuation (£m)	-13.9	-6.9	—	6.9	13.9
NAV per share change (pence)	-2.3	-1.1	126.5	1.1	2.3



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 2022 Shares	31 December 2021 Shares
Ordinary Shares – nil par value	**Unlimited**	Unlimited

Issued Ordinary Shares

	31 December 2022 Shares	31 December 2021 Shares
Opening balance	**609,958,720**	607,711,311
Scrip dividends issued during the year	**—**	2,247,409
Closing balance	**609,958,720**	609,958,720

	31 December 2022 £'000	31 December 2021 £'000
Opening balance	**629,892**	627,649
Value of scrip dividends issued	**—**	2,243
Closing balance	**629,892**	629,892

18. NAV per Ordinary Share

The Net Asset Value ("NAV") per redeemable Ordinary Share for the Company is 126.5 (2021: 108.2) pence per Ordinary Share. This is based on the Net Asset Value at the reporting date of £771,597,780 (2021: £659,999,331) and on 609,958,720 (2021: 609,958,720) 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:

19.1 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 2022 £'000	31 December 2021 £'000
AUD	**55,432**	53,567
EUR	**69,296**	77,816

The FX rate applied at 31 December 2022 was AUD/GBP 0.5647 (2021: 0.5369) and EUR/GBP 0.8868 (2021: 0.8407).

The sensitivities linked to the assets denominated in Australian dollars and euros are set out in note 16 as these assets are held in the underlying investments.

(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 2022, 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 £71,594,174 (2021: £59,105,831). Were this value to decrease by 10%, the decrease in net assets attributable to Shareholders for the year would have been £71,594,174 (2021: £59,105,831). 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 lending to its subsidiary. At year end the Company had no long-term borrowings with third parties (2021: £nil).

	Total portfolio 31 December 2022 £'000	Weighted average interest rate 31 December 2022 %	Weighted average time for which rate is fixed 31 December 2022 Days
Loan notes	**250,000**	**10.90**	**1,516**
Shareholder loans	**304,316**	**2.00**	**2,748**
Cash and cash equivalents	**11,052**	**0.05**	**—**
	565,368		

	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 as cash equivalents	10,964	0.05	—
	565,280		

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 31 December 2022 £'000	Weighted average interest rate 31 December 2022 %	Weighted average time for which rate is fixed 31 December 2022 Days
Investment – RCF Debtco	**689,582**	**6.00**	**365**[2]
Investment – FS Holdco 4[1]	**93,401**	**5.00**	**2,781**
Cash and cash equivalents	**27,409**	**0.05**	**—**
Total indirect exposure interest rate risk	**810,392**		

	Total indirect exposure 31 December 2021 £'000	Weighted average interest rate 31 December 2021 %	Weighted average time for which rate is fixed 31 December 2021 Days
Investment – FS Holdco[1]	343,731	8.00	365[2]
Investments – FS Topco 1, 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		

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 2022

	Carrying amount £'000	Contractual total £'000	Less than 6 months £'000	6 to 12 months £'000	Greater than 12 months £'000
Financial assets					
Investments	715,942	715,942	—	—	715,942
Trade and other receivables	279	279	—	279	—
Interest receivable	44,731	44,731	—	44,731	—
Cash and cash equivalents	11,052	11,052	11,052	—	—
Total financial assets	772,004	772,004	11,052	45,010	715,942
Financial liabilities					
Trade and other payables	537	537	537	—	—
Total financial liabilities	537	537	537	—	—
Net position	771,467	771,467	10,515	45,010	715,942

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

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 2022 £'000
Cash in bank:		
Royal Bank of Scotland International Limited	P2	11,052
Total cash and cash equivalents		**11,052**

	Moody's credit rating	31 December 2021 £'000
Cash in bank:		
Royal Bank of Scotland International Limited	P2	10,964
Total cash and cash equivalents		10,964

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 £782,983,492 (2021: £766,652,395), being the portion of UK Hold Co investments that are made up of loans as at 31 December 2022; 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 was entered into by FS Holdco, FS Debtco and FISH with Santander and NatWest respectively. The balance of the external debt facility as at year end amounted to £374,514,646 (2021: £400,155,598). 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, during 2022, the debt covenants were not breached. In the debt calculation period to 30 September 2022, the last calculation date before the date of this report, the DSCR for FS Holdco was 2.93:1 and for FS Debtco it was 6.07:1 and the Loan Life Coverage Ratio ("LLCR") for FS Holdco was 2.60:1.

For the calculation date of 31 December 2022 for the RCF, the interest cover ratio was 19.51:1. The minimum threshold ratio is 3.00:1.

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. Financial instruments and risk profile continued

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.

Since the emergence of COVID-19, the pandemic has prompted the Directors and the Investment Manager to assess the direct and indirect risks to the Company and the portfolio. The key risk COVID-19 continues to pose to the Company is a negative impact on the power price market, therefore adversely affecting the distributions received from underlying investments.

In 2021 the UK and the Company experienced a surge in power prices partly because of the tightening of the supply of natural gas into the EU. In February 2022, Russia invaded Ukraine, which caused many countries, including the UK, to place sanctions on the usage of Russian fossil fuels; as a result, power prices continued to be affected.

The Board continues to monitor and review the geopolitical environment and its wider impact on the Company's business in what has the potential to be a more turbulent period in international relations.

Challenges also remain in the supply chain that might impact construction and operation of solar farms and battery storage systems. The risk of forced labour being used anywhere in the supply chain is something the Company is especially alert to and is part of its Risk Management Framework.

During the year, the risks that have been most closely monitored are those related to direct government market intervention, such as windfall taxes; the effects of a higher interest rate environment; and volatile power prices.

In November 2022, the UK government published a technical note on the Electricity Generator Levy, the method the government is using to obtain what it sees as excess profits being made in the wholesale electricity market by renewable energy and low carbon generators in the UK. The levy will impact the Company's UK operational assets and result in a proportion of its generated profits to be surrendered. The Directors continue to monitor and review all risks associated with long- and near-term power prices through the risk management framework.

The UK government has also started a consultation process in 2022 around the future of the electricity market in Great Britain (REMA), with the aim of providing affordable and secured electricity for consumers through changes to the current market arrangements. The results of the consultation are not expected to be shared until 2023 with the expectation of any radical changes not to be in place much before 2030.

Changes to the level of political support may result in adjustments to the levels of subsidy and incentives for renewable generation, whether on a prospective or retrospective basis. The Directors continue to monitor and review this risk under the risk management framework.

The risk management framework is outlined on page 64.

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

	2022 £'000	2022 Pence/ Ordinary Share	2021 £'000	2021 Pence/ Ordinary Share
Quarter 1	**10,644**	**1.745**	10,345	1.730
Quarter 2	**10,644**	**1.745**	9,646	1.730
Quarter 3	**10,858**	**1.780**	9,607	1.745
Quarter 4	**10,858**	**1.780**	10,452	1.745
	43,004		40,050	

On 24 November 2022, the Company announced the third interim dividend, in respect of the period 1 July 2022 to 30 September 2022, of 1.78 pence per Ordinary Share. The shares went ex-dividend on 26 January 2023 and the dividend was paid on 24 February 2023 to Shareholders on the register as at the close of business on 26 January 2023.

No shares were issued in lieu of cash dividends during the year.

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.

Transactions with UK Hold Co

For the year ended 31 December 2022:

	Opening balance as at 1 January 2022 £'000	Movements during the year £'000	Closing balance as at 31 December 2022 £'000
Interest bearing loans and outstanding interest payable to UK Hold Co	**614,419**	**(15,369)**	**599,050**
Non-interest bearing loans payable to UK Hold Co	**187**	**—**	**187**

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	617,453	(3,034)	614,419
Non-interest bearing loans	187	—	187

22. Related party disclosures continued

Transactions between UK Hold Co and its underlying subsidiaries

Transactions with RCF Debtco

For the year ended 31 December 2022:

	Opening balance as at 1 January 2022 £'000	Movements during the year £'000	Closing balance as at 31 December 2022 £'000
Interest bearing loans and outstanding interest	—	589,262	589,262
Non-interest bearing loans	—	300,459	300,459

There are no prior period transactions with RCF Debtco due to the Company not being incorporated until 9 November 2021.

Transactions with FS Holdco

For the year ended 31 December 2022:

	Opening balance as at 1 January 2022 £'000	Movements during the year £'000	Closing balance as at 31 December 2022 £'000
Interest bearing loans and outstanding interest payable	406,930	(406,930)	—
Interest bearing loans and outstanding interest receivable	(45,253)	45,253	—
Non-interest bearing loans receivable	(143,504)	143,504	—
Non-interest bearing loans payable	875	(875)	—

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 payable	403,505	3,425	406,930
Interest bearing loans and outstanding interest receivable	(43,253)	(2,000)	(45,253)
Non-interest bearing loans receivable	(143,504)	—	(143,504)
Non-interest bearing loans payable	875	—	875

Transactions with FS Topco 2

For the year ended 31 December 2022:

	Opening balance as at 1 January 2022 £'000	Movements during the year £'000	Closing balance as at 31 December 2022 £'000
Interest bearing loans and outstanding interest	271,167	(271,167)	—
Non-interest bearing loans	(26,524)	26,524	—

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 loan	(22,288)	(4,236)	(26,524)

Transactions with FS Debtco

For the year ended 31 December 2022:

	Opening balance as at 1 January 2022 £'000	**Movements during the year £'000**	**Closing balance as at 31 December 2022 £'000**
Interest bearing loans and outstanding interest	**68,019**	**(68,019)**	**—**
Non-interest bearing loan	**140**	**(140)**	**—**

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

Transactions with FISH

There were no transactions between UK Hold Co and FISH.

Transactions with FS Holdco 2

There were no transactions between UK Hold Co and FS Holdco 2.

Transactions with FS Holdco 3

For the year ended 31 December 2022:

	Opening balance as at 1 January 2022 £'000	**Movements during the year £'000**	**Closing balance as at 31 December 2022 £'000**
Interest bearing loans and outstanding interest	**37,930**	**(37,930)**	**—**
Non-interest bearing loan	**(6,165)**	**6,165**	**—**

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	36,124	1,806	37,930
Non-interest bearing loan	(6,165)	—	(6,165)

22. Related party disclosures continued

Transactions between UK Hold Co and its underlying subsidiaries continued

Transactions with FS Holdco 4

For the year ended 31 December 2022:

	Opening balance as at 1 January 2022 £'000	Movements during the year £'000	Closing balance as at 31 December 2022 £'000
Interest bearing loans and outstanding interest	**159,683**	**(11,958)**	**147,725**
Non-interest bearing loan	**1,434**	**(11,099)**	**(9,665)**

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

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 2022:

	Opening balance receivable/(payable) as at 1 January 2022 £'000	Amounts paid on behalf of SPV 2022 £'000	Amounts received from SPV 2022 £'000	Net amount (payable)/receivable as at 31 December 2022 £'000
FS Holdco and its SPVs	**(34,191)**	**11,934**	**(28,320)**	**(50,577)**
FS Debtco and its SPVs	**(20,538)**	**1,230**	**(29,619)**	**(48,927)**

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)

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 £1,780,100 during the period (2021: £1,610,038).

23. Commitments and contingent liabilities

There are no commitments or contingent liabilities in the current year (2021: £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

There were no post balance sheet events requiring disclosure.

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 29 of the Annual Report.

The performance of the Company's portfolio during the year is disclosed in full in the Operational Review on pages 30 to 33 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 76 to 82 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 2022 is as follows:

- Gross method: 27%
- Commitment method: 40%

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 64 to 73 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
AIFs	Alternative Investment Funds
AIFMs	Alternative Investment Fund Managers
AIFMD	The Alternative Investment Fund Managers Directive
APMs	Alternative Performance Measures
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
BSS	Battery storage system
CEFC	The Clean Energy Finance Corporation
Company	Foresight Solar Fund Limited
CPIH	Consumer Prices Index including owner occupiers' housing costs
DCF	Discounted cash flow
DNO	Distribution network operator
DSCR	Debt Service Cover Ratio
EEA	European Economic Area
EGL	Electricity Generator Levy
EPC	Engineering, Procurement & Construction
ESG	Environmental, Social and Governance
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
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
KPMG LLP	KPMG is the Company's Auditor
LGC	Large-Scale Generation Certificate
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
MWh	Megawatt hour
NAV	Net Asset Value
OBR	Office for Budget Responsibility
Official List	The Premium Segment of the UK Listing Authority's Official List
O&M	Operation and maintenance
P90	90% probability of exceeding expected production over a 10-year period
RCF	Revolving credit facility
PPA	Power Purchase Agreements
PV	Photovoltaic
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
SPVs	The Special Purpose Vehicles which hold the Company's investment portfolio of underlying operating assets
UK	The United Kingdom of Great Britain and Northern Ireland

ALTERNATIVE PERFORMANCE MEASURES ("APMS")

Performance is assessed using a number of measures that are not specifically defined under IFRS and are therefore referred to as APMs. The APMs used may not be directly comparable with those used by other companies.

APM	Purpose	Calculation	APM value	Reconciliation to IFRS
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 Ordinary Share as at 31 December 2022 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	9.0%	The calculation uses the closing NAV per Ordinary Share as per the Statement of Financial Position on page 117
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 2022 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	7.8%	The calculation uses the closing share price as per key investment metric table on page 26
Cash distributions from solar investments	A measure of performance from the underlying portfolio	Total cash received from investments in the period	£111.8 million	As per cash flows of the Company and intermediate holding companies on page 81
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	1.74x	The calculation uses the net cash flows from operations as per cash flows of the Company and intermediate holding companies on page 81 and the cash dividends paid as per the Statement of Cash Flows on page 119
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 78 as a percentage of GAV	40.5%	The calculation uses the total debt on page 78 and the Net Asset Value as per Statement of Financial Position on page 117

APM	Purpose	Calculation	APM value	Reconciliation to IFRS
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 117	£1,296.3 million	The calculation uses the total debt on page 78 and the Net Asset Value as per Statement of Financial Position on page 117
Market capitalisation	Provides an indication of the size of the company	Closing share price as at 31 December 2022 multiplied by the closing number of Ordinary Shares in issuance	£724.6 million	The calculation uses the closing share price as per key investment metric table on page 26 and closing number of Ordinary Shares as per Note 17 of the financial statements on page 139
NAV per Ordinary Share	A measure of the value of one Ordinary Share	The net assets divided by the number of Ordinary Shares	126.5p	As per the closing NAV per Ordinary Share and as per the Statement of Financial Position on page 117
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, Director's fees and audit fees expressed as a percentage of average NAV through the year shown on page 82	1.14%	Detailed calculation on page 82
Total NAV return	Measure of financial performance, indicating the movement of the value of the Fund in the year and expressed as a percentage	Closing NAV per share as at 31 December 2022 plus all dividends in the year assumed reinvested, divided by the NAV at 31 December 2021, expressed as a percentage	24.0%	The calculation uses the Net Asset Value as per the Statement of Financial Position on page 117 and the cash dividends paid as per the Statement of Cash Flows on page 119
Total Shareholder Return	Annualised measure of financial performance, indicating the total return derived from holding the stock in the year and expressed as a percentage	Closing share price as at 31 December 2022 plus all dividends in the year assumed reinvested, divided by the share price at 31 December 2021, expressed as a percentage	24.8%	The calculation uses the closing share price as per key investment metric table on page 26 and the cash dividends paid as per the Statement of Cash Flows on page 119

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