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# YEARS

**FORESIGHT  
SOLAR FUND  
LIMITED**

**ANNUAL REPORT AND  
FINANCIAL STATEMENTS**

For the year ended 31 December 2023

**Foresight**  
FOR A SMARTER FUTURE

# ABOUT US

**Foresight Solar is a closed-ended investment company with more than £1.2 billion deployed in a diversified portfolio of solar PV and battery storage assets.**

The sustainability-focused fund contributes to a lower carbon future by investing in and managing approximately 1GW of renewable energy infrastructure.

## In this report

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### Sustainability



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Foresight Solar Fund Limited was awarded the Green Economy Mark in 2019. This recognises companies that derive 50% or more of their revenues from environmental solutions.

FRONT COVER IMAGE  
Shotwick, UK

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# HIGHLIGHTS

AS AT 31 DECEMBER 2023

## Investment objectives:

## Key performance indicators (“KPIs”)<sup>1</sup>



Preserve and enhance **capital value**

**£697.9m**

**NET ASSET VALUE (“NAV”)**  
(31 December 2022: £771.5m)

**118.4p**

**NAV PER SHARE**  
(31 December 2022: 126.5p)

**8.0%**

**ANNUALISED TOTAL NAV RETURN SINCE IPO**  
(31 December 2022: 9.0%)

**6.2%**

**ANNUALISED TOTAL SHAREHOLDER RETURN SINCE IPO**  
(31 December 2022: 7.8%)



Deliver sustainable, progressive **quarterly dividends**

**7.55p**

**DIVIDEND PER SHARE DECLARED FOR 2023**  
(31 December 2022: 7.12p)

**1.6x**

**NET DIVIDEND COVER FOR 2023<sup>2</sup>**

**£295.9m**

**TOTAL DIVIDENDS PAID SINCE IPO**

**6.0%**

**TARGET DIVIDEND GROWTH FOR 2024**

**1.5x**

**ESTIMATED NET DIVIDEND COVER FOR 2024**

**33.3%**

**DIVIDEND GROWTH SINCE IPO**  
(Including 2024 target)



Develop further **portfolio diversification**

**969MW**

**PORTFOLIO CAPACITY**

**467MWp**

**PROPRIETARY DEVELOPMENT PIPELINE**

1. Refer to the Alternative Performance Measures (“APMs”) shown on page 91 for more details and definitions of the terms used in this report.
2. Net dividend cover calculated solely from operating cash flow generated in the period.



SANDRIDGE, UK

## HIGHLIGHTS CONTINUED

### AS AT 31 DECEMBER 2023

# Foresight Solar celebrated its ten-year anniversary on the London Stock Exchange in October

### Grew the proprietary pipeline

Acquired the rights to a 467MWp portfolio of development-stage solar projects.

### Record cash distribution from assets

The £120.4 million was the highest in Foresight Solar's decade-long history.

### First project sale

Divested a stake in the Spanish Lorca portfolio at a 21% premium to holding value, highlighting the Company's prudent valuation assumptions.

### £20 million returned to Shareholders via buybacks

Deployed half of the committed repurchase allocation, delivering 1.1 pence per share ("pps") of NAV accretion.

### Lowered gearing

Divestment proceeds and free cash used to repay £40 million of variable rate debt.

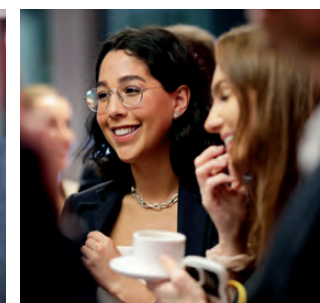
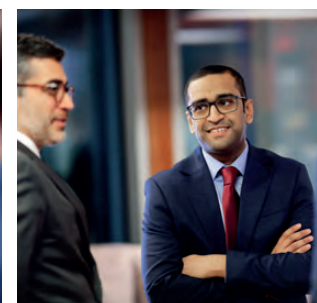
### Record renewable electricity generation

1,094GWh<sup>1</sup> exported to the grid, enough to power 402,754 UK households for a year.

### Increased dividend target

Board approved the 7.55pps dividend for 2023 and announced an increase of 6% year-on-year to a 8.00pps payout target for 2024.

1. Generation figures have been adjusted, where relevant, for events in which compensation has been, or will be, received.



# BUSINESS MODEL

## What we do

Foresight Solar is a sustainability-focused investment trust that aims to deliver progressive returns alongside long-term NAV growth by owning, developing and operating utility-scale solar and battery assets.

## How we create value

1. Identify, acquire	2. Develop, build	3. Operate, enhance	4. Hold/exit, redeploy	The value we create
<p>The Investment Manager leverages its global footprint and local networks to source solar PV and battery storage opportunities at different stages of development. These are screened for suitability and potential targets are subject to due diligence to assess risks, confirm valuation assumptions and review sustainability considerations. Investment approval is multi-level and culminates with Board sign-off for all material decisions.</p>	<p>There is a strong focus on risk and opportunity identification and mitigation to deliver assets in line with their investment case. The Company actively manages assets, employing strategic approaches to make development, construction and maintenance determinations. To minimise risks, Foresight Solar partners with credible and experienced counterparties to secure future pipeline, build out projects and manage them. Regular communication with the Board ensures effective asset management.</p>	<p>The Company seeks to ensure optimal operational availability and maximise revenue potential. The portfolio is regularly assessed for opportunities to improve performance, both operational and financial, and to better meet sustainability objectives. The Investment Manager regularly seeks to capture the value identified for the benefit of Shareholders.</p>	<p>Foresight Solar's strategy involves holding assets for cash yield that supports its progressive dividend. Alongside this, there is the opportunity to provide Shareholders with long-term NAV growth from bringing projects from development to construction and then to operation. In certain instances, the Company will generate additional value by divesting assets at favourable prices. The Investment Manager and the Board evaluate these opportunities against diversification goals and an asset's potential to generate stable financial returns over time.</p>	<p><b>Financial benefits</b></p> <p><b>£120.4m</b> distributed from underlying assets in 2023</p> <p><b>£295.9m</b> paid to Shareholders in dividends since IPO</p>

## Sustainability considerations

<p>Environmental, social and governance criteria are integral in any investment assessment. The Investment Manager undertakes a thorough analysis against a pre-determined minimum threshold for any asset.</p>	<p>Third-party service providers, sometimes with the assistance of technical advisors, monitor and manage the day-to-day performance, including sustainability KPIs, of each asset in the portfolio.</p>	<p>Measurement of sustainability KPIs from as early as the due diligence phase all the way to investment, and later to operation, allows the Asset Manager to continually seek and execute improvement opportunities across the portfolio.</p>	<p>Sales proceeds will typically be used to repay debt or to invest in new assets that provide attractive risk-adjusted returns, including development-stage options that grow the Company's pipeline and provide more upside pathways.</p>	<p><b>Environmental benefits</b></p> <p><b>1,094GWh<sup>1</sup></b> of clean energy generated in 2023, enough to power</p> <p><b>402,754</b> UK homes for a year</p> <p><b>378,486tCO<sub>2</sub>e</b> avoided compared to country-specific grid intensity</p>
				<p><b>Social benefits</b></p> <p><b>£392,816</b> contributed to local communities where the Company operated in 2023</p>

1. Generation figures have been adjusted, where relevant, for events in which compensation has been, or will be, received.

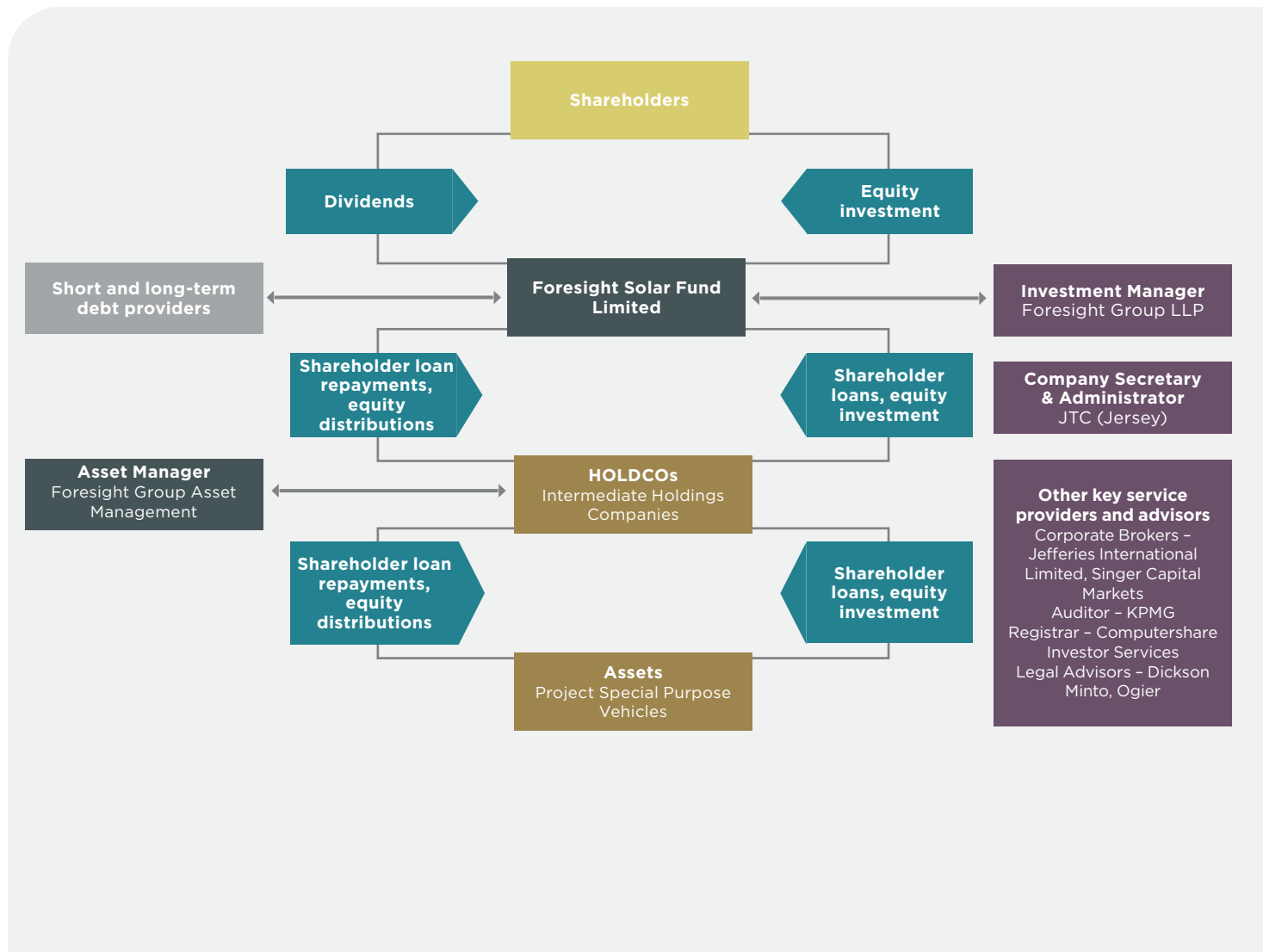
# COMPANY STRUCTURE

Foresight Solar Fund Limited is a closed-ended company with an indefinite life. It 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 UK's largest listed solar investment company at the time. Its shares are listed on the Premium Segment of the Official List and traded on the London Stock Exchange's Main Market. The Company is also a constituent of the FTSE 250. As at 31 December 2023, there were 589,239,345 Ordinary Shares in issue.

As an investment company, Foresight Solar has no direct employees and outsources its operations to certain key service providers. FSFL makes its investments through intermediate holding companies and underlying project vehicles/special purpose vehicles.

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



## COMPANY STRUCTURE CONTINUED

### 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 ("BESS") predominantly located in the UK.

### Investment policy and strategy

Foresight Solar pursues its investment objective by acquiring and managing solar PV and BESS assets at different stages of maturity.

The Company's aim is to build a diversified portfolio with majority or minority ownership. When investing in a stake of less than 100%, Foresight Solar secures its rights through shareholder agreements and other legal transaction documents. Investments may be made in equity, debt or intermediate instruments but not in securities traded on an investment exchange. To optimise returns, the Company is permitted to invest money held for working capital in cash deposits, gilts and money market funds.

Operationally, each solar power plant in the portfolio enters a power purchase agreement ("PPA") with a creditworthy offtaker. Under these contracts, the Special Purpose Vehicles ("SPVs") sell electricity and, in some cases, green certificates to the designated buyer. Not all PPAs include mechanisms such as fixed prices or price floors, allowing the Company to retain some exposure to merchant power prices.

### Investment restrictions

To diversify its portfolio and spread risk, there are limitations to the Company's investment universe and approach:

- **Geography:** Investments outside the UK are limited to 25% of Gross Asset Value ("GAV"). (Refer to the APMs shown on page 91 for more details and definitions.)
- **Leverage:** Gearing, calculated as overall Company borrowing as a percentage of GAV, will not exceed 50% at the time of drawdown. The Board intends to limit long-term gearing, calculated as overall Company borrowings excluding intra-Group loans and revolving credit facilities, to 40% of GAV.
- **Portfolio composition:** No single asset shall exceed 30% of GAV post-acquisition. If the investment is an additional stake in an existing asset, the combined value should not exceed 30%.
- **Stage:** Foresight Solar is allowed to deploy no more than 5% of GAV in development-stage projects. These assets are characterised as solar or BESS opportunities that are pre-construction and may not have secured grid connection rights or planning consent on the date of investment. Similarly, projects under construction are limited to 25% of GAV.
- **Technology:** The Company may only invest in utility-scale battery storage systems up to a limit of 10% of GAV.

Any material change to the investment policy will require the prior approval of Shareholders by way of an ordinary resolution, in accordance with the Listing Rules.

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

Although the Company is located outside the European Economic Area, its marketing activities in the UK are subject to regulation implemented under the AIFMD and the National Private Placement Regime.

The AIFMD, as implemented across the European Union ("EU") and in the UK, aims to harmonise the regulation of Alternative Investment Fund Managers ("AIFMs"), as well as impose obligations on firms that manage or distribute alternative investment funds in the EU or the UK or that market shares in such funds to EU or UK investors.

Under the AIFMD, the Company is self-managed and acts as its own AIFM.

# CHAIR'S STATEMENT



This was a tough period for markets, but Foresight Solar's record electricity production and historic cash generation helped it provide strong income for Shareholders and set itself up for growth once macro conditions improve.

**Alexander Ohlsson**  
Chair

On behalf of the Board, I am pleased to present the audited Annual Report and Financial Statements for Foresight Solar Fund Limited ("Foresight Solar", the "Company" or "FSFL") for the year ended 31 December 2023.

In its tenth year, Foresight Solar performed well in a challenging market. As central banks sought to tame inflation, interest rates in many countries increased at the fastest pace for a generation. Investors reacted to the uncertainty of when the tightening cycle would peak and the prospect of rates remaining higher for a prolonged period. As a result of these technical market dislocations, share price discounts to NAV across the real assets investment trust sector widened significantly.

It was key to respond to these circumstances rapidly in support of Shareholders' interests. Therefore, the Board implemented a package of measures that included a share buyback programme, asset sales and debt repayment, all reflective of a disciplined approach to capital allocation.

These initiatives were based on the view that markets have been significantly undervaluing Foresight Solar's portfolio, making a compelling case for re-investment in the Company's stock.

Both during and after the period, several large subsidy-backed solar portfolios were sold in the UK. The deals presented reliable benchmarks for projects comparable to Foresight Solar's in the country. In each case, the transactions closed at valuations materially above FSFL's £1.17 million per megawatt holding value (31 December 2022: £1.29m/MW), supporting the Company's more conservative valuation assumptions. (See page 42 for details on the UK portfolio valuation.)

Although navigating the complexities of the market required the Directors' and the Investment Manager's full attention, 2023 was a milestone year. On the operational side, the portfolio distributed a record amount of cash, positioning the Company well for the future and providing confidence in a resilient dividend with a cover of 1.61x. The extra capital allowed the Board to pay down floating rate debt and return an extra £20 million to investors via share buybacks. There is now adequate liquidity for FSFL to invest in returns-accretive opportunities when markets recover.

NAV total return and total shareholder return since IPO



## CHAIR'S STATEMENT CONTINUED

Generation from the UK portfolio was once again above budget. Production was lower than expected in Australia due to record economic curtailment, and marginally below budget in Spain as a result of mixed weather conditions. Although Foresight Solar's 58 operating assets generated more than 1TWh of electricity for the first time, global production was 1.9% below forecast.

This was enough renewable energy to power the equivalent of over 402,000 UK homes for an entire year<sup>1</sup>. Considering the Company's contribution throughout the past decade, the projects have exported enough electricity to meet the demand of almost 10% of UK households for an entire year. That's an undeniable contribution to the decarbonisation of energy production and the fight against climate change. (See in the Sustainability section of this report from page 43 for more details.)

We are proud of the Company's performance over the last ten years, having consistently delivered on its investment objectives. Shareholders have received a sustainable, progressive dividend that has now increased more than 33%. An investor who bought FSFL stock for 100 pence at listing would have received 66.49 pence in income along the way. Including the Company's growth over that time, that has delivered a total NAV return of 120% and a total shareholder return of 84% since IPO.

The Company has unquestionably been impacted by the challenging macroeconomic landscape over 2023 and it is frustrating to see the share price trade at a significant discount to NAV. The Directors remain focused on taking action to address the discount whilst acknowledging that there are elements outside of the Company's control. The Board is united in its belief that Foresight Solar will continue to deliver income and capital growth for investors, and, therefore, will recommend Shareholders vote against the resolution to discontinue the Company at the next Annual General Meeting ("AGM") in June.

### Investments and realisations

In March, Foresight Solar completed Project Lynx, the first acquisition of its growing proprietary development pipeline. Leveraging the Investment Manager's local network in Spain, FSFL purchased the full rights to a 467MWp portfolio of six solar projects. This is an exciting opportunity that represents the first of several planned investments into early-stage assets to drive long-term growth in a capital-efficient manner.

On the capital recycling side, the Company also made its first divestment, selling a 50% stake in Lorca, a 99MW portfolio of three operational assets in Spain. The deal, which closed at an attractive 21% premium to holding value, was the first stage of a phased programme to sell around 200MW of assets. It exemplifies FSFL's strategy to crystallise value uplifts from projects and eventually recycle capital to accelerate growth. (See page 23 for a case study of how this capital allocation approach has been implemented).

The proceeds from the transaction were immediately used to pay down the revolving credit facility ("RCF"), lowering variable interest rate debt. The additional liquidity may also facilitate future deployment into other development and construction-stage opportunities. We look forward to updating Shareholders on divestments as the programme continues into 2024.

### Key financials

The NAV per Ordinary Share at 31 December 2023 was 118.4 pence (31 December 2022: 126.5 pence). (See page 40 for details on Net Asset Value movements.)

In response to the continued rise in UK gilt yields and the subsequent narrowing of risk premia, the Board increased discount rates by an average of 0.87 percentage points for the year. This brought the portfolio's weighted average discount rate to 8.03%, the highest in the Company's history. In total, the increase in discount rates resulted in a NAV reduction of 6.8 pence per share ("pps") over the year. With an implied real return of 5% to 6% over assumed long-term inflation and clear opportunities for growth, the Board considers that Foresight Solar continues to be positioned attractively for investors.

Power price forecasts softened across markets during the year, falling from their first quarter highs. Against this backdrop, Foresight Solar reaped the benefits of a prudent hedging strategy which locked in exposure to elevated electricity prices. This insulated the portfolio from near-term adverse shifts in valuation and anchored the Net Asset Value. Viewed in isolation, the fall in power price forecasts led to a NAV reduction of 3.9 pps. At the same time, the falling power price estimates in the UK reduced the Company's Electricity Generator Levy liability. On its own, this move resulted in an uplift to NAV of 3.1 pps, almost offsetting the fall in power forecasts.

Total revenue for the year was £162.2 million (31 December 2022: £164.5 million), with EBITDA of £136.2 million (31 December 2022: £141.2 million). Both metrics were marginally below budget, mostly resulting from merchant prices falling further than expected – although this only represented a small proportion of income.

1. Based on Ofgem consumption estimate of 2,700kWh/year for the typical UK household.

## CHAIR'S STATEMENT CONTINUED

### Key financials continued

Due in part to timing of cash receipts, the Company recorded its highest ever distributions from assets, with £120.4 million paid from the portfolio in 2023, an 8% increase from the £111.8 million achieved the previous year.

The Directors believe the market is materially undervaluing the portfolio, a view supported by recent comparable transactions. Starting with an initial share buyback of £10 million in May, the Board has since increased this allocation four-fold, becoming proportionally one of the largest repurchase programmes in the renewable investment trust sector. Share buybacks of £19.9 million at a weighted average price of 96.1pps during the year contributed to 1.1pps in NAV accretion. The shares are held in treasury.

### Operational performance

The UK portfolio once again delivered solid performance, with good levels of availability enabling the assets to capture slightly higher-than-expected solar irradiation and deliver annual generation 0.7% above budget. Looking at the technical performance, excluding distribution network operator ("DNO") outages, electricity production was 1.2% above budget, with irradiation 2.1% higher than expectations. (See page 32 for details on portfolio performance.)

The Spanish projects had their first full year of operations and contributed towards the Company's investment objectives with encouraging initial performance. Production was 1.5% below budget, predominantly due to heavy storms early in the year that caused irradiation to be 1.6% below forecasts. Excluding DNO outages, generation was in line with budget, implying a positive performance ratio for the portfolio.

Having been ahead of forecast for the first half of 2023, the Australian plants were subject to unusually high levels of economic curtailment in the third quarter. This meant that, according to local regulations, the sites were forced to shut down when there was excess generation on the network. Overall, production was 9% below budget. The Board and the Investment Manager are acutely aware of the challenges the country's grid system poses and this is a key focus area for the coming year.

### Construction and development

The construction of Sandridge BESS continues to progress. Despite delays caused by grid reinforcement works, the Investment Manager expects the site to be energised in summer 2024, reaching commercial operations shortly thereafter.

Foresight Solar holds 50% stakes in two other pre-construction battery projects, totalling 50MW. The Investment Manager has conducted preliminary activities required to build these assets and is now considering the best options to progress the sites given FSFL's capital allocation strategy.

In Spain, the first project from the solar development portfolio may be granted approval later this year. Once it achieves planning consent, the Board will evaluate various options, including whether to progress through construction or to divest and capitalise on the development gain.



LOS PICOS, SPAIN

# CHAIR'S STATEMENT CONTINUED

## Capital allocation

The Board is committed to a highly disciplined capital allocation approach and has sought to clearly communicate the priorities for surplus cash: any new commitment must yield a competitive return on investment whilst also factoring in the Company's growth strategy and, in the current environment, the benefits of repaying debt or buying back FSFL stock at the prevailing discount to NAV. In the near term at least, the Board considers that new investments will be predominantly focused on the deployment of modest sums to grow the proprietary development pipeline.

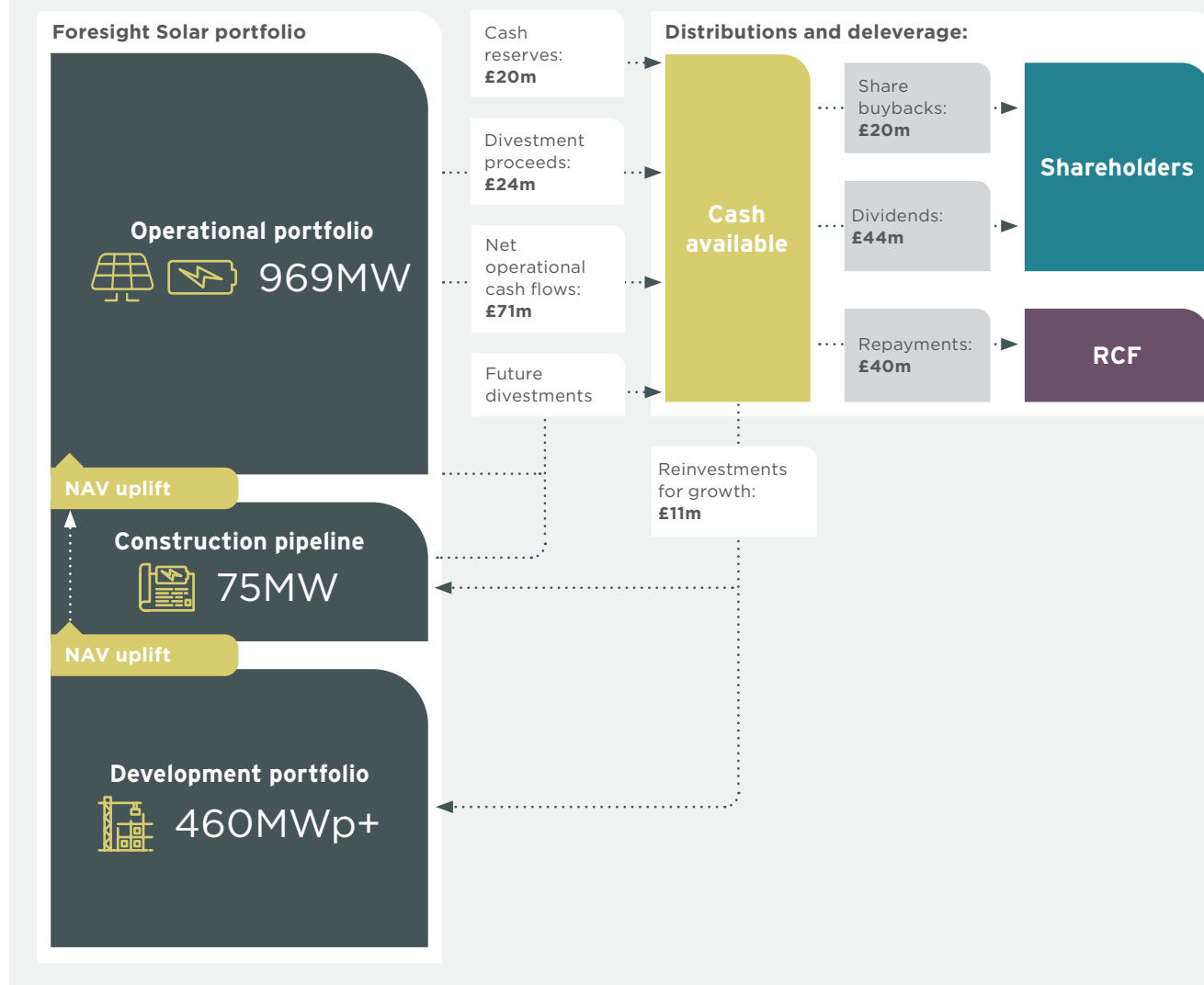
The Company paused the construction of new BESS projects, limiting exposure to the final payments for the Sandridge battery storage site, which were already contractually agreed. Cash available, after providing for dividends and for these limited existing commitments, can then be shifted to investments in returns-accretive opportunities.

The only direct investment in 2023 was the modest initial sum to acquire the rights to the Spanish development-stage projects. Well-structured, early-stage opportunities like this are an excellent way to build pipeline for relatively small upfront outlays and can provide strong returns.

The Directors' other main focus was limiting interest exposure and applying surplus funds towards repaying the variable rate RCF. In the current environment of higher interest rates and elevated inflation, capital from operations and proceeds from disposals will continue to be applied to reduce the facility's balance.

This plan is designed to maximise liquidity for when market conditions improve. This capital allocation strategy aims to deliver sustainable, progressive income and NAV growth. It will be driven as much by organic value accretion as by investment of fresh capital.

## Capital allocation strategy in 2023<sup>1</sup>



1. Cash flow details on page 88.

## CHAIR'S STATEMENT CONTINUED

### Strategic priorities

Alongside the high-quality yield Foresight Solar consistently pays out, it also targets long-term organic capital growth. The primary focus is on investing in development-stage and construction-ready assets to benefit from financial upside as the projects are progressed and de-risked. FSFL's growing pipeline is intended to be the "engine room" of future growth. It will deliver new projects with the potential for value uplifts once they obtain planning consent and again once they reach operations – if the Company builds them out.

The investment in the 467MWp Spanish development portfolio is a key step in this direction. The Investment Manager will target growth of this proprietary pipeline to between 2GW to 3GW in the near term. Like Project Lynx, there is potential to structure these deals with limited upfront capital at risk, rewarding development partners as projects obtain planning consent. The Company will principally target the UK and other established European geographies, across both solar and BESS.

Ultimately, the goal is to create a steady flow of assets reaching the ready-to-build phase in any given year. Based on prevailing market conditions and considering the make-up of the portfolio at the time, the Company then has the option to build the solar and battery plants or to sell the rights and recycle the capital. It is possible that, as part of the strategy, Foresight Solar may divest as many opportunities as it elects to construct.

### Dividends

The Board declared total dividends of 7.55 pence per share for the year, in line with its target. The fourth and final dividend of 2023, equivalent to 1.895pps, will be paid on 24 May 2024. Dividend cover on a cash basis for the period was 1.61x after a total of £40 million of debt repayments and £20 million of share buybacks.

The Directors are pleased to announce a target dividend of 8.00 pence per share for 2024, an increase of 6.0% compared with the previous year. This above-inflation increase is possible due to the Company's revenues' inflation correlation and its high cash generation. The Board also recognises the need to provide a compelling return for investors in a higher interest rate environment.

With this increase, Foresight Solar offers investors a c.6.8% dividend yield based on NAV and c.8.8% at the prevailing 91 pence share price at market close on the eve of publication. The 2024 target is expected to be 1.5x covered from cash generated in the period, with 2025 cover estimated at 1.35x based on the latest revenue forecasts. Against a backdrop of macroeconomic uncertainty and geopolitical tension, the Board is reassured that dividend cover would be over 1.0x for each of the next two years even if merchant power prices fell to zero.

When determining the year-on-year increase, the Directors always focus on the Company's objective to deliver a sustainable, progressive dividend and passing the rises in subsidised revenues to Shareholders.

### Debt facilities

As at 31 December 2023, the Company's total outstanding debt was £442.6 million (31 December 2022: £524.8 million), including long-term debt of £367.6 million (31 December 2022: £409.8 million). Total gearing decreased to 38.8% of GAV (31 December 2022: 40.5%), driven in part by the repayment of the RCF during the year.

Long-term structural gearing represented 32.2% of GAV (31 December 2022: 31.6%), comfortably below the 40% target. Virtually all of Foresight Solar's long-term debt is fully hedged against interest rate movements and fully amortising. Of all the long-term facilities, 24.0% are RPI-linked and, therefore, exposed to movements in inflation. (See page 83 for details of GAV and gearing.)

During the year, the Company announced it had extended its £150.0 million sustainability-linked revolving credit facility for 12 months. Whilst there is no requirement to refinance ahead of the February 2026 due date, FSFL made substantial repayments to reduce borrowing of its only unhedged credit line. At a time when interest costs are high, this proved a judicious cost control decision.

## CHAIR'S STATEMENT CONTINUED

### Sustainability

Foresight Solar's activities are inherently sustainable. The production of renewable energy and the addition of flexible storage to the grid, necessary to facilitate the build-out and operation of intermittent generation, directly contribute to a lower carbon economy. Nonetheless, the Company seeks to implement best practices throughout its operations and constantly reviews its approach to drive improvement.

In this report, we present a new-look sustainability section on page 43. From record electricity generation to equivalent CO<sub>2</sub> emissions avoidance and, from the inception of a biodiversity management project to the impact on local communities, the updated format tells the compelling story of FSFL's participation in the world it operates in and brings along with it relevant metrics.

Having established the required practices to be considered Article 9-compliant, we communicated in the 2022 Annual Report the intention to seek certification under the European Sustainable Financial Disclosure Reporting ("SFDR"). During 2023, however, with more information available about the Sustainability Disclosure Reporting ("SDR") standards, the Board decided to prioritise certification under the UK regime. Foresight Solar's Jersey headquarters, its London listing, and the characteristics of its shareholder base make prioritising SDR a better allocation of resources.

One of the requirements of the new UK regulation is the integration of sustainability in firms' investment objectives. The Board will, therefore, propose wording for Shareholder approval at the AGM that reflects this need, highlighting Foresight Solar's commitment to providing income and NAV growth while generating positive environmental outcomes.

### Governance

We said goodbye to Peter Dicks in June, when he stepped down from the Board. Having been a Non-Executive Director since the Company was founded, he offered critical input and invaluable insight. We want to, once again, thank Peter for his contribution and wish him success in future endeavours.

In September, we welcomed Lynn Cleary to the Board. She is a proven leader with a wealth of financial services experience. Her knowledge and expertise will be invaluable to oversee the execution of Foresight Solar's strategy and to support its growth ambitions. Lynn will stand for election at the next Annual General Meeting.

For the next steps of its succession plan, the Nomination Committee is exploring an appointment in jurisdictions other than Jersey. It will continue to seek candidates from diverse social and ethnic backgrounds, cognitive and personal strengths. (See page 106 for the Committee's report and details on succession planning.)

### Annual General Meeting

We look forward to engaging with investors at the next AGM scheduled to take place on 12 June 2024 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.

### Discontinuation vote

For the first time, in accordance with the Company's Articles of Association, a Special Resolution will be put to Shareholders for the discontinuation of the Company. The vote is triggered by an average share price discount to NAV of more than 10% over the course of the financial year. In 2023, FSFL's shares traded at an average 16% discount to their Net Asset Value. The Directors are confident that this weakness in the share price was primarily the result of macroeconomic and geopolitical factors that affected the entire renewable infrastructure sector.

Until 31 December 2022, FSFL traded at a 3.1% historic premium to NAV. The solidity of management and operations persist, and the Company will continue to implement its strategy. The Board has also taken steps to ameliorate the position of Shareholders through the capital allocation strategy, debt repayment and share buybacks. We are convinced that, in time, this prudent approach will address the discount to NAV.

The Directors will, therefore, recommend that Shareholders vote against the resolution for the discontinuation and, consequently, in favour of the Company's continuation as we aim to continue delivering value.

Regardless, we are engaging with investors to discuss any concerns they may have. During 2023, the Directors and the Investment Manager hosted more than 30 meetings with institutional and retail investors, answering questions and listening to feedback. At the end of the year, we also conducted our first investor survey, mandating an independent consultancy to gather views and track Foresight Solar's positioning and reputation.

## CHAIR'S STATEMENT CONTINUED

### Outlook

After a challenging year for markets, the Directors believe there are reasons for optimism. The energy transition represents one of the biggest investment themes in a generation. Since 2010, renewable infrastructure has attracted around £120 billion of private investment in the UK. In the 12 months to September 2023, the country built an estimated 2.9GW of rooftop and utility-scale solar, bringing installed capacity to just over 18GW.

However, this remains only a fraction of what is required to meet the country's Net Zero targets. A report from Parliament's Public Accounts Committee concluded that hitting 2050 goals would require investment in renewable energy infrastructure to increase from an estimated £23 billion in 2022 to between two to three times that amount per annum into the 2030s.

The Committee on Climate Change, the government advisor, has also warned that Britain needs 4.5GW of new solar each year until 2035 to achieve its objective, which implies several billion pounds needs to be deployed to the sector annually.

The solar power opportunity is even more prominent in Europe. According to some estimates, cumulative capacity is expected to double to 390GW by 2032. Energy storage, meanwhile, has the potential to increase 20 times in the continent to 45GW/89GWh by the end of the next decade.

With an improved financial position and a clear strategy to deliver income and growth, allied with the Investment Manager's global footprint and in-house expertise, Foresight Solar has the ambition, strategy and tools it needs to capitalise on the global shift to a low carbon economy.

### Alexander Ohlsson

Chair

11 March 2024



LOS LLANOS, SPAIN

# INVESTMENT MANAGER'S REPORT

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MOVEMENTS IN NET ASSET VALUE	40

**£697.9m**

Net Asset Value  
(as at 31 December 2023)

**£1.17m/MW**

UK portfolio valuation  
(More details on page 42)

## INVESTMENT MANAGER'S REPORT

The Company's Investment Manager, Foresight Group LLP, is responsible for the acquisition and management of assets, including the sourcing and structuring of new transactions, and advising on the borrowing strategy.

Founded in 1984, Foresight Group is a leading listed infrastructure and private equity investment manager authorised and regulated by the Financial Conduct Authority. With a long-established focus on sustainability-led strategies, it aims to provide attractive returns to its institutional and retail investors from hard-to-access private markets.

Foresight manages hundreds of infrastructure assets with a focus on solar and onshore wind, bioenergy and waste. The firm also owns renewable energy-enabling sites, energy efficiency management solutions, social and core infrastructure projects, and sustainable forestry assets on behalf of its clients.

The infrastructure division consisted of almost 200 investment, portfolio and technical professionals as at 30 September 2023 – the latest publicly available data. 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

Foresight Group's private equity team manages 21 investment vehicles across the UK and Ireland. The division reviews more than 3,000 business plans each year, and currently supports a portfolio of over 250 SMEs.

The third pillar of the business, Foresight Capital Management, is responsible for four strategies across seven investment vehicles, answering for £1.0 billion in assets under management ("AUM").

Foresight Group operates in seven countries in Europe and in Australia with AUM of £12.2 billion. Foresight Group Holdings Limited listed on the Main Market of the London Stock Exchange in February 2021 and was admitted to the FTSE 250 in September 2023.

**£12.2bn<sup>1</sup>**

assets under management

**435<sup>1</sup>**

infrastructure assets under management

**175<sup>1</sup>**

investment, commercial and technical professionals

**4.7GW<sup>1</sup>**

total green energy technology capacity

1. Data accurate as per Foresight Group's latest interim results.

## INVESTMENT MANAGER'S REPORT CONTINUED

### Key members of the Foresight Solar team



**Ross Driver**

Managing Director, Infrastructure

#### Background

Mr Driver joined Foresight Group in 2021 to oversee the delivery of Foresight Solar's investment mandate. He has almost 20 years of infrastructure and renewable energy investment experience covering deal structuring and execution, debt financing and asset management. Prior to Foresight, Mr Driver spent eight years at InfraRed Capital Partners. He 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 a BA in Finance, Accounting and Management from the University of Nottingham.



**Toby Virno**

Senior Investment Manager,  
Infrastructure

#### Background

Mr Virno joined Foresight Group in 2018. With nearly a decade's experience in investment and financing of sustainable assets and projects, particularly solar PV and BESS, he is part of the full-time Foresight Solar team helping deliver the Company's investment mandate.

Mr Virno is a Chartered Accountant and holds a bachelor's degree in Physics from the University of Oxford.



**Ricardo Piñeiro**

Partner, Head of Infrastructure

#### Background

Mr Piñeiro joined Foresight Group in 2011 and is a Partner and 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 led the FSFL investment management team for almost ten years.

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 and COO

#### Background

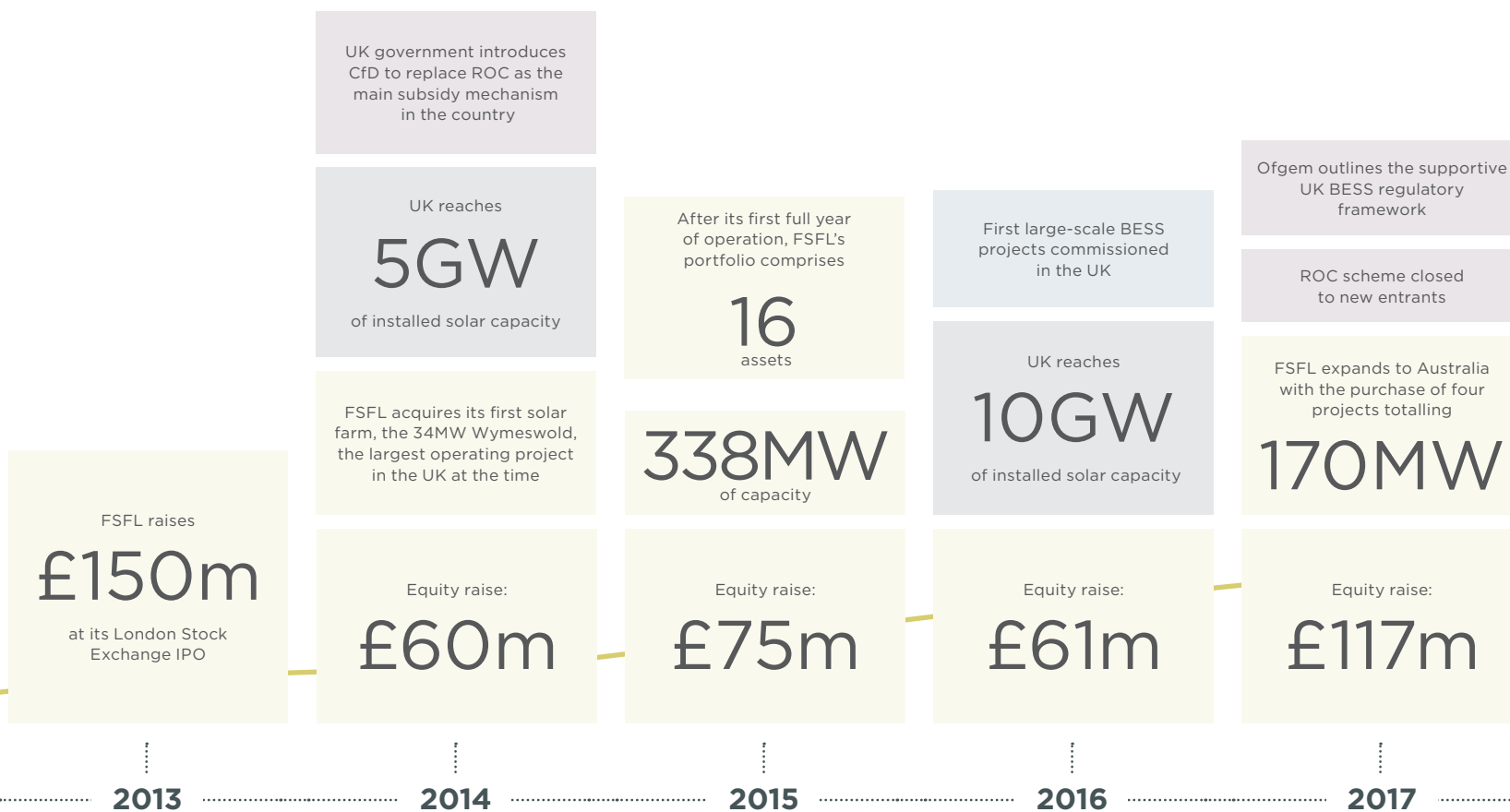
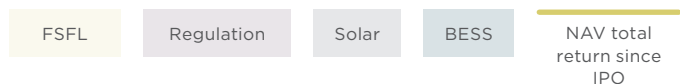
Mr Fraser is the CFO of Foresight Group and one of its Executive Directors. He has 30 years of experience providing or facilitating specialist financial input into corporate, portfolio and VCT decisions. Prior to Foresight, Mr Fraser worked at F&C Asset Management as a Company Secretary, focusing on financial, legal and tax compliance, technical and financial reporting, and corporate finance. He also worked at EY with audit and risk assurance.

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

## INVESTMENT MANAGER'S REPORT CONTINUED

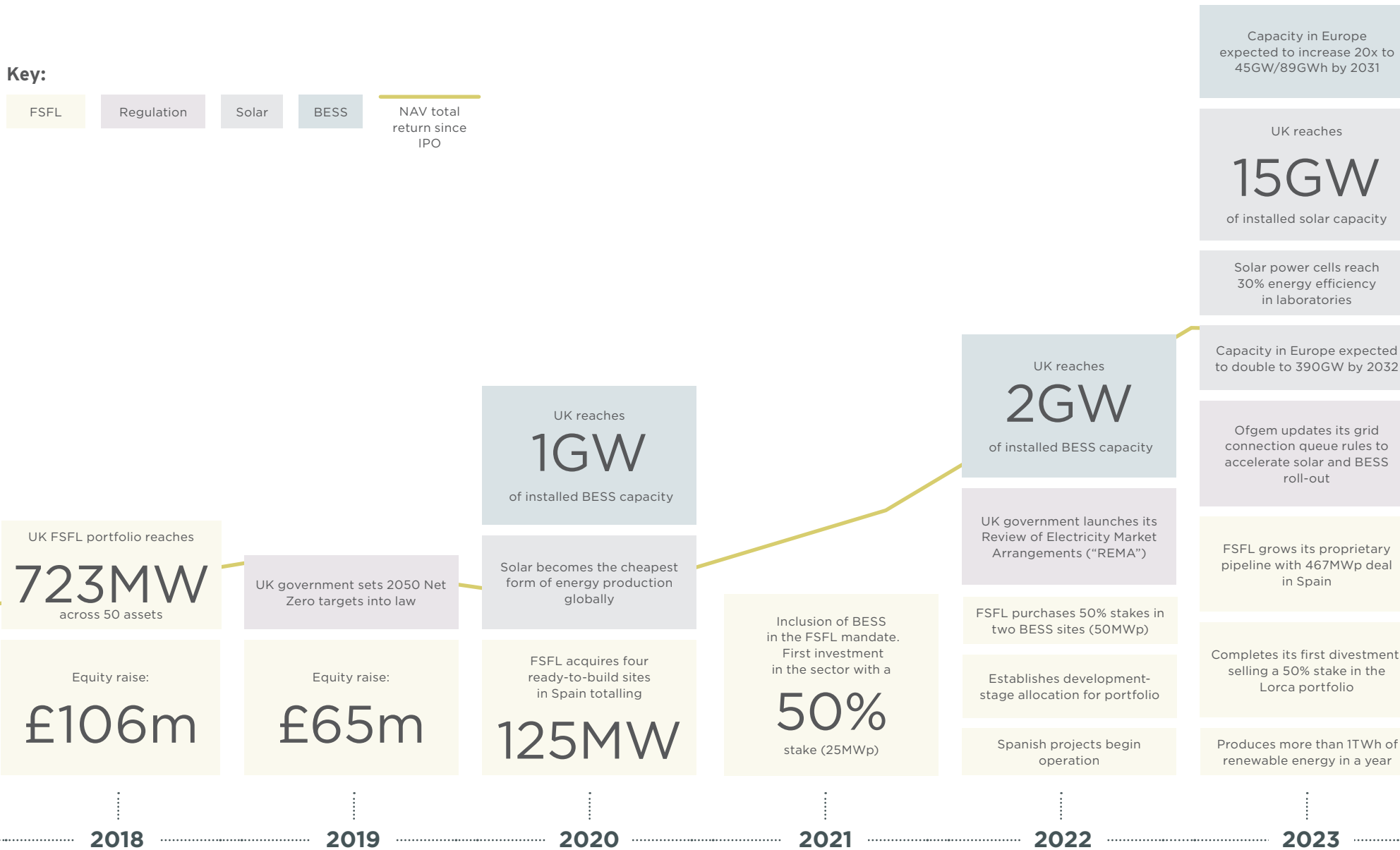
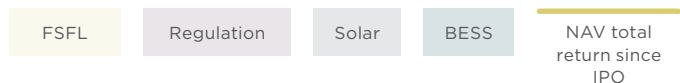
### Ten years of Foresight Solar: Growing with the market

**Key:**



# INVESTMENT MANAGER'S REPORT CONTINUED

**Key:**



## INVESTMENT MANAGER'S REPORT CONTINUED

### Key investment metrics

	31 December 2023	31 December 2022
Net Asset Value ("NAV") <sup>1</sup>	<b>£697.9m</b>	£771.5m
NAV per share	<b>118.4p</b>	126.5p
Dividend per share declared for the year	<b>7.55p</b>	7.12p
Annualised total NAV return since IPO	<b>8.0%</b>	9.0%
Gross Asset Value ("GAV")	<b>£1,140.5m</b>	£1,296.3m
Share price	<b>102.2p</b>	118.8p
Ordinary Shares in issue <sup>2</sup>	<b>589,239,345</b>	609,958,720
Market capitalisation	<b>£602.2m</b>	£724.6m
Annualised total shareholder return since IPO	<b>6.2%</b>	7.8%
UK portfolio valuation	<b>£1.17m/MW</b>	£1.29m/MW
Total operating revenue	<b>£162.2m</b>	£164.5m
Total operating expenditure	<b>(£26.1m)</b>	(£23.3m)
Total operating profit (EBITDA)	<b>£136.1m</b>	£141.2m

1. The purpose and calculation methodology of the key APMs are shown on page 91.
2. During the period, 20,719,375 shares were repurchased and are held in treasury. More details on page 153.



# INVESTMENT MANAGER'S REPORT CONTINUED

## MARKET CONTEXT

### United Kingdom

The high energy prices of 2022, triggered by the Russian invasion of Ukraine, exacerbated underlying inflationary forces and set the stage for the following 12 months. It is, therefore, no surprise that power prices remained a key variable in 2023, although this time they were trending in the opposite direction.

Governments successfully found alternative sources of natural gas, and coupled with a careful roll-out of storage capacity, pressure on prices eased in the first half of the year. Milder-than-expected autumn and winter then led to further softening, which has continued into early 2024.

Also weighing on markets is the potential escalation of geopolitical tensions in the Middle East, which risks pushing fossil fuel prices back up, as well as the forthcoming UK general election, which is likely to cause political uncertainty. The campaign also sparks questions about fiscal probity as politicians seek to win voter support.

Political considerations may also have an impact on eagerly awaited regulatory updates. The Department for Energy Security and Net Zero ("DESNZ") will soon publish feedback from the initial call for evidence regarding a potential transition of the Renewables Obligation subsidy scheme to Fixed Price Certificates; and the result of the second consultation on the Review of Electricity Market Arrangements ("REMA"), which is expected in the first half of 2024. The Investment Manager has been tracking developments closely and will review the output of these processes in detail.

In the final quarter of the year, the Energy Act 2023 received Royal Assent. The legislation aims to boost investment in clean energy technologies through the development of a new, more efficient tendering process for network upgrades.

It also created a new regulator, the Future System Operator, to drive change in energy system planning as the UK transitions to a lower carbon economy.

The government also granted more powers to National Grid to manage connection queues and free up capacity for projects due to begin operations.

These are positive developments, increasing tailwinds for renewables, pointing towards reduced costs in the longer term, and bolstering well-capitalised developers.

Utility-scale solar has continued its steady growth, with some estimates predicting as much as 3GW of new capacity installed in 2023. Lower component costs and successful allocations in the latest Contracts for Difference auction, with solar securing almost 2GW in Allocation Round 5, are expected to fuel deployment in the coming years.

A growing power purchase agreement ("PPA") market is also expected to provide revenue visibility for generators' new projects. Countering these supportive factors, however, are increased financing costs and a softening electricity price outlook.

Battery storage, meanwhile, currently faces several near-term headwinds. Lucrative but declining ancillary service revenues have not been fully replaced by merchant trading. This has been a function of structural challenges with the grid's balancing mechanism, but also of falls in wholesale power prices and a corresponding reduction in market volatility.

Over the longer term, the Investment Manager believes the case for BESS remains positive. Batteries are a natural complement to the intermittency of renewable energy generation. The decline of ancillary revenues was not a surprise and returns are expected to improve as construction costs begin to fall again and developer premia moderate.



WYMESWOLD, UK

# INVESTMENT MANAGER'S REPORT CONTINUED

## MARKET CONTEXT CONTINUED

### Australia

The Federal Government extended price caps on gas and coal until 1 July 2025, reducing fuel costs for generators for several more years. The decision also means New South Wales (“NSW”) and Queensland (“QLD”) fossil fuel power producers may receive as much as A\$1 billion in compensation if they have more expensive supply contracts already in place. The lower commodity futures pushed down short-term time-weighted average prices, with the biggest impacts seen in NSW and QLD due to export-exposed coal plants.

Economic curtailment during solar generation hours increased in 2023 and had an above-forecast impact for around 25% of the year. This curtailment happens when a generator bids a unit out of dispatch to avoid low or negative electricity prices. In other words, when prices fall below a certain threshold, a plant is turned off. With solar farms, this might happen, for example, at peak supply times, when utility-scale plants and rooftop arrays produce “too much” power.

Whilst autumn set new wind and solar production records, the mild weather kept grid demand relatively low, causing the curtailment of 40% to 55% of solar generation. To tackle this issue, the Australian government is continuing to support energy storage projects and launching Capacity Investment Schemes in NSW, Victoria (“VIC”) and South Australia. Separately, the Australian Renewable Energy Agency provided grants to 2GW/4.2GWh of grid-scale BESS that are scheduled to be operational by 2025.

In this complex environment, the price for Large-Scale Generation Certificates (“LGCs”) experienced notable fluctuations, declining from approximately A\$70 in late 2022 to A\$45 in December 2023. The forecast for prices in 2030 currently sit at A\$15, reflecting delays in commissioning renewable projects.

### Spain

A key highlight of 2023 was the Council of Ministers’ update of the Plan Nacional Integrado de Energía y Clima (“PNIEC”). The National Integrated Energy and Climate Plan is Spain’s local implementation of EU-wide efforts to reduce carbon emissions and outlines how the country intends to meet the bloc’s energy and climate targets for 2030. As the geopolitical and macroeconomic environment shifted, the government revised its plan to set even more ambitious targets.

The new plan includes many different forms of electricity generation. The most relevant changes for the Company came in the form of aggressive new targets for utility-scale solar roll-out, which was revised up by an impressive 37.2GW, and for the deployment of energy storage systems, which was significantly increased by 6.5GW. Such adjustments are logical given Spain’s high solar irradiation and growing intermittent renewable generation footprint, requiring tools to stabilise its electricity grid and bolster resilience.

In comparison to other European countries, Spain has the highest expected dependency on solar PV to meet clean energy goals.

The reliance on intermittent generation makes it one of the most suitable locations for complementary battery storage systems, offering opportunities for experienced investors with a local presence, such as Foresight Solar.

The government’s commitment will provide additional support to the renewable energy industry over the coming years, ensuring it remains active. Indeed, appetite for projects remains high, and multiple acquisitions and financings were announced in 2023.

The Royal Decree-Law 8/2023 (“RDL” 8/2023), passed in December 2023, was another important development. With the goal of incentivising further renewable energy use and production, the legislation extends the deadline for two regulatory milestones to maintain the validity of grid access and of connection permits. The deadline to secure the Administrative Construction Authorization was extended to up to 49 months, and the Administrative Exploitation Authorization can be prolonged to up to eight years on a voluntary basis. On another positive note for renewable generators, the RDL does not include an extension of the gas clawback mechanism or the gas price cap beyond 31 December 2023.

	PNIEC 2023-2030 target	PNIEC 2021-2030 target	Deployed as at 2020
Solar PV	76.4GW	39.2GW	11.0GW
Energy storage	18.5GW	12.0GW	6.4GW

Source: Ministerio para la Transición Ecológica y el Reto Demográfico (“MITECO”); Energy storage includes pumped-hydro storage and batteries (no explicit breakdown provided in the PNIEC 2023-2030 target).

## INVESTMENT MANAGER'S REPORT CONTINUED

### Q&A WITH THE FUND MANAGERS: CELEBRATING FORESIGHT SOLAR'S TEN YEARS



**Ricardo Piñeiro**  
Partner, Head of  
Infrastructure



**Ross Driver**  
Managing Director,  
Infrastructure

Ross Driver and Ricardo Piñeiro recount the dawn of Foresight Solar in 2013, how the Company has grown over the last decade, and the strategy to continue providing the income and growth it is committed to generate in years to come.

**Q** **Ross Driver:** The market has changed significantly over the last ten years and Foresight Solar has had to evolve. Tell us about that process.

**A** **Ricardo Piñeiro:** We had a clear view of what we wanted to achieve with portfolio construction from the outset. The investor proposition from IPO was focused on providing a high-quality yield with the potential for NAV growth over time. In an era of ultra-low interest rates, often negative in real terms, the fund's yield was highly attractive to investors given realistic alternatives and the established annual increase in the dividend has provided inflation protection.

The fund was built around a core of UK operational ROC-backed solar projects with an established generation profile, clear revenue visibility and inflation linkage. We established one of the biggest portfolios in the UK with some of the largest projects in the country at the time. It was also diversified, with projects of a minimum size, located in different parts of the country and built with equipment from multiple manufacturers.

This approach enabled FSFL to deliver on its investment objective and has given the Board the confidence to increase the dividend payout over 25% during the Company's first 10 years alone.

We acknowledge that the current macroeconomic environment is fundamentally different. Investor priorities have shifted following steep hikes in central bank rates, institutional fund managers' own investor redemptions, and the changing alternatives landscape. Whilst we expect gilt rates to moderate over the next year or so, a return to rock bottom interest rates is not on the cards.

FSFL must, therefore, continue to evolve.

We're centred on offering an attractive yield, hence the decision to provide an above-inflation increase for the 2024 dividend target. This will be complemented by an enhanced focus on long-term capital growth through investment in a proprietary development pipeline and the construction of solar and BESS projects. Alongside this, we will continuously seek opportunities to recycle capital to realise value uplifts for investors.

**Q** **RP:** I know you have dedicated a significant amount of time to analysing the battery storage market. What's the opportunity there?

**A** **RD:** Renewable electricity-generating capacity must be significantly expanded if countries are to reach their Net Zero emissions targets. In the UK, for example, the Climate Change Committee, the government's independent advisor, estimates the country will need to reach 70GW of operational solar farms by 2035 if we are to meet current commitments. For context, we had about 18GW of installed capacity at the end of 2023. That roll-out of intermittent generation is a significant opportunity for battery storage over the next decades - despite the short-term noise as the market matures.

We're also seeing demand for BESS in Europe, particularly in countries that are building renewables quickly, like Spain and Italy. Since the sun doesn't shine and the wind doesn't blow all the time, capturing the cheap electricity solar and wind produce to charge batteries - especially at certain times of the day when demand is limited - and later discharging when demand has peaked and prices are higher, is good for the environment and smart business. Essentially, it's a different sector that offers a diversified income stream for the Company and naturally complements its core business.

# INVESTMENT MANAGER'S REPORT CONTINUED

## Q&A WITH THE FUND MANAGERS: CELEBRATING FORESIGHT SOLAR'S TEN YEARS CONTINUED

**Q** **RP:** How about development-stage projects, can you give us more insight into your rationale for investing in those?

**A** **RD:** We updated Foresight Solar's investment mandate to allow us to invest up to 5% of GAV in early-stage assets. We're working with developers to target feasible sites that are yet to secure all the necessary permits to start construction, and to help fund their pipelines. There is a risk that some of these projects ultimately will not get built, but there is significant upside potential in the ones that do proceed, and we will invest in portfolios to spread the risk.

Ultimately, there are two reasons why we're doing it. The first is to grow our proprietary pipeline. That way, we have clearer visibility over what projects are coming through and, when they reach the ready-to-build stage, we have the option to sell them for a profit or take them forward through construction to operations ourselves. The second is the financial upside: targeting earlier-stage assets and structuring deals to limit initial capital at risk offer the potential for higher returns with valuation uplifts when projects achieve planning consent, and then again once they progress through construction.

We view a well-constructed development-stage pipeline as the engine for future NAV growth. In the ten years since the Company started operating, Foresight Solar has raised its dividend every year, delivering more than 30% growth in that time, and providing investors with a 120% total Net Asset Value return.

Going forward, we will increasingly focus on total shareholder return, targeting a higher dividend every year whilst also aiming to grow the NAV organically. We expect projects emerging from the development-stage pipeline to play a key role in this story.

**Q** **RD:** The value creation for stakeholders starts before the projects produce electricity, though. As a sustainability-focused fund, we provide more than "just" financial returns...

**A** **RP:** Absolutely! We don't see our role as Investment Manager to be focused exclusively on financial returns. We have responsibility in the way we manage our sites, and that means, for example, being a good neighbour to local communities and working to unlock potential biodiversity gains in and around our plants.

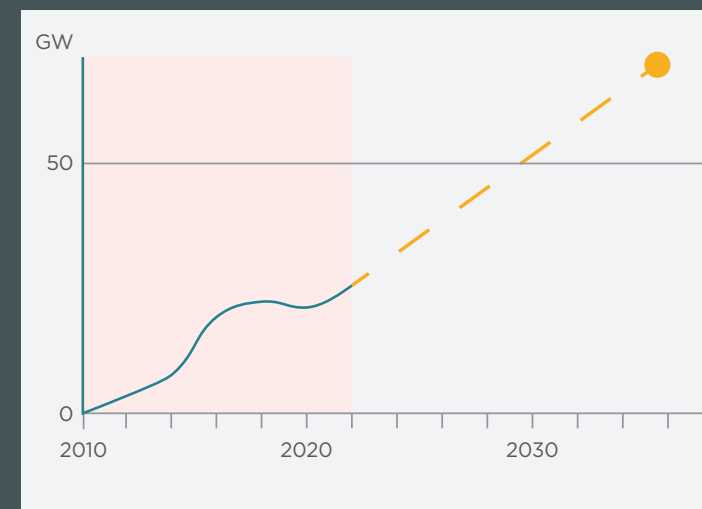
On the first point, we've contributed more than £1 million to local authorities throughout the years. We also work closely with schools to host students at our sites and raise awareness about the importance of renewable energy. In fact, we're expanding this outreach programme.

On the environmental side, in addition to directly contributing to Paris Climate Agreement goals by generating carbon-neutral electricity, we've been working with farmers for years, opening sites to sheep grazing, planting wildflowers and installing beehives across multiple locations.

Foresight Group also kicked off a double materiality analysis following guidance from the International Sustainability Standards Board ("ISSB").

This exploration will delve into financial and impact materiality, tracing the sustainability-related risks and opportunities that can affect the firm's business – the outside-in perspective – and assessing Foresight Group's potential impact on people and nature – the inside-out perspective. It's another show of commitment to sustainability best practices and generating more than financial returns.

### Solar deployment required to meet Net Zero goals



## INVESTMENT MANAGER'S REPORT CONTINUED

### CASE STUDY: FORESIGHT SOLAR'S INCOME AND ORGANIC GROWTH STRATEGY

#### The Lorca portfolio

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

In 2020, Foresight Solar reached a significant growth milestone when it purchased its Spanish assets.

In one swoop, FSFL established a foothold in a third market and expanded into subsidy-free solar energy generation.

The Lorca portfolio, a 99MW project comprising three sites in the south of the country, was acquired at the pre-construction stage. The Investment Manager's presence in Iberia and its knowledge of the local market were instrumental in establishing the relationships that led to the deal.

#### Optimisation process

Foresight Group's Madrid team oversaw the construction of the plants and worked to secure a power purchase agreement with Statkraft, Europe's largest producer of renewable energy. The ten-year PPA provides long-term revenue visibility for approximately 70% of the assets' annual production and directly contributes to dividend cover.

Less than 24 months after acquisition of the initial project rights, Las Salinas (30MW), Los Llanos (49MW) and Los Picos (20MW) started exporting to the grid; and the first full year of operations contributed to Foresight Solar's record electricity and cash generation in 2023.

The strong operational performance drew the attention of a fund advised by EB-Sustainable Investment Management ("EB-SIM"), a subsidiary of Evangelische Bank, which was searching for an opportunity to make its first direct investment into the sector and Foresight Solar was considered the right partner.



LOS LLANOS, SPAIN

# INVESTMENT MANAGER'S REPORT CONTINUED

## Capturing upside for Shareholders

When the Lorca assets progressed from construction to operation in 2022, they delivered a 2 pence per share uplift to the Company's Net Asset Value. Then, the sale of a 50% stake at a 21% premium to holding value in 2023 crystallised returns and led to another 1.6ppps NAV increase – all whilst maintaining exposure to a portfolio that will continue to deliver long-term revenue and provide dividend cover.

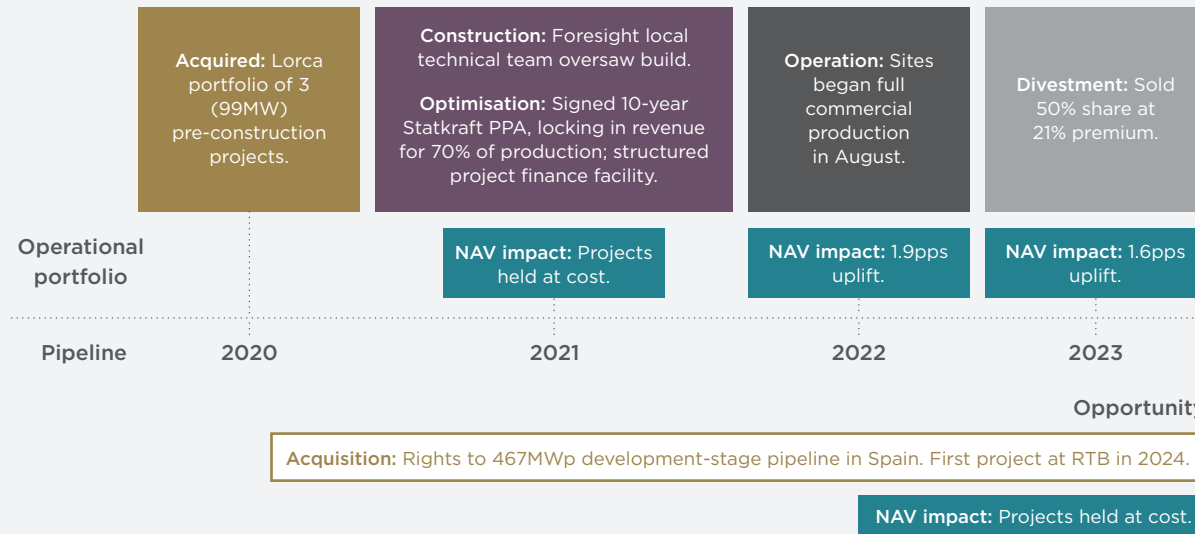
The in-house expertise to identify assets with strong potential, build them, operate them and realise the full financial upside for the Company, exemplifies Foresight Solar's income and growth strategy.

There is now a significant opportunity to execute the same approach with FSFL's growing proprietary pipeline.

The earlier-stage investments amplify the opportunities since they offer the chance to realise value when projects have planning approved and, if constructed, reach operations. At those milestone moments, Foresight Solar can take profits by selling the assets at multiples of the invested capital and recycle that cash; or opt to construct or operate them with a view to further cash generation.



### Overview of financial upside



# INVESTMENT MANAGER'S REPORT CONTINUED

## REVENUE ANALYSIS

Foresight Solar generates income by producing and exporting electricity to the grid. The revenue predominantly arises from regulatory support mechanisms available in the markets in which the Company operates and from the sale of electricity to third-party offtakers – either at fixed or merchant prices.

The Company defines “contracted revenues” as those that have a high degree of receivable certainty. Income from subsidies and from fixed price power purchase agreements are considered contracted, whereas day-ahead electricity sales are labelled merchant or uncontracted.

In 2023, approximately 40% of revenues were derived from subsidies, with the remaining 60% from the sale of electricity. Given the favourable pricing available, the Company fixed the majority of its electricity sales via PPAs, such that 91% of revenue was considered contracted, with the remaining 9% merchant.

On a net present value basis, as at 31 December 2023, contracted revenues over the entire investment period represented 53% of the total forecasted revenue.

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 revenue in the short and medium term by actively managing the power price exposure of forecast production.

By way of example, Foresight Solar can fix an amount of electricity sales in the summer, due to the seasonal production profile of solar assets, to support the dividend policy, whilst leaving some exposure to market rates that allow it to capture potential upside from power price volatility in other seasons.

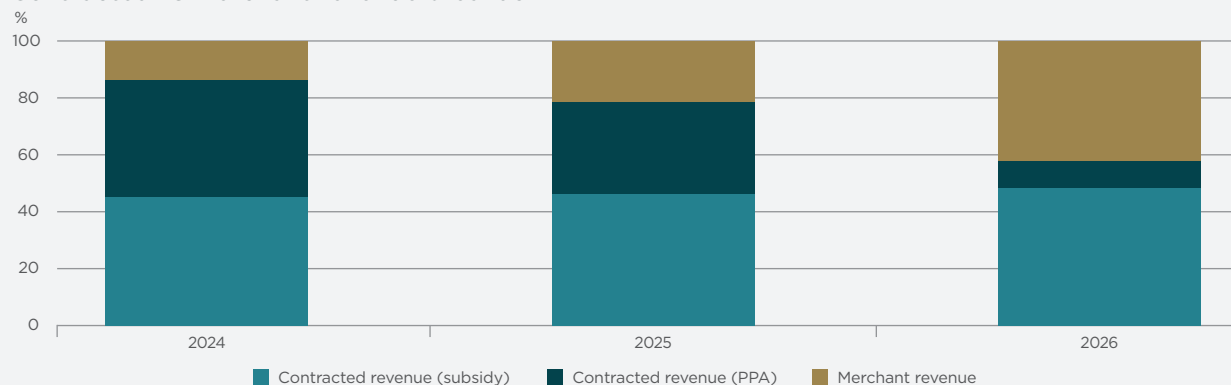
### Status of contracted revenues

The Investment Manager continually monitors opportunities to enter new fixed price arrangements up to five years ahead. The goal of this active power price hedging strategy is to provide more certainty over future revenue and ensure dividend cover.

The table below sets out the average PPA fixed price achieved for the UK portfolio in each calendar year so far, and the proportion of global generation that has been hedged as at the publication of this report.

	2024	2025	2026
Average fixed price for UK portfolio £/MWh	£96.50	£86.50	£100.80
Proportion of contracted revenues for the global portfolio	86%	79%	58%

Contracted vs merchant revenue breakdown



# INVESTMENT MANAGER'S REPORT CONTINUED

## POWER PRICES

### United Kingdom

Wholesale power prices fell significantly from their late 2022 highs during the year. The day-ahead auction average at N2EX, the exchange-traded marketplace in the UK, closed at £94/MWh across calendar year 2023, a 54% decrease on the £204/MWh registered during the previous 12 months. The drop was driven mostly by lower commodity prices, particularly natural gas, which traded above historical averages but well below the levels seen following Russia's invasion of Ukraine.

Throughout the period, Foresight Solar benefited from its active hedging strategy, locking in attractive power prices and securing income to underpin the dividend. Arrangements signed during 2022, for example, fixed prices at higher rates than the spot wholesale market offered during 2023, resulting in price certainty into 2026 for a considerable proportion of assets. As a result, the average realised price across the UK portfolio, including fixed price arrangements and merchant exposure, was £115/MWh – 22% above the N2EX average for 2023 and modestly below the £117/MWh secured in 2022.

In response to the high energy prices of 2022, the UK government introduced the Electricity Generator Levy (“EGL”) later that year. This windfall tax is scheduled to remain in place until April 2028, applying a 45% additional charge on generation revenue over £10 million and above a £75/MWh cap. This benchmark rate will rise in line with CPI each year starting from April 2024.

Based on current electricity price forecasts, however, the Company does not expect to incur any EGL liabilities once allowances are utilised.

### Australia

In the first half of 2023, power prices across QLD and VIC averaged A\$114 and A\$72, respectively. This was a marked decrease from the same period of 2022, which faced unprecedented market volatility – including the temporary suspension of the country's National Electricity Market.

Whilst Queensland and Victoria followed a similar trend in the six months to June, they had a radically divergent second half of the year.

In QLD, higher demand coupled with the outage of coal generators caused volatility and drove prices higher in November and December. Meanwhile, the outage of the NSW/VIC interconnector, which usually acts as a relief valve for excess supply, led to excess electricity in Victoria, where most of the baseload brown coal assets are located.

Excess renewable generation in the third quarter, allied to mild weather, led to negative pricing intervals across the whole country. The increase in frequency of these events, especially between peak solar generation hours, is reflective of the reduction in the average spot price, especially in October, when more than half of intervals recorded were below zero.

### Spain

Power prices trended down in 2023, falling to a yearly average of €87/MWh – a significant drop from the 2022 mean of €162/MWh, although this still remains well above the average of €46/MWh registered between 2016 and 2020. The reduction was predominantly driven by falling natural gas prices.

Spanish benchmark electricity prices are set according to a marginal production model, which means they are based on the cost of the most expensive plant required to satisfy demand – typically gas-fired generation. The war in Ukraine pushed up natural gas prices and electricity costs quickly followed.

The spiralling energy prices were eventually capped by the Spanish government, which imposed a ceiling for thermal generators and applied a levy on “extraordinary revenues”. These interventions were held in place for the majority of 2023 and effectively kept electricity prices lower than in neighbouring countries.

The text of Royal Decree-Law 8/2023, however, did not include mention of any extension of the price cap or of the clawback mechanism beyond 31 December 2023. This could lead to upward price pressure, a positive development for renewable energy generators.

## INVESTMENT MANAGER'S REPORT CONTINUED

### POWER PRICES CONTINUED

#### Subsidy revenues

The buy-out price for Renewables Obligation Certificates ("ROCs"), the United Kingdom's main support mechanism for large-scale renewable electricity projects, for the 2024/25 annual compliance period increased to £64.73 (2023/24: £59.01). The change reflected the average monthly percentage move in the Retail Price Index ("RPI"), a common measure of inflation, during 2023. On average, the Company received 1.41 ROC/MWh across the UK portfolio. Meanwhile, the 2024/25 Feed-in Tariff rate for Yardwall, the only UK asset to which ROC does not apply, was £95.30/MWh (2023/24: £90.60/MWh).

In Australia, the average Large-Scale Generation Certificate ("LGC") price secured by the portfolio for the full year was A\$24.12 per certificate, higher than the A\$21.12 registered in 2022. This was due to step-down mechanisms in the contracted price, although, considering the timeline to 2030, they were in line with forecasts.

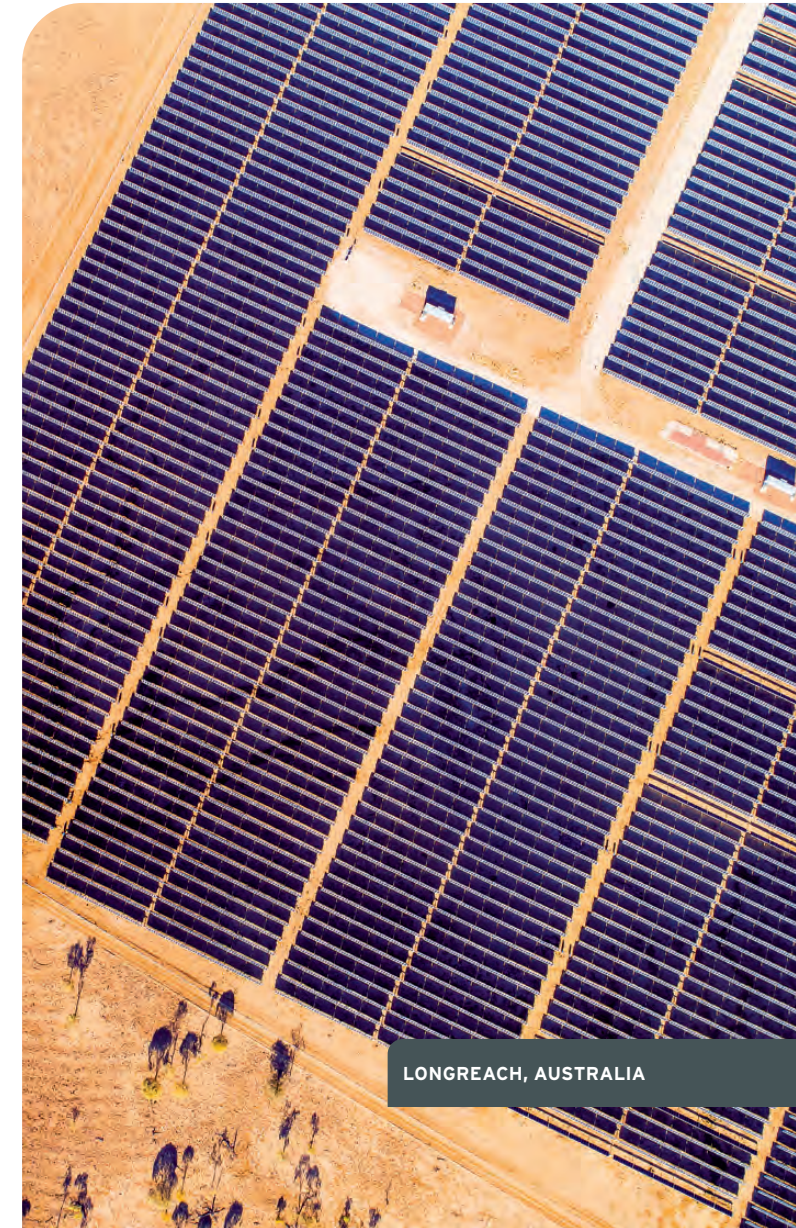
The lower contracted prices at Oakey 2 were more than offset by higher support payments at Longreach, Oakey 1 and Bannerton. The Company also entered new agreements to sell certificates at fixed prices out to 2028 and 2030, limiting the impact of LGC price volatility on revenue.

#### Power price forecasts

The Investment Manager uses forward-looking power price estimates to assess the likely future income of the portfolio's assets for valuation purposes. The Company's assumptions are formed from a blended average of three independent consultants' forecasts, adjusted by the Investment Manager for the expected capture price discounts for solar generation – the half-hourly market pricing during production periods – as considered appropriate.

For assets with fixed price arrangements in place, the contracted values are used instead of the blended forecast.

For assets with subsidy arrangements in place for a period shorter than their assumed useful economic life, the blended forecast is used for the remaining period.



LONGREACH, AUSTRALIA

# INVESTMENT MANAGER'S REPORT CONTINUED

## POWER PRICES CONTINUED

### Power price forecasts continued United Kingdom

Power price forecasts decreased significantly compared to December 2022 estimates due to the fall in natural gas prices. The most significant drop was in near-term estimates, covering the next three years – a period for which the Company has already fixed a large proportion of energy sales, limiting exposure to falls in merchant prices.

Over the short to medium term, power prices are expected to fall 6.4% in real terms each year as the market reverts to historical averages by around 2030. From that point, prices are forecast to flatten out, with a 1.5% decline expected per annum as solar capture price discounts become more prominent.

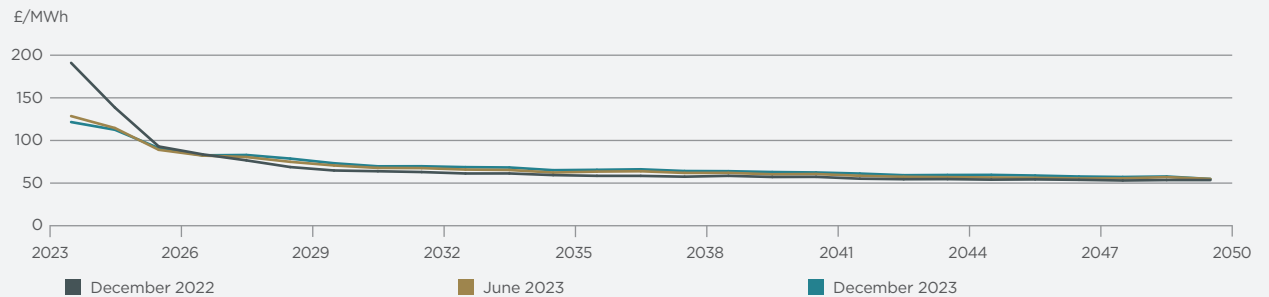
When the assumed asset life extends beyond 2050, the Investment Manager has plotted no real growth in forecast power prices.

Brexit had a direct impact in a section of the UK electricity market, affecting the going prices for Renewable Energy Guarantees of Origin (“REGOs”). These certificates are used to assure the renewable source of electricity sold into the grid, and the UK leaving the EU has driven up their value due to stricter eligibility criteria. The Company has locked in materially higher prices for the REGOs its portfolio generates and the expectation is that they will trade at higher levels than in the past.

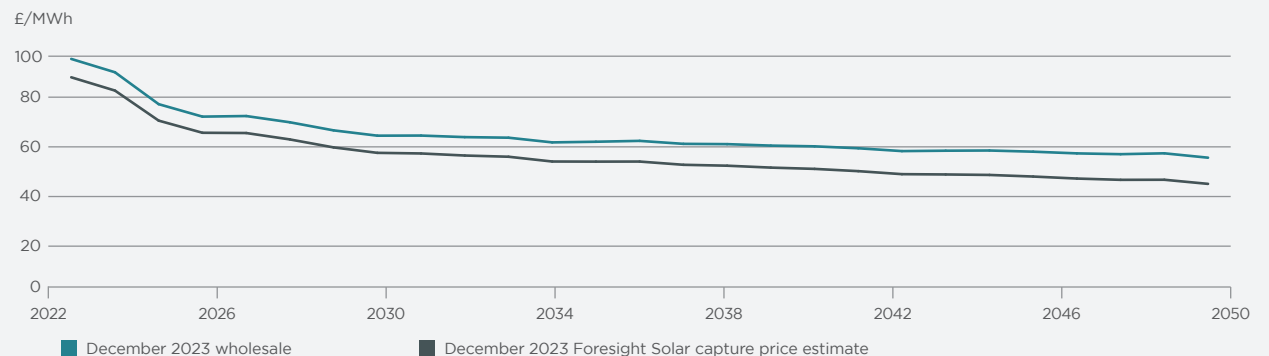
The significant increase in global thermal commodity prices seen in 2022 was passed through to electricity costs, resulting in higher Time Weighted Averages (“TWAs”) and Dispatch Weighted Averages (“DWAs”). However, they fell in 2023, and forecasters expect them to return to historical levels in the short to medium term.

The growth in rooftop solar, popular in Australian households, and the delay in hydrogen projects for electrification can make it harder to immediately address economic curtailment (“EC”). Although 2023 levels may prove to be the peak, EC is unlikely to decrease significantly in 2024 and is expected to hover around 25% for the next two or so years.

**UK wholesale power prices**



**UK wholesale vs solar capture power price**



# INVESTMENT MANAGER'S REPORT CONTINUED

## POWER PRICES CONTINUED

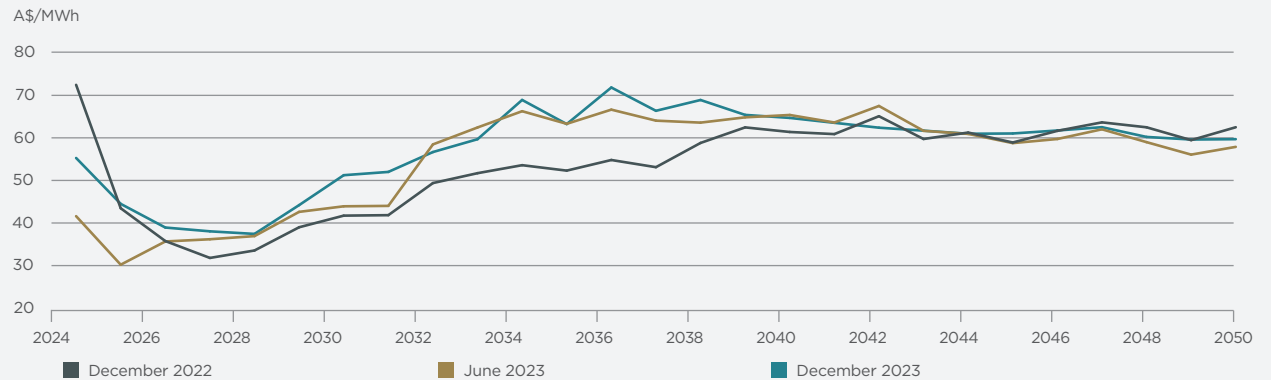
### Power price forecasts continued Australia

The significant increase in global thermal commodity prices seen in 2022 was passed through to electricity costs, resulting in higher Time Weighted Averages ("TWAs") and Dispatch Weighted Averages ("DWA's"). However, they fell in 2023, and forecasters expect them to return to historical levels in the short to medium term.

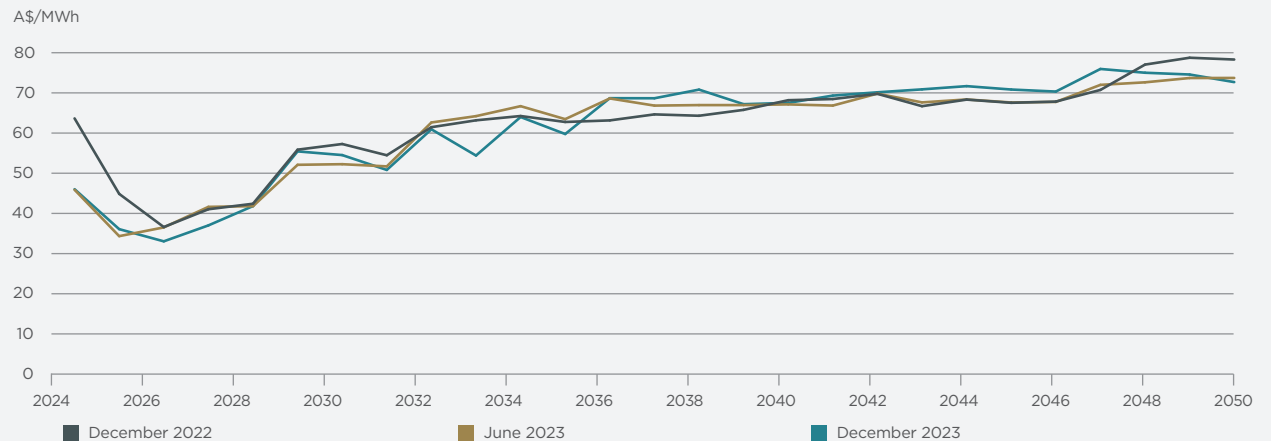
The growth in rooftop solar, popular in Australian households, and the delay in hydrogen projects for electrification can make it harder to immediately address economic curtailment ("EC"). Although 2023 levels may prove to be the peak, EC is unlikely to decrease significantly in 2024 and is expected to hover around 25% for the next two or so years.

In the medium to long term, power prices in the country are expected to continue rising as coal power plants retire, either due to economics or to end-of-life, and as gas generators and storage are increasingly used at the margin. As solar energy production continues to grow and price cannibalisation increases, the gap between wholesale power prices and solar capture prices is expected to widen, so the introduction of battery storage will be helpful.

Queensland wholesale power prices



Victoria wholesale power prices



# INVESTMENT MANAGER'S REPORT CONTINUED

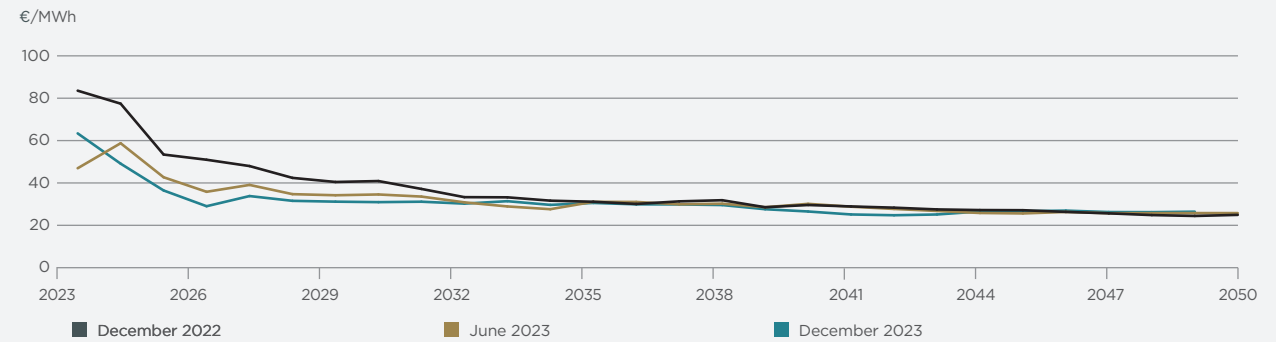
## POWER PRICES CONTINUED

### Spain

Power price projections decreased significantly in the short to medium term due to the decline in natural gas prices. Higher-than-expected deployment of self-consumption solar capacity also added downward pressure.

In the long term, fundamentals in the Spanish energy market remain largely unaffected. A significant amount of new renewable energy capacity, particularly utility-scale solar, is expected to connect to the grid over the coming years. This is likely to result in lower power prices, particularly for solar generators, although the expected addition of storage and interconnection capacity should serve to mitigate the negative impacts.

Spain wholesale power prices

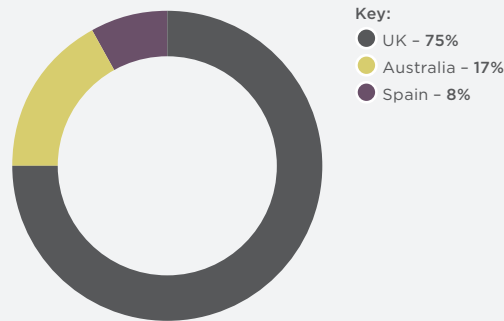


LOS PICOS, SPAIN

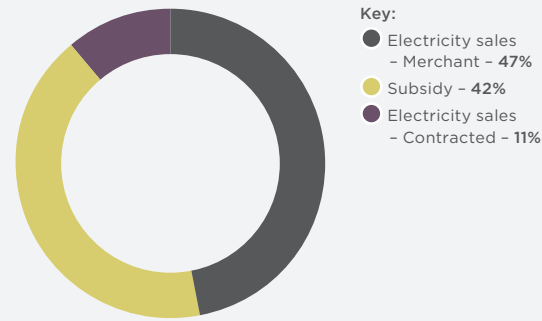
# INVESTMENT MANAGER'S REPORT CONTINUED

## PORTFOLIO OVERVIEW<sup>1</sup>

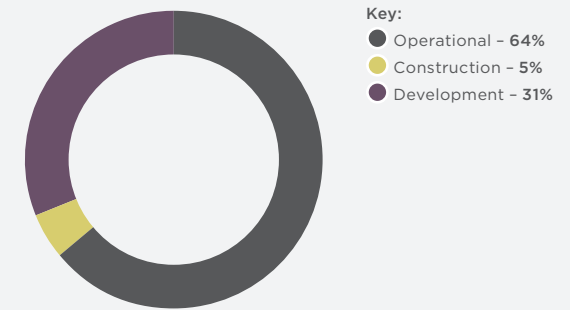
Countries by installed capacity



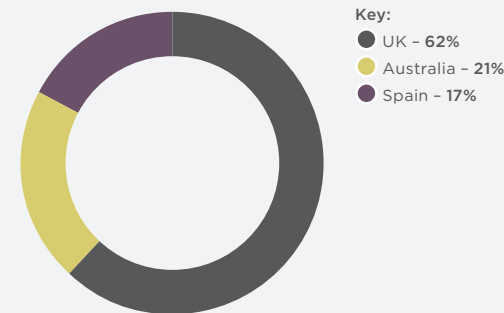
Global portfolio revenue by NPV



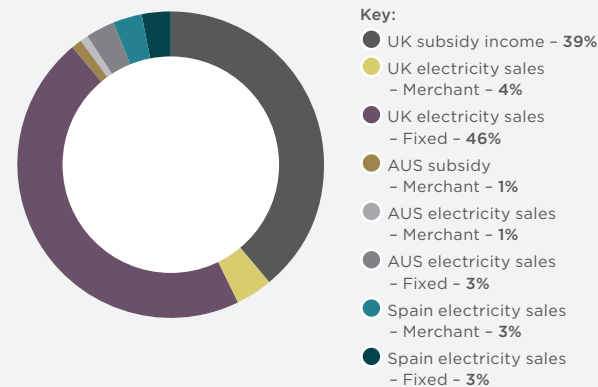
Global portfolio by peak capacity



Countries by production



Country portfolio revenue



1. As at 31 December 2023.

# INVESTMENT MANAGER'S REPORT CONTINUED

## PORTFOLIO OVERVIEW CONTINUED

### Current portfolio and production

Type	Asset	Installed peak capacity (MW)	Operational/under construction	Connection date	Acquisition cost <sup>1</sup> (£m)	Revenue type
<b>UK</b>						
1	☀️ Wymeswold <sup>2</sup>	34	Operational	March 2013	45.0	ROC/Electricity sales
2	☀️ Castle Eaton	18	Operational	March 2014	22.6	ROC/Electricity sales
3	☀️ Highfields	12	Operational	March 2014	15.4	ROC/Electricity sales
4	☀️ High Penn	10	Operational	March 2014	12.7	ROC/Electricity sales
5	☀️ Pitworthy	16	Operational	March 2014	19.3	ROC/Electricity sales
6	☀️ Hunters Race	10	Operational	July 2014	13.3	ROC/Electricity sales
7	☀️ Spriggs Farm	12	Operational	March 2014	14.6	ROC/Electricity sales
8	☀️ Bournemouth	37	Operational	September 2014	47.9	ROC/Electricity sales
9	☀️ Landmead	46	Operational	December 2014	52.4	ROC/Electricity sales
10	☀️ Kencot Hill	37	Operational	September 2014	49.5	ROC/Electricity sales
11	☀️ Copley	30	Operational	December 2015	32.7	ROC/Electricity sales
12	☀️ Atherstone	15	Operational	March 2015	16.2	ROC/Electricity sales
13	☀️ Paddock Wood	9	Operational	March 2015	10.7	ROC/Electricity sales
14	☀️ Southam	10	Operational	March 2015	11.1	ROC/Electricity sales
15	☀️ Port Farm	35	Operational	March 2015	44.5	ROC/Electricity sales
16	☀️ Membury	16	Operational	March 2015	22.2	ROC/Electricity sales
17	☀️ Shotwick	72	Operational	March 2016	75.5	ROC/Electricity sales
18	☀️ Sandridge	50	Operational	March 2016	57.3	ROC/Electricity sales
19	☀️ Wally Corner	5	Operational	March 2017	5.7	ROC/Electricity sales
20	☀️ Coombeshead	10	Operational	December 2014	36.6 (Acquired as portfolio)	ROC/Electricity sales
21	☀️ Park Farm	13	Operational	March 2015		
22	☀️ Sawmills	7	Operational	March 2015		
23	☀️ Verwood	21	Operational	February 2015		
24	☀️ Yardwall	3	Operational	June 2015		FiT/Electricity sales
25	☀️ Abergelli	8	Operational	March 2015	3.7	ROC/Electricity sales
26	☀️ Crow Trees	5	Operational	February 2016	1.8	ROC/Electricity sales
27	☀️ Cuckoo Grove	6	Operational	March 2015	2.5	ROC/Electricity sales
28	☀️ Field House	6	Operational	March 2016	3.1	ROC/Electricity sales
29	☀️ Fields Farm	5	Operational	March 2016	1.7	ROC/Electricity sales
30	☀️ Gedling	6	Operational	March 2015	1.9	ROC/Electricity sales
31	☀️ Homeland	13	Operational	March 2014	5.2	ROC/Electricity sales
32	☀️ Marsh Farm	9	Operational	March 2015	4.0	ROC/Electricity sales



WYMESWOLD, UK

# INVESTMENT MANAGER'S REPORT CONTINUED

## PORTFOLIO OVERVIEW CONTINUED

### Current portfolio and production

Type	Asset	Installed peak capacity (MW)	Operational/under construction	Connection date	Acquisition cost <sup>1</sup> (£m)	Revenue type
<b>UK</b>						
33	Sheepbridge	5	Operational	December 2015	1.9	ROC/Electricity sales
34	Steventon	10	Operational	June 2014	4.2	ROC/Electricity sales
35	Tengore	4	Operational	February 2015	1.3	ROC/Electricity sales
36	Trehawke	11	Operational	March 2014	4.7	ROC/Electricity sales
37	Upper Huntingford	8	Operational	October 2015	3.1	ROC/Electricity sales
38	Welbeck	11	Operational	July 2014	4.4	ROC/Electricity sales
39	Yarburgh	8	Operational	November 2015	3.4	ROC/Electricity sales
40	Abbey Fields	5	Operational	March 2016	1.5	ROC/Electricity sales
41	SV Ash	8	Operational	March 2015	3.4	ROC/Electricity sales
42	Bilsthorpe	6	Operational	November 2014	1.9	ROC/Electricity sales
43	Bulls Head	5	Operational	September 2014	2.2	ROC/Electricity sales
44	Lindridge	5	Operational	January 2016	1.7	ROC/Electricity sales
45	Manor Farm	14	Operational	October 2015	6.1	ROC/Electricity sales
46	Misson	5	Operational	March 2016	2.0	ROC/Electricity sales
47	Nowhere	8	Operational	March 2015	3.7	ROC/Electricity sales
48	Pen Y Cae	7	Operational	March 2015	2.9	ROC/Electricity sales
49	Playters	8	Operational	October 2015	4.0	ROC/Electricity sales
50	Roskrow	9	Operational	March 2015	3.7	ROC/Electricity sales
51	Sandridge	25 <sup>3</sup>	Under construction	—	12.7	Merchant
52	Clayfords	25 <sup>4</sup>	Ready to build	—	14.1	Merchant
53	Lunanhead	25 <sup>5</sup>	Ready to build	—	16.4	Merchant
<b>UK sub-total</b>		<b>798</b>			<b>728.4</b>	

	31 December 2023			31 December 2022		
	Total generation (GWh)	Generation variance in relation to base case <sup>6</sup>	Irradiation variance in relation to base case	Total generation (GWh)	Generation variance in relation to base case <sup>6</sup>	Irradiation variance in relation to base case
United Kingdom	678	0.7%	2.1%	734	8.6%	9.4%



1. Original equity cost at time of acquisition, including transaction costs. For assets under construction, this includes estimated construction costs to start of operations. International acquisition costs converted to GBP including transaction costs at the applicable rate at the time of acquisition.
2. Includes the 2MW extension acquired in March 2015.
3. Accounts for the Company's 50% stake in Sandridge BESS (50MW).
4. Accounts for the Company's 50% stake in Clayfords (50MW).
5. Accounts for the Company's 50% stake in Lunanhead (50MW).
6. Generation figures have been adjusted, where relevant, for events in which compensation has been, or will be, received.

# INVESTMENT MANAGER'S REPORT CONTINUED

## PORTFOLIO OVERVIEW CONTINUED

### Current portfolio and production continued

Type	Asset	Installed peak capacity (MW)	Operational/ under construction	Connection date	Acquisition cost <sup>1</sup> (£m)	Revenue type
<b>Australia</b>						
1	Bannerton	53 <sup>2</sup>	Operational	July 2018	22.9	LGC/Long-term PPA
2	Longreach	17	Operational	March 2018	5.7	LGC/Long-term PPA
3	Oakey 1	30	Operational	February 2019	9.2	LGC/Long-term PPA
4	Oakey 2	70	Operational	May 2019	34.0	LGC/Electricity sales
<b>Australia sub-total</b>		<b>170</b>			<b>71.8</b>	

	31 December 2023			31 December 2022		
	Total generation (GWh)	Generation variance in relation to base case <sup>3</sup>	Irradiation variance in relation to base case	Total generation (GWh)	Generation variance in relation to base case <sup>3</sup>	Irradiation variance in relation to base case
Australia	237	-9.0%	8.3%	248	-12.5%	-11.8%

Type	Asset	Installed peak capacity (MW)	Operational/ under construction	Connection date	Acquisition cost <sup>1</sup> (£m)	Revenue type
<b>Spain</b>						
1	Virgen del Carmen	26	Operational	November 2022	18.0	Long-term PPA/Electricity sales
2	Los Llanos	25 <sup>4</sup>	Operational	August 2022	64.2 <sup>5</sup> (Acquired as portfolio)	
3	Las Salinas	15 <sup>4</sup>	Operational			
4	Los Picos	10 <sup>4</sup>	Operational			
<b>Spain sub-total</b>		<b>76</b>			<b>82.2</b>	

	31 December 2023			31 December 2022		
	Total generation (GWh) <sup>3</sup>	Generation variance in relation to base case <sup>3</sup>	Irradiation variance in relation to base case	Total generation (GWh)	Generation variance in relation to base case <sup>3</sup>	Irradiation variance in relation to base case
Spain	179	-1.5%	-1.6%	—	—	—
<b>Global portfolio</b>	<b>1,094</b>	<b>-1.9%</b>	<b>3.4%</b>	<b>982</b>	<b>2.3%</b>	<b>2.1%</b>



BANNERTON, AUSTRALIA

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. Accounts for the Company's 48.5% stake in Bannerton (110MW).
3. Generation figures have been adjusted, where relevant, for events in which compensation has been, or will be, received.
4. Accounts for the Company's 50% stake in the Lorca portfolio (100MW).
5. Original equity cost at time of acquisition of 100%, does not include the 50% divestment in 2023.

# INVESTMENT MANAGER'S REPORT CONTINUED

## PORTFOLIO OVERVIEW CONTINUED

### Portfolio summary

As at 31 December 2023, Foresight Solar's portfolio comprised 61 assets with a total net peak capacity of 1,044MW, of which 25MW remains under construction and 50MW in pre-construction.

In the UK, the Company has an operational portfolio of 50 solar assets, with a total installed capacity of 723MW. In addition, FSFL holds 50% stakes in three battery storage projects, equivalent to 75MW, that are currently in construction or pre-construction. Foresight Solar also owns four operational solar sites in Australia, totalling 170MW of installed capacity, and, following the sale of a 50% stake in its Lorca portfolio in Spain, it now holds 76MW of installed capacity distributed across four solar plants in the country. (See the full portfolio composition from page 31.)

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

The Company's Spanish projects do not rely on regulatory support. The sites instead bid into the long-term power purchase agreement market, aiming to strike production deals at determined prices with creditworthy counterparties for a certain period. This approach provides a high proportion of contracted income and revenue visibility. The assets have been successful in settling those transactions, with the Lorca portfolio signing a ten-year agreement with Statkraft in December 2021 and Virgen del Carmen establishing a ten-year offtake agreement with Shell in September 2020.

### Acquisitions and divestments

#### Project Lynx

In March 2023, Foresight Solar secured a pipeline of development-stage solar farms in Spain with a total potential capacity of 467MWp. The Company purchased the project rights from Grupo Cuerva, a renewable energy company and distribution network operator, for low single-digit millions of euros.

The six subsidy-free solar projects are planned to be located across the south and east of Spain. Two of the sites have sought grid connections under existing application routes and one of those, totalling 57MWp, has already secured grid access with the potential to reach ready-to-build status later this year. The remaining projects will apply for connections via the upcoming capacity market auctions, which are likely to take place over the next few years.

Foresight Group's knowledge of the Spanish market and its presence in the country were instrumental in establishing the bilateral discussions that led to this transaction. The Investment Manager's team in Madrid will oversee the projects' evolution alongside the developers responsible for establishing them, who continue to take them forward under a services agreement.

### Project Jerez

The period's other transaction, and a first for Foresight Solar, was the agreement to sell a 50% stake in its Lorca portfolio in Spain to a fund advised by EB-Sustainable Investment Management ("EB-SIM") a subsidiary of Evangelische Bank. The buyers paid €26.9 million, a 21% premium to the assets' holding value at the time, representing an exit IRR of 12.1% on funds invested in the stake sold.

Lorca is a 99MW subsidy-free portfolio made up of three sites: Las Salinas (30MW), Los Llanos (49MW) and Los Picos (20MW). Purchased at the ready-to-build stage in December 2020, Foresight Solar took the projects through construction, realising a 2 pence per share NAV uplift when they became operational two years later.



LOS LLANOS, SPAIN

# INVESTMENT MANAGER'S REPORT CONTINUED

## PORTFOLIO OVERVIEW CONTINUED

### BESS construction update

#### Sandridge (construction)

The project, a 50MW, one-hour lithium-ion battery located in the UK, continued to progress in 2023, with the delivery and installation of the cells advancing steadily.

The asset management team was regularly in touch with the distribution network operator to ensure it finished the necessary enhancement works to allow for grid connection once construction is finished.

The project is now likely to reach energisation during summer 2024.

#### Clayfords and Luanhead (pre-construction)

Pre-construction works on the two projects progressed well and the Investment Manager has agreed terms for a broader framework engineering, procurement and construction ("EPC") contract that could cover both sites.

Battery cell prices fell meaningfully during the year, although at the same time revenue forecasts for BESS have become more challenging.

The Board and Investment Manager are carefully scrutinising every investment decision in line with the Company's capital allocation policy. Whilst the Manager's Construction Management team are continuing to progress all necessary planning and pre-construction milestones, the Investment Manager will work with the Directors to carefully consider the best possible approach for taking these projects forward.



BOURNEMOUTH, UK

# INVESTMENT MANAGER'S REPORT CONTINUED

## OPERATIONAL REVIEW

### United Kingdom portfolio performance

The UK operational assets outperformed expectations during the year, with electricity generation 0.7% above base case after adjusting for financial compensation received, reflecting annual irradiation that was 2.1% higher than forecast.

During the period, no material events occurred, but a few assets were impacted by transformer, switchgear or HV cable failures. In each instance, the Asset Manager proactively dealt with the incidents, drawing on the spare parts inventory to minimise downtime – in line with the Company's established strategy.

As with many in the sector, Foresight Solar continues to deal with supply chain reliability challenges, particularly with certain inverter manufacturers. As a preventative measure, in the first quarter of 2023, the Asset Manager started replacing certain devices and redistributing inverters so plants were ready in time to benefit from the higher spring irradiation. Replacements at two further plants occurred later in the year, freeing more units to be utilised as spares across the portfolio.

The Asset Manager works hard to foster good relationships with local distribution network operators, and has regularly negotiated to reduce the number of days required for planned outages or to move them to periods of lower irradiation.

Despite this proactive engagement, the country's sites remain at risk from outages. Throughout 2023, stoppages continued, albeit typically in the lower irradiance months. Excluding these types of stoppages, production during the year was 1.2% above estimates.

### Health and safety

Two minor fires occurred at different assets in 2023. The Asset Manager dealt with them swiftly and there were no injuries or any material damage to equipment.

Health and safety services to the SPVs remain in place via an independent consultancy that provides additional support. The Asset Manager regularly monitors incidents and uses the feedback from these occurrences to raise awareness, drive improvements and limit risks.

### Ofgem audits

The Office of Gas and Electricity Markets ("Ofgem"), the UK energy regulator, retains open audits on many solar farms, including some of the Company's projects. The Asset Manager has responded, now awaits instruction to close them and does not anticipate any material issues.

At the end of 2023, a total of 12 audits remained open, and six were fully closed during the period.

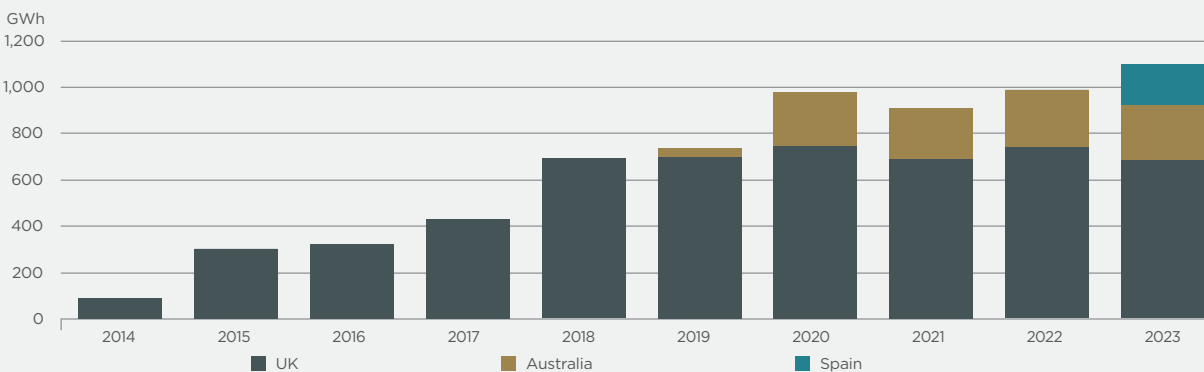
Ofgem continues to request audits and the Asset Manager follows up promptly. As part of the regulator's oversight role, more investigations are expected in 2024. To prepare for this, the Asset Manager has conducted mock audits across the entire portfolio, mapping potential issues in advance and mitigating the prospect of future unfavourable Ofgem reviews.

### Security

There was only one theft in the entirety of 2023. The incident caused a minor impact on Fields Farm's performance. The Company has filed an insurance claim to seek compensation for the material damage and the production losses.

On the digital front, work has continued to upgrade assets and improve cyber resilience, as well as to complete penetration testing and ensure enhancements are adequate. Foresight Solar improved its cyber risk register and added new suppliers to the list completed in 2022.

**Foresight Solar global portfolio production**



# INVESTMENT MANAGER'S REPORT CONTINUED

## OPERATIONAL REVIEW CONTINUED

### United Kingdom portfolio performance continued Asset optimisation

The Company started more actively reviewing specific replacement options after it discovered the potential for systemic failures in a type of inverter. This process is motivated from an abundance of caution rather than imminent risk since the inverters were only present on sites representing a modest proportion of portfolio capacity. It is, however, a good example of the proactive steps a responsible Asset Manager should undertake on an established operational portfolio.

Regardless of isolated issues, the Asset Manager pushed forward with technical optimisation to improve performance. This strategy has proven successful, reducing downtime and driving operational efficiency. (Read more in the asset management case study on page 39.)

Another key ongoing improvement workstream is the effort to extend leases, which has direct, positive financial implications as the longer periods of land use translate to higher asset valuations. The Investment Manager is currently prioritising lease extensions of projects with a total installed capacity of 260MW, roughly a third of the UK operational portfolio.

Throughout 2023, the Company signed and completed lease extensions on the equivalent of 34MW of assets, and a further 21MW of capacity are currently in advanced discussions with landlords.

Prudently, the Company does not assume useful asset lives of 40 years until the corresponding lease arrangements are signed.

### Australia portfolio performance

Periods of high economic curtailment and transmission constraints resulted in generation from the Australian portfolio ending the year 9% below budget, occurring despite favourable irradiation that was over 8% above budget for the year.

The Company's assets in Queensland faced record levels of economic curtailment in the second half of the year. During Q3 in particular, Longreach, Oakey 1 and Oakey 2 faced multiple periods of economic curtailment at times exceeding 50%, or periods of negative pricing (prices below A\$0/MWh) when both Longreach and Oakey 1 had to stop production.

Meanwhile, production from the Bannerton project in Victoria was below budget for the year, primarily as a result of transmission constraints from the Australian Energy Market Operator.

These challenges are not unique to the Company's assets and are impacting the majority of ground mounted solar projects in similar locations. Periods of economic curtailment are expected to remain elevated for the next two-three years, especially during periods of milder weather and excess solar generation, highlighting the challenges with the Australian grid. Notwithstanding this, the consultant power curve forecasts continue to show power prices increasing in the near to medium term.

The reduction in near term revenues, however, has placed pressure on debt cover ratios in the immediate term and the Investment Manager has worked with the Lenders to agree a modest level of distributions will be retained within Longreach, Oakey 1 and Bannerton. It is also not expected the projects will be in a position to make distributions for at least the next six months.

### Health and safety

An arc flash, a type of electrical discharge akin to a minor explosion, at Oakey 1 and caused minor injury to an operative. The Asset Manager conducted a full review to establish the cause of the incident and implemented appropriate actions following its conclusion.

### Spain portfolio performance

Despite lower-than-expected irradiation and weather-related challenges during 2023, the Company's Spanish assets performed in line with expectations. The period was the first full year of operations from the Lorca portfolio and from Virgen del Carmen, and the sites contributed to Foresight Solar's record cash generation.

In Granada, where the three Lorca assets are located, the lack of rain impacted planting works required as part of the project's environmental commitments. The Asset Manager rolled out a plan with several measures to mitigate the problem and regularly tracks progress. This is also operationally important because too much dust risks causing soiling issues on panels.

Despite some operational challenges, including a transformer failure in August, Virgen del Carmen production was in line with forecast. The Asset Manager is focused on addressing the final requirements to attain sign-off for the Project Acceptance Certificate and conclude the EPC contract.



LOS PICOS, SPAIN

# INVESTMENT MANAGER'S REPORT CONTINUED

## OPERATIONAL REVIEW CONTINUED

# CASE STUDY: ASSET MANAGEMENT DELIVERING FINANCIAL VALUE

### Background

When Foresight Solar listed in October 2013, it was the largest fund of its kind. The Company rapidly built its portfolio, and five years in, had 50 operating projects in the UK – including some of the country's largest plants.

With a selection of the solar farms starting their 11th year of operation, the Asset Manager must deal with expected technical challenges – as would be the case with any long duration infrastructure asset.

The evolution of the renewables sector and the growth of the market have led to consolidation among service providers, leading to occasional limited support from inverter manufacturers, lack of warranty in some cases or narrow repair provision.

Nowhere is this clearer than with inverters. Their failure has severe impacts on performance and revenue, so ensuring their smooth operation is a significant task.

### Revamping vs repowering

There are two main approaches to inverter replacement, revamping and repowering:

- Restoring capacity: The first option, revamping, consists of complete or partial replacement, removal or reinstallation of modules or inverters on a "like-for-like" basis. This is done without changing a site's capacity. Often, this process is applied to replace defective or underperforming components and restore an ageing plant to its original scope as part of a planned programme of lifecycle works.
- Increasing capacity: Repowering, meanwhile, is the full replacement of modules or inverters to increase a site's capacity, and therefore generate more revenue. Due to advances in inverter and module technology, this is now feasible without the need to occupy more land.

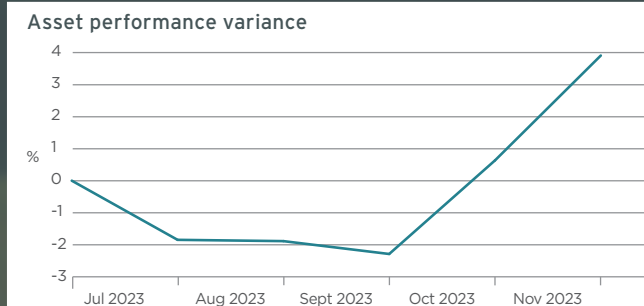
Current restrictions around changes to the capacity of subsidy-backed projects in the UK limit the options to repower sites, making revamping the more realistic option during the subsidy period. Clearly, this dynamic will change once government support expires and the changes have the potential to deliver upside for the portfolio.

### Foresight Solar approach

After a detailed analysis of the options, Foresight Solar launched a revamping programme to deal with the above-average failure rates of a specific type of inverter and a subsequent lack of support from the original manufacturer.

Over the course of the year, almost 9MWp of inverters were revamped across three sites, on each occasion replacing one or two zones. Banks of four installed inverters were substituted by one new, higher-powered option from a different provider. The replaced inverters that were still functioning were then distributed to other assets as part of a spare parts programme.

The benefits are noticeable. The graph below shows the performance variance for the three revamped plants and the two projects to where the inverters were distributed.



# INVESTMENT MANAGER'S REPORT CONTINUED

## MOVEMENTS IN NET ASSET VALUE

The Company's NAV per share decreased to 118.4 pence in 2023 from 126.5 pence in the previous 12 months. A breakdown in the movement is shown in the graph.

### Valuation methodology

The Investment Manager is responsible for providing fair value market estimates of the Company's underlying assets to the Board every quarter. The models incorporate a broad range of assumptions based on long-term forecasts and are generally unaffected by short-term fluctuations, economic gyrations or portfolio technical performance. Material changes to long-term expectations typically have a greater impact.

The Investment Manager determines assets' fair value using discounted cash flows ("DCF") from the date of acquisition. Assets in development or 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 phase do not form part of the DCF calculation in making a fair valuation.

This approach adheres to both IAS 39 and IFRS 13 accounting standards (see page 133 for more details), as well as the International Private Equity and Venture Capital Valuation ("IPEV") guidelines.

Based on the recommendation of the Investment Manager, the Board reviews and challenges the operating and financial assumptions, including the discount rates, used in the valuation of the portfolio before approval.

### Discount rates for valuation

The Investment Manager regularly reviews the discount rates used to value the portfolio to ensure they remain in line with the Company's risk profile and that they reflect market changes. This analysis is based on valuation information from transactions with comparable assets, reviews of the risk premium above the risk-free rate, and input from independent third parties.

Taking those factors into consideration, the weighted average levered discount rate across the Foresight Solar portfolio closed the year at 8.03% compared to 7.16% on 31 December 2022.

The increase reflects the evolving macroeconomic environment which led central banks around the world to raise interest rates during 2023. Foresight Solar increased its discount rate for the levered UK portfolio to 8.0% (31 December 2022: 7.0%) to maintain an adequate premium to the Bank of England's risk-free rate.

The discount rate used for UK asset cash flows which have received lease extensions beyond the initial investment period of 25 years was taken to 9.0% for subsequent years (31 December 2022: 8.0%), reflecting the merchant risk of the expected inflows beyond the first two and a half decades.

In the Australian portfolio, assets are valued using a discount rate which is dependent on the level of contracted revenues. The weighted average discount rate increased to 8.37% (31 December 2022: 8.00%) because of an additional premium factored in during the third quarter of 2023.

Since the Spanish assets had their first full year of operations in 2023, valuations moved to a DCF methodology in the period. On 31 December, the discount rate for Virgen del Carmen sat at 7.25% whilst the Lorca portfolio's was 7.75%, reflecting the assets' additional leverage risk. In November, the Company sold a 50% stake in Lorca at a 21% premium to its holding value, proving the prudence of its assumptions.

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

Assets that have not reached operations, such as the three battery projects in the UK, are valued at cost and will continue to be held that way until they are connected to the grid and fully operational, at which point their valuations will move to a DCF basis.

In terms of assessing 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.

### Asset life

The expected weighted average life of the UK portfolio as at 31 December 2023 was 31.1 years (31 December 2022: 30.8 years) from the date of commissioning. This represents a remaining portfolio useful life of 22.4 years when the historical operational periods are taken into account.

The average useful economic life ("UEL") across 41 of the 50 operational UK assets goes beyond 25 years, averaging 32.6 years from the date of commissioning. Conservative operational and lifecycle costs are incorporated into the extended useful life period.

The expected UEL for Australian assets increased to 37 years (31 December 2022: 34.4 years) and held steady at 40 years for Spanish sites (31 December 2022: 40 years).

### Movements in NAV Share buybacks

Foresight Solar spent £19.9 million to repurchase 20.7 million shares since its buyback programme was announced in May 2023. This was accretive to NAV due to the purchase price being below the Company's holding Net Asset Value.

### Dividends paid

The Company paid £44.4 million in dividends during the year to 31 December 2023.

### Fund costs

Total costs were £11 million, predominantly composed of management fees, financing costs and corporation tax.

# INVESTMENT MANAGER'S REPORT CONTINUED

## MOVEMENTS IN NET ASSET VALUE CONTINUED

### Movements in NAV continued

#### Other adjustments

Working capital adjustments released £4.4 million.

#### Foreign exchange movements

Fluctuations in exchange rates over the period negatively impacted the GBP valuations of the Australian and Spanish assets by £5.1 million.

#### Time value

A value uplift of £51.5 million, resulting from moving the valuation date forward and, therefore, bringing future cash flows closer to the present (and discounting them less).

#### Project actuals

Reflects the cash performance of the portfolio compared with the modelled forecast. Economic curtailment in Australia and lower merchant power pricing for the few assets that had not hedged their production resulted in marginally below-budget cash generation.

#### Power price forecasts

The Company uses forward-looking power prices to assess the likely future income of its assets for valuation purposes. The assumptions are based on a blended average of the forecasts provided by third-party consultants which are updated quarterly. The £14.2 million valuation change during the period includes the impact of the changes to UK, Australian and Spanish price forecasts.

In 2023, the Company re-benchmarked its UK solar capture price assumptions against actual observed portfolio performance, resulting in an £8.5 million downside impact because of the more conservative forecast for potential discounts.

### Reduction in Electricity Generator Levy liabilities

Reflects an £18.2 million decrease in EGL payments forecast. This is a direct result of lower-than-expected revenue because of falling power prices to April 2028, the proposed end date of the windfall tax.

### Inflation forecasts

This update reflects a £3.5 million decrease because of actual inflation for 2023, which was ultimately less than the 6.5% forecast used in the valuation model, and a change in expected inflation for 2024, which was raised to 3.5%. For future years, assumptions remain unchanged: 3.0% from 2025 to 2030, dropping to 2.25% thereafter.

### Discount rates

The Investment Manager reviewed discount rates and, as a result, the UK levered discount rates increased to 8.0% from 7.0% during the year. The rates applied to the valuations of the Australian and Spanish assets were also revised upward, resulting in a negative £39.9 million impact.

### Lorca stake sale and revaluation

In the first step of its phased divestment programme, Foresight Solar sold a stake in the Lorca portfolio at a 21% premium to the third quarter holding value. The gain from the sale and the revaluation of the remaining 50% of the portfolio provided a £9.4 million uplift.

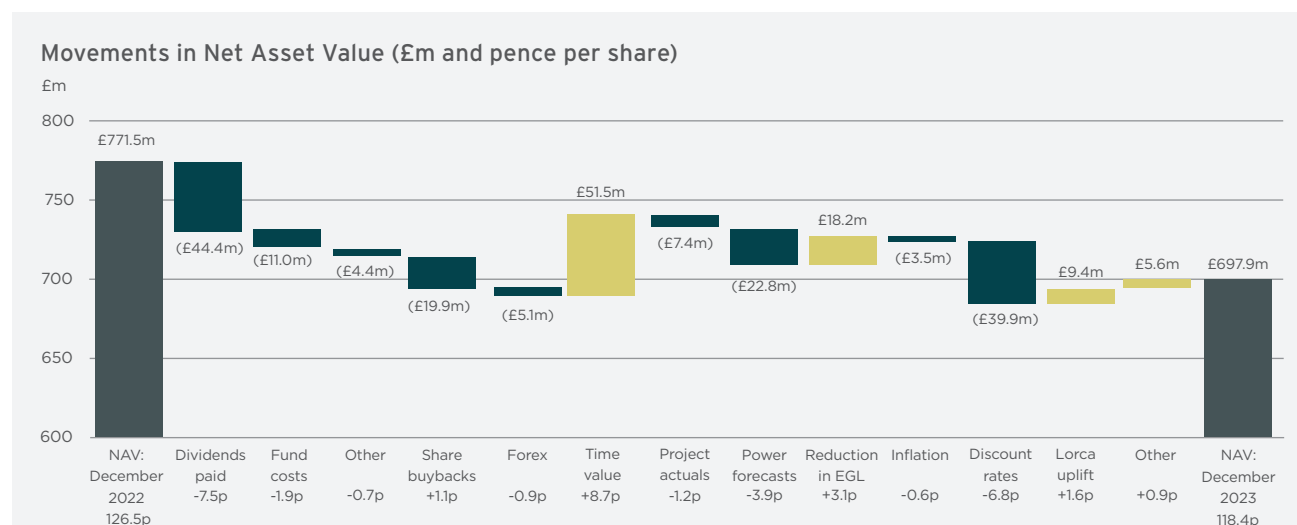
### Other portfolio valuation adjustments

Operational and financial updates to the portfolio, including lifecycle costs, tax modelling and interest receipts on cash balances, resulted in a £5.6 million upside.

### 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 on the next page shows the impact per share of changes in key valuation assumptions on NAV.



# INVESTMENT MANAGER'S REPORT CONTINUED

## MOVEMENTS IN NET ASSET VALUE CONTINUED

### Movements in NAV continued Valuation sensitivities continued

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

### United Kingdom portfolio valuation

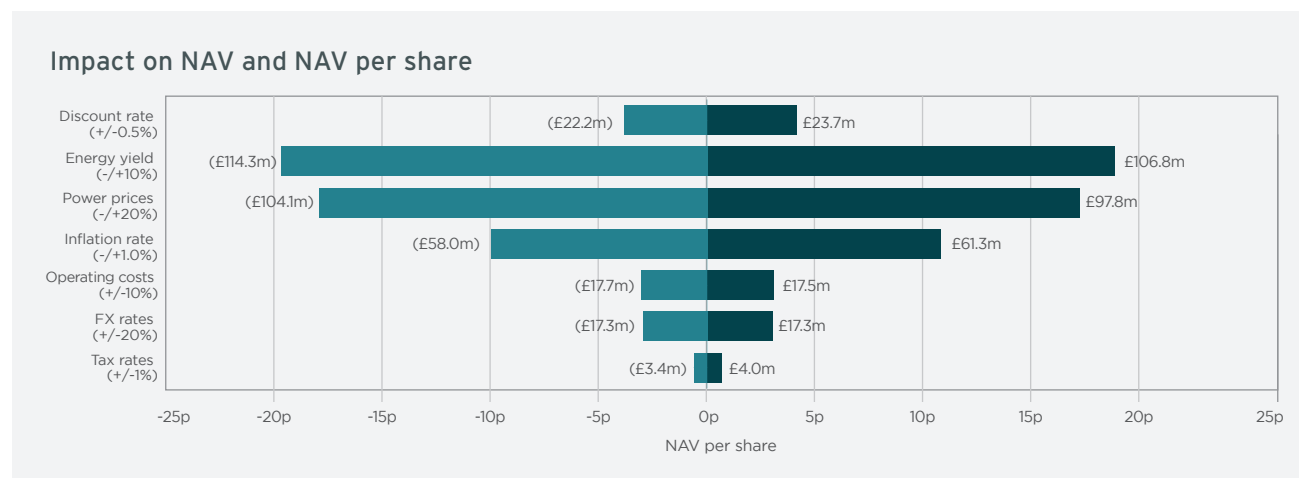
Both during and after the period, there were announcements of the sales of substantial ROC-backed solar portfolios. The deals offered a reliable benchmark for assets similar to Foresight Solar's UK projects, providing important market guidance on pricing.

In each case, the transactions closed at valuations materially above the Company's portfolio holding value, supporting FSFL's prudent assumptions.

The most recent deal relates to the sale of Thurrock Council's stake in 53 UK solar projects with a combined capacity of 514MWp. The transaction price, highly publicised after the failure of the operator, Toucan Energy, indicated a value per megawatt of £1.36 million against Foresight Solar's latest £1.17m/MW valuation of its own portfolio.

The Investment Manager considers the Thurrock portfolio highly comparable given the ROC vintage of the assets. Based on internal analysis, Foresight Group infers the Company most likely uses more conservative assumptions for inflation, asset lives, energy yields and discount rates.

The FSFL valuation potentially also includes more conservative power price forecasts, which are based on the blended rate of three leading consultants. The Board believes that this approach is appropriate in a softening power price environment, particularly in the medium term – beyond the Company's current price fixes.



All amounts presented in £million (except as noted)	31 December 2023	30 June 2023	31 December 2022	30 June 2022
Portfolio value	584.1	620.2	648.8	678.3
Cash held	25.4	14.8	22.2	12.0
Portfolio equity valuation	558.7	605.4	626.6	666.3
Debt	290.7	301.7	306.8	310.2
Enterprise valuation	849.5	907.1	933.4	976.5
Capacity (MWp)	723.1	723.1	723.1	723.1
<b>£m/MWp</b>	<b>1.17</b>	1.25	1.29	1.35

The table above demonstrates the calculation of the Company's UK portfolio valuation in £m/MW over recent periods. In line with the NAV, the reduction in valuation during 2023 was predominantly driven by the increase in the discount rate and lower power price forecasts.

It should also be noted that Foresight Solar continues to amortise its long-term debt and, more recently, has held higher cash balances.

In any case, these data points evidence the strong demand for assets with revenue visibility and government-backed subsidies.

# SUSTAINABILITY

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The Company's direct investments into solar energy generation and battery storage support global decarbonisation targets and countries' sustainability agendas.



# SUSTAINABILITY

## FOREWORD FROM THE CHAIR

### Highlights

1,088GWh

of clean electricity generated

402,754

UK homes powered

378,486tCO<sub>2</sub>e

avoided compared to country-specific grid<sup>1</sup>

£392,816

contributed to local communities

Sustainability is an integral consideration of everything Foresight Solar does. By definition, the Company's business, which involves developing, building and operating solar farms and battery storage assets, contributes to a less carbon intensive electricity system. In the decade since the Initial Public Offering, for example, Foresight Solar generated 7,176GWh of electricity, supplying enough clean energy to power the equivalent of almost 10% of UK households for an entire year.

Environmental, social and governance criteria are fundamental to our investment selection process, to the day-to-day running of our projects and to the overall risk management map in place. At every step of the way, Foresight Group tracks and analyses relevant data to enable the Investment Manager and the Board to make better-informed decisions leading to improved financial returns for Shareholders and positive outcomes for stakeholders.

Naturally, I'm thrilled to write this first edition of the foreword to the Sustainability section of Foresight Solar's Annual Report and draw your attention to the excellent work done throughout 2023.

### Sustainability performance

At the operational level, the Company had a record year of renewable electricity production. Following the first full year of production for the Lorca portfolio and Virgen del Carmen, Foresight Solar exported 1,088GWh of clean electricity to the UK, Australian and Spanish grids.

The growth contributed to a reduction in our carbon footprint, which fell to 0.41 tCO<sub>2</sub>e/£m invested from 1.16 tCO<sub>2</sub>e/£m invested in 2022, and our weighted average carbon intensity ("WACI") of investee companies, which dropped to 1.51 tCO<sub>2</sub>e/£m in revenue from 5.17 tCO<sub>2</sub>e/£m in revenue last year. Those are, respectively, 79% and 86% lower than 2021, when we first started reporting these metrics.

### Biodiversity net gain

The passage of the Environment Act 2021 in England enshrined into law the government's strategy to develop land and contribute to the recovery of nature. The new legislation will require infrastructure developers and owners to understand the types of habitats present on their sites and introduce enhancements.

As part of the requirements, projects granted planning permission will have to deliver a minimum 10% biodiversity net gain. Those that are not able to do so will have the opportunity to buy credits to compensate, creating a mechanism like the one already established carbon credit market.

In place since February 2024, the regulation presents a potential opportunity for assets with additional land and long leases to create and sell those biodiversity units.

These biodiversity credits may open a new source of revenue to the Company. Sites would have the opportunity to generate additional income alongside the hugely positive impact of, for example, planting and growing wildflowers, hedges and other typical habitats. Solar projects are primed to benefit, and the baselining work Foresight Solar started in 2023 will allow the Company to measure the scale of the opportunities across its land.

1. As of 2023, the Company is using the International Financial Institutions ("IFI") approach to GHG Accounting for Renewable Energy Projects and uses the Harmonised IFI Default Grid Factors for calculation.

# SUSTAINABILITY CONTINUED

## FOREWORD FROM THE CHAIR CONTINUED

### **Biodiversity net gain continued**

In a pioneering initiative, we commenced a research assessment of our 50 UK sites, measuring their current ecological status, calculating the equivalent biodiversity units and established a roadmap for potential enhancements.

This biodiversity assessment effort is another example of Foresight Solar's approach to sustainability and the importance of generating positive financial, environmental and societal outcomes.

### **Regulatory update**

Tracking the correlation between positive outcomes and financial indicators or the potential impacts of climate change-related risks on companies' performance is no easy feat. Fortunately, we are not the only ones trying to address these challenges and many credible institutions have been working on standards to allow leaders to report on these topics and investors to more readily factor them into their decision making.

In June 2023, the International Sustainability Standards Board ("ISSB") issued its inaugural standards, IFRS S1 and IFRS S2, taking the first step in what it hopes to be a new era of sustainability-related disclosures in capital markets. The goal is to create a common language for disclosing the effects of climate-related risks and opportunities on companies' prospects and create trust in the materials.

IFRS S1 provides the framework to enable companies to communicate the sustainability-related risks and opportunities they face over the short, medium and long term. Meanwhile, IFRS S2 sets out specific climate-related disclosures, in a similar approach to the Task Force on Climate-related Financial Disclosures ("TCFD").

It is now up to local regulators to make the guidance mandatory in their jurisdictions. Given the ISSB's interaction with authorities in several countries, we expect it will be a matter of time before that happens.

In the UK, for example, the government is developing the Sustainability Disclosure Standards ("UK SDS"), which are expected to be closely aligned to the global benchmark and will likely be finalised later this year.

Another notable development in 2023 was the unveiling of the Sustainability Disclosure Requirements ("SDR") by the UK Financial Conduct Authority. Capturing UK entities, the measures aim to improve trust in and transparency of sustainable investment products. The package has three main pillars: an anti-greenwashing rule that will take effect from 31 May 2024; the introduction of four new labels that funds with sustainable characteristics will be available to use, along with accompanying disclosures, from July 2024; and naming and marketing requirements that will need to be abided by 2 December 2024.

Whilst it is still early days for SDR, the timelines are tight.

Due to Foresight Solar's Jersey registration, it is initially out of scope for the current SDR regime. Regardless, FSFL's inherent sustainability features, its London listing and the characteristics of its shareholder base, naturally lead to seeking equivalence to SDR. The Investment Manager is, therefore, already working closely with advisors to determine the equivalent label for the Company and to address the necessary compliance requirements.

The first step in this process is to establish a non-financial objective that aligns with the Company's investment goal. To meet this requirement, the Board plans to propose a resolution at the next AGM to approve the necessary wording.

This process will involve thorough preparation and careful consideration, but the Directors expect it to reinforce Foresight Solar's commitment to facilitating climate change mitigation and the transition to a low carbon economy.

Although it will continue to make the necessary disclosures, for now, the Company no longer has plans to pursue formal alignment with SFDR. FSFL's structure, investment activities and disclosures will, nevertheless, continue to improve.

### **Governance**

Regulation and governance usually walk in lockstep, especially when it comes to listed investment trusts.

Although Foresight Solar has no employees, the Board understands the importance of fostering an environment that is diverse and inclusive. A direct measure of that is Director representation.

As Monique O'Keefe, the Chair of the Nomination Committee, outlines in her report (see page 107 for details), a key element to maintain a balance on the Board is to promote diversity of gender, social and ethnic backgrounds, cognitive and personal strengths. Whilst there is some work to be done, our Director group is now majority female, reaching an important milestone.

# SUSTAINABILITY CONTINUED

## FOREWORD FROM THE CHAIR CONTINUED

### Board gender diversity



**60%**  
**female**

(2022: 40% female)

Average ratio of female to male Board members

**40%**  
**male**

(2022: 60% male)

Average ratio of male to female Board members

### Looking ahead

In the pages that follow, we report relevant sustainability metrics, including KPIs related to the United Nation's Sustainable Development Goals ("SDGs") and greenhouse gas ("GHG") emissions numbers. We also outline a selection of our initiatives that have positive impacts on the environment, the communities where we operate and in our supply chain. I invite you to keep reading the full details.

Needless to say, the Directors, the Investment Manager and the Company's service providers are focused on achieving Foresight Solar's sustainability commitments and will continue working to do so. I look forward to updating you on how matters have developed in the next Annual Report.

### Alexander Ohlsson

Chair

11 March 2024



SANDRIDGE, UK

## SUSTAINABILITY CONTINUED

### APPROACH TO SUSTAINABILITY

Sustainability considerations inform Foresight Solar's investment process and asset management. They are at the centre of the Company's strategy. A key component of this is the ability to quantify, measure and enhance the impact of FSFL's operations.

To track and evaluate progress, the Investment Manager's Sustainable Infrastructure Investment Strategy is based on:

- Establishing **sustainability-led investment strategies** informed by Foresight Group's sustainable investment principles and considering climate risks and nature-related opportunities

- Incorporating sustainability into investment processes using **proprietary systems for assessing and enhancing sustainability performance** throughout the investment lifecycle
- **Ongoing monitoring and management** of sustainability performance through the collection and analysis of portfolio sustainability metrics, driving optimisation
- **Transparent reporting** to all relevant stakeholders

The nature of Foresight Solar's operations means it is well positioned to deliver attractive financial returns alongside positive environmental and social outcomes. To demonstrate its commitment to achieving sustainable impact, it regularly presents quantitative reporting against the UN's SDGs.

#### Sustainable impact reporting

The 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 on the following page demonstrates the SDGs the Company contributes to, the underlying targets that contribution is measured against, and the yearly performance.



SANDRIDGE, UK

# SUSTAINABILITY CONTINUED

## APPROACH TO SUSTAINABILITY CONTINUED



### 3 Good health and well-being

**Target:** Substantially reduce the number of deaths and illnesses from hazardous chemicals and air, water and soil pollution and contamination.

**Contribution:** Achieved through the reduction of pollution and emissions by the installation and management of clean energy generation assets.

**649,711kg**

(2022: 601,195kg)  
NOx (nitrous oxide) avoided vs energy generated from gas

**476,455kg**

(2022: 440,876kg)  
SOx (sulphur dioxide) avoided

**11,310kg**

(2022: 10,465kg) PM10  
(µm10 particulate matter) avoided

**5,174kg**

(2022: 4,787kg) PM2.5  
(µm2.5 particulate matter) avoided

2023 1,142,650kg

2022 1,057,323kg



### 7 Affordable and clean energy

**Target:** Increase the share of renewable energy in the global energy mix.

**Contribution:** Achieved by reducing reliance on fossil fuels via investment in renewable energy generation.

**1,088GWh**

Renewable energy generated

**402,754**

UK homes powered for a year

2023 1,088GWh

2022 983GWh



### 9 Industry, innovation and infrastructure

**Target:** Develop reliable, sustainable infrastructure, to support economic development and human well-being, with a focus on affordable and equitable access for all.

**Contribution:** Achieved by future-proofing energy systems through investment in generation assets using the latest technologies to maximise electrical output.

**969MW**

Of renewable energy capacity connected to the electricity grid

2023 969MW

2022 894MW



### 13 Climate action

**Target:** Improve education, awareness and human and institutional capacity on climate change mitigation, adaptation, impact reduction and early warning.

**Contribution:** Achieved by raising awareness and improving institutional capacity on climate change mitigation.

**378,486 tCO<sub>2</sub>e**

Emissions avoided compared to country-specific grid intensity

2023 378,486 tCO<sub>2</sub>e

2022 351,303 tCO<sub>2</sub>e



### 15 Life on land

**Target:** Take urgent and significant action to reduce the degradation of natural habitats, halt the loss of biodiversity and protect and prevent the extinction of threatened species.

**Contribution:** Achieved by preserving the integrity of land through investment in low-polluting technologies, and introducing environmental initiatives through active asset management that supports biodiversity.

**103,454 ToE avoided**

Tonnes of oil equivalent contributing to the avoidance of fossil fuel use

2023 103,454 ToE

2022 95,729 ToE

## SUSTAINABILITY CONTINUED

### APPROACH TO SUSTAINABILITY CONTINUED

#### EU Taxonomy alignment

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

Foresight Solar invests only in solar PV and battery storage assets, both of which are EU Taxonomy-compliant and contribute to the climate mitigation objective. Therefore, the Company retains its 100% alignment. This internal assessment involves scrutinising each project against the Taxonomy's Technical Screening Criteria, inclusive of the Do No Significant Harm criteria, to ensure sites meet the required standard.

The Taxonomy is considered a "living and breathing" document, meaning it can be subject to change. However, due to the nature of Foresight Solar's assets and their centrality to the energy transition, the Board does not believe there is significant risk of these activities being removed from the framework. The Directors also expect the Company will maintain its 100% alignment of investments by value made into environmentally sustainable economic activities (as defined in Article 3 of the Taxonomy Regulation).



BOURNEMOUTH, UK

# SUSTAINABILITY CONTINUED

## ENVIRONMENT

### Emissions reporting

Although Foresight Solar’s assets make a significant and quantifiable contribution to climate change mitigation, there are still emissions associated with the operation and maintenance of the portfolio.

To minimise its carbon footprint, the Company has worked to reduce Scope 2 emissions and shifted even more of its sites to renewables tariffs.

This effort has increased the share of projects relying on green electricity for on-site consumption to 97%, leading to a reduction of 82% in Scope 2 emissions in comparison to 2022.

### Scope 1 update

Sulphur Hexafluoride (“SF<sub>6</sub>”) is a gas commonly used in electrical installations to insulate components.

Whilst not toxic or an air pollutant, it is considered a greenhouse gas because of its global warming potential, which is 23,500 times more potent than CO<sub>2</sub>.

During the period, the Company contained three SF<sub>6</sub> leaks and launched investigations to determine their causes. Foresight Solar is studying the feasibility of switching to non-SF<sub>6</sub>-dependent technology to prevent further issues.

### Portfolio sustainability metrics

GHG emissions		Carbon footprint		Share of non-renewable energy consumption and production	
<b>118.56</b> (2022: Zero) Scope 1 GHG emissions (tCO <sub>2</sub> e)	<b>164.88</b> (2022: 897.11) Scope 2 GHG emissions (tCO <sub>2</sub> e)	<b>0.41</b> (2022: 1.16) Carbon footprint (tCO <sub>2</sub> e/£m invested)		<b>97%</b> (2022: 85%) % share of assets with a renewables tariff for on-site consumption	<b>94%</b> (2022: 76%) % of overall portfolio consumption from renewable sources
<b>122,049<sup>1</sup></b> (2022: 21,410) Scope 3 GHG emissions (tCO <sub>2</sub> e)	<b>122,332</b> (2022: 22,307) Total GHG emissions (tCO <sub>2</sub> e)	<b>Weighted average carbon intensity ("WACI") of investee companies</b> <b>1.51</b> (2022: 5.17) WACI of investee companies (tCO <sub>2</sub> e/£m revenue)		<b>100%</b> (2022: 100%) % of energy generated from renewable sources	
<b>Emissions avoided:</b> <b>Compared to country-specific grid intensity</b> <b>378,486</b> (2022: 351,303) tCO <sub>2</sub> e avoided					

1. Scope 3 emissions are calculated using the PCAF emissions factors, which were increased in 2023 – up to four-fold in some cases. Data quality is assessed to be Data Quality 5.

# SUSTAINABILITY CONTINUED

## ENVIRONMENT CONTINUED

# CASE STUDY: USING TECHNOLOGY TO ENHANCE BIODIVERSITY

Foresight Solar is implementing a new approach to better understand its portfolio's footprint, improve oversight and identify opportunities.

Using Geographical Information Systems ("GIS"), alongside regular site visits, allows the Investment Manager to gain valuable insight into the habitats in and around the Company's solar farms. This mapping work is also laying the foundation for nature-based reporting and enhancements.

The primary objective of the biodiversity baselining is to identify and measure the existing habitats within the boundaries of Foresight Solar's sites. Covering 1,382 hectares of land across the UK – the equivalent of 2,200 football pitches – the mapped GIS data serves as a dynamic framework that is adaptable to evolving land use and nature and climate changes.

In addition to the baselining work, the Company has commissioned independent consultants to complete a UK portfolio-wide biodiversity assessment.

A preliminary report on Abbey Fields showed a footprint analysis, evaluating margins for improvement. Despite limitations in the site's size, Foresight Solar's commitment to biodiversity gain remains steadfast. The report demonstrated the potential for a detailed analysis and was part of the incentive for the roll-out to the other 49 operational solar assets in the UK.

### Solar farm biodiversity enhancements

Sawmills, a 7MWp solar plant in Devon, undergoes annual biodiversity surveys as part of ongoing monitoring. The findings from the latest report focused on botany, invertebrate pollinators and breeding birds.

The botanical analysis identified 48 species of plants, dominated by 12 grass and 34 herbaceous types. The field margins remained the most diverse, with large areas of well-established native wildflowers contributing to biodiversity. The invertebrate survey, meanwhile, identified nine species, including five butterfly and four bee types. The results are the second highest abundance rate seen on site, indicating a thriving ecosystem.

Even though progress has been made, the report identifies other opportunities. The Asset Manager will continue the biodiversity enhancements, including sowing native meadow seeds, creating rough grassland, planting hedgerows, installing nest and roost boxes for birds and bats, and maintaining beehives.

Among the ecologist's recommendations for additional improvements are:

- Weed control using selective herbicides and regular cutting
- Field margin preservation utilising mulching mowers

- Additional sowing of bee-specific wildflower blocks near beehives
- Seeding of native species to infill hedgerow gaps
- Support for winter bird species, targeting the rare circl bunting, with bird seed areas

Sawmills demonstrates Foresight Solar's proactive approach to biodiversity. Ongoing efforts to implement recommended enhancements will strengthen the project's ecological resilience and contribute to the long-term success of the Company's sustainability goals.



## SUSTAINABILITY CONTINUED

### LOCAL COMMUNITIES

# CASE STUDY: SITE VISITS: EDUCATING FUTURE GENERATIONS

For several years, Foresight Solar has supported a team of educational consultants to bring the benefits of renewable energy to life in rural areas of the UK. The partnership provides educational site visits, in-school workshops and bespoke resources to inspire the next generation of scientists and engineers, and to encourage a sense of pride towards their local solar farms.

During 2023, five of the Company's assets hosted 16 site visits for a total of 555 students, with 422 pupils taking part in 14 workshops. These events help make the sites more meaningful to communities, contribute to educate the children and their families on the benefits of renewable energy, and demonstrate the importance of protecting and enhancing biodiversity.

““””

“I enjoyed creating circuits with my friends and exploring how powerful and efficient solar power is. I found it surprising that chickens and sheep are allowed in the fields with solar panels. Seeing how machines could track the amount of energy produced was also very interesting.”

Year 5 pupil after a visit to Coombeshead

““””

“I thought the visit was very informative and pitched at the right level. It was well pitched for our special needs pupils too. The children were able to relate it to their own lives.”

Teacher after a visit to Sawmills

““””

“It was very interesting to find out more information about solar panels. My favourite part was bug hunting.”

Year 2 pupil after a visit to Park Farm

## SUSTAINABILITY CONTINUED

### LOCAL COMMUNITIES CONTINUED

# CASE STUDY: LOCAL IMPACT WITH COMMUNITY BENEFITS PAYMENTS

Across geographies, in 2023, Foresight Solar contributed almost £400,000 to local communities. This money is used in myriad ways by regional authorities to improve the life of residents near the Company's operational sites.

During the period, the cash was invested in infrastructure improvements that contributed to combat speeding, facilitated pedestrian and disabled access to community venues, improved internet connection at local government facilities, among others.



BOURNEMOUTH, UK

#### Hilperton Parish Council, Wiltshire

Foresight Solar's contributions were put towards the purchase and installation of two speed indicators with extra flashing lights to warn motorists when they are exceeding the imposed speed limit. The new devices are also able to wirelessly connect to computers, allowing the easy capture of data that can be shared with local traffic authorities as well as county police.

#### Alkington Parish Council, Gloucestershire and Westborough and Dry Doddington Parish Council, Lincolnshire

With the Company's support, both councils purchased new playground equipment. In the case of Alkington, the kit will be installed in a completely new recreational ground, whilst Westborough and Dry Doddington purchased two bespoke circular metal tree seats, one for each village. The pieces provide opportunities for role play and support valuable learning and development for the children, including building confidence and creative communication.

#### Verwood Town Council, Dorset

A substantial grant was dedicated towards several infrastructure developments and improvements in the community. Renovation projects included the replacement of floors at both the Verwood Evangelical Church and the Verwood Concert Brass Band Hall. Additionally, the money contributed to the construction of a new garden at the Verwood Youth and Community Centre.

#### Long Sutton Parish Council, Somerset

The money was dedicated to environmental research and education. The local authority conducted a survey with The Wildlife Trusts to monitor factors such as soil quality and identify areas that could benefit from rewilding. The councillors also planned a fair to discuss ways to improve the environment, as well as debate the repurposing of land for community use.

## SUSTAINABILITY CONTINUED

### SUPPLY CHAIN

There is no “one-size-fits-all” answer to solving supply chain issues. To try and address the challenge, the Investment Manager takes a layered approach to mitigate sustainability risks. The combination of actions include, for example:

- **Selective fund geographies** – Setting investment strategies focused on geographies with strong regulatory frameworks
- **Robust internal due diligence 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 due diligence** – 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 sustainability risk via this specialised service

As an investment company 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 document sets out Foresight Group’s approach to matters such as services and supply chain due diligence, training, recruitment and welfare of employees and can be found on the website:

[www.foresightgroup.eu/modern-slavery-statement](http://www.foresightgroup.eu/modern-slavery-statement)



SHOTWICK, UK

## SUSTAINABILITY CONTINUED

### SUPPLY CHAIN CONTINUED

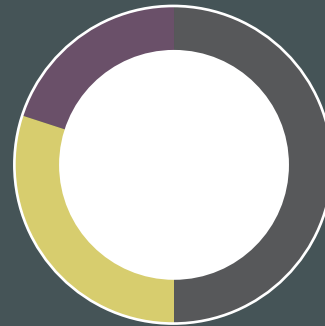
# CASE STUDY: INTERROGATING SUPPLY CHAINS

Foresight Solar has used Ethixbase to conduct due diligence on its primary suppliers for solar panels, inverters, and operations and maintenance (“O&M”) service provision. This is also an obligation under the Company’s sustainability-linked revolving credit facility.

The due diligence analysis more than satisfies the requirements of the RCF and lays a solid foundation for conversations with its stakeholders. During 2023, four new suppliers were added to the platform and underwent screening, with no material risks highlighted.



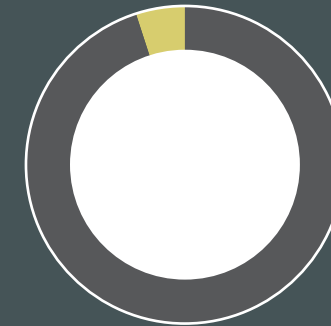
#### FSFL suppliers by service category



Key:

- Panel manufacturers - 50%
- Inverter manufacturers - 30%
- O&Ms - 20%

#### Suppliers submitted to Ethixbase due diligence



Key:

- Undergone due diligence - 95%
- Not submitted - 5%

## 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.

Foresight Solar is exposed to multiple risks that have the potential to affect its valuation, reputation and financial or operational performance. The nature and levels of risk are identified according to FSFL's investment objectives and existing policies, with 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 potential impact of principal and emerging risks. The Company relies on the Investment Manager's internal systems and controls 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 once per year.

- 1 Regulatory change, including changes to subsidies (—)
- 2 Access to capital (—)
- 3 Near and long-term energy prices (—)
- 4 Fund performance (▲)
- 5 Portfolio performance (▲)
- 6 Financial gearing (▼)
- 7 Counterparty risk (▼)
- 8 Supply chain (▲)
- 9 Development and construction (▼)
- 10 Changing climate patterns (▲)

### Principal risks

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

Access to capital continues to be a key concern. Because of high inflation and the subsequent increases in interest rates, at the time of publication, Foresight Solar's shares are trading at a discount to the value of the underlying portfolio. This means FSFL has limited prospects of raising equity to fund new investments or repay debt in the near term. Higher interest rates also have a direct impact on the Company's cost of financing, albeit limited to a single unhedged facility. The Board has sought to mitigate these impacts through prudent capital allocation, prioritising the reduction of gearing and returning cash to Shareholders through a buyback programme.

Another key risk potentially impacting the sector is government intervention. The possibility of windfall taxes materialised in 2022, with renewable energy generators being forced to pay additional taxes in the UK and in Spain as a result of record high electricity prices. Separately, the United Kingdom's Department for Energy Security and Net Zero launched a consultation regarding the transition to Fixed Price Certificates for sites accredited under the Renewables Obligation scheme, which may impact revenue. The market also awaits results from the second consultation for the Review of Electricity Market Arrangements in the UK.

The Board has paid close attention to risks associated with the electricity price outlook as forecasts have steadily reduced.

Whilst the portfolio is well hedged against near-term adverse price movements, the Company continues to proactively hedge its exposure at levels that support dividend cover in years ahead.

On a more positive note, the potential impact of supply chain risks has reduced as Foresight Solar neared completion of the Sandridge BESS build-out and the Company's exposure to construction projects reduced. In any case, some risk to the valuation of the proprietary development-stage pipeline and to the supply of components for lifecycle investments remain.

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/shareholder-centre#KeyDocuments>

### Emerging risks

Emerging risks are characterised by a greater degree of uncertainty. The Board regularly reviews them with the support of the Investment Manager, the Administrator and other relevant advisors.

Whilst inflation is falling across markets, the Directors remain aware of the potential for inflationary shocks becoming entrenched and leading to higher operating costs. Geopolitical tensions across Europe and the Middle East may also add upward pressure to prices.

As the Board continues to integrate climate risk reporting, it has identified specific concerns related to climate change that are increasingly relevant to the portfolio. Evidence of evolving climate patterns, for example, is increasingly apparent and these changes may have a direct impact on operational and financial performance.

# RISK AND RISK MANAGEMENT CONTINUED

Business area	Risk summary	Mitigation	Trend and outlook
<p><b>1</b></p> <p><b>Regulatory change, including changes to subsidies</b></p>	<p><b>The risk:</b> Changes in political support for renewable energy have the potential to adversely impact the subsidies available for renewable generation, whether on a prospective or retrospective basis.</p> <p><b>Why it exists:</b> Whilst subsidies are underwritten by government support, they are also open to prevailing political pressures. There are well-known examples when they have been retrospectively reduced, albeit with subsequent legal challenge, as was the case in Spain.</p> <p>Following the UK government's implementation of the Electricity Generator Levy, seen by many as an intervention in energy markets, in late 2022, consultations on electricity market arrangements and ROC-backed projects have been taking place. The latest involves consideration of the transition to Fixed Price Contracts – which remains open at the time of publication.</p> <p><b>Potential impact:</b> Any changes with retrospective effects may adversely impact the Company's valuation and its ability to meet return targets.</p>	<p>The Investment Manager monitors relevant regulatory developments and political statements on an ongoing basis across all markets it operates in.</p> <p>The Investment Manager's ability to influence political decision-making on its own is limited, and it has, therefore, become a member of select investor groups and trade associations who lobby on behalf of the industry.</p> <p>The Investment Manager continues to liaise with industry representatives and peers and take part in direct discussions with governments to understand the direction of travel for policy and, as far as possible, mitigate downside risk for the Company.</p>	<p>Power prices have fallen significantly since their peaks in 2022, which may reduce the UK government's impetus to focus on short-term market interventions.</p> <p>Energy prices remain a key political issue, however, and will likely receive significant attention during the UK general election in 2024.</p> <p>Progress to Net Zero and energy security will also likely be key themes, with substantial public and private investment required to reach lower emissions goals.</p>
<p><b>2</b></p> <p><b>Access to capital</b></p>	<p><b>The risk:</b> In 2023, the macroeconomic backdrop led to a widespread de-rating not only of the renewable energy but the entire real assets investment market, crystallising this risk as funds trade at wide discounts and are effectively locked out from raising equity.</p> <p><b>Why it exists:</b> Markets experienced the sharpest period of fiscal tightening in a generation as central banks significantly increased interest rates. This led to a dislocation between fair asset prices and investors' return expectations when compared to the risk-free rate and returns from fixed income options.</p> <p><b>Potential impact:</b> 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 NAV.</p>	<p>The Company adheres to a disciplined capital allocation approach and has taken multiple actions to address the discount to NAV that its shares have traded at.</p> <p>The Board paused additional capital investment into new projects to focus on paying down the variable rate debt and commence a share buyback programme.</p> <p>The Investment Manager has also implemented a capital recycling programme, which has achieved its first success with the 50% sell down of the Lorca portfolio at a 21% premium above book value. Proceeds were immediately used to pay down the RCF.</p> <p>The Company has also used the significant cash generated from the portfolio to expand the share buyback programme to £40 million.</p>	<p>Market sentiment appeared to be improving in late 2023 and in early 2024 before tailing off again.</p> <p>Several comparable UK solar transactions have taken place to confirm asset valuations, but this has not had perceivable impact on the Company's or the sector's ratings.</p> <p>For the listed renewable energy investment sector to experience a broad re-rating will likely require a clear indication of when the Bank of England will begin to reduce the base rate.</p>

# RISK AND RISK MANAGEMENT CONTINUED

Business area	Risk summary	Mitigation	Trend and outlook
<p><b>3a</b></p> <p>Long-term energy prices</p>	<p><b>The risk:</b> Downward adjustments to long-term power forecasts have the potential to significantly impact NAV and Foresight Solar’s ability to meet its future obligations and dividend payments.</p> <p><b>Why it exists:</b> Power curve forecasters generally assume that the mass deployment of renewable energy producers with a low marginal cost of generation will limit real price increases. The potential for energy market redesign also presents a risk if it results in lower-than-expected long-term power prices for renewable energy generators.</p> <p><b>Potential impact:</b> 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 to long term.</p>	<p>Whilst the Company can readily fix power prices under its current PPA agreements up to five years ahead, it becomes more challenging beyond this point.</p> <p>FSFL uses a blended rate of three specialist power price forecasters that estimate market prices to 2050.</p> <p>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 is also locking in acceptable pricing compared to the forward curves.</p> <p>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.</p>	<p>Long-term power prices remain difficult to predict as they are a function of supply and changes to the market.</p> <p>Positive price signals will continue to be required to encourage the scale of renewable energy deployment required to meet Net Zero targets.</p>
<p><b>3b</b></p> <p>Near-term energy prices</p>	<p><b>The risk:</b> Generally, the price at which a solar PV plant sells its electricity is determined by market prices.</p> <p><b>Why it exists:</b> The price of electricity can be broadly separated into supply-side risks, demand-side risks and regulatory risk. A decline in market price could adversely affect the price of electricity generated by solar PV assets and, consequently, the Company’s financial position.</p> <p>This was demonstrated in the UK during 2023, when average electricity prices fell from around £200/MWh at the start of the year to closer to £90/MWh in the fourth quarter.</p> <p><b>Potential impact:</b> A sudden fall in unhedged power prices could result in Foresight Solar not generating sufficient cash flow to pay its dividends.</p>	<p>In the short and medium term, the Company manages energy price risk by actively hedging electricity prices. FSFL has adopted a strategy to minimise the impact of power price volatility to future cash flows by entering fixed price arrangements for the sale of the energy it produces. The goal is to achieve:</p> <ul style="list-style-type: none"> <li>• A minimum percentage of fixed revenues representing 60% of expected total annual revenue</li> <li>• A target percentage of annual fixed revenues representing 75% of expected total annual revenue on a two-year rolling basis</li> </ul> <p>During the second half of 2022, the Investment Manager hedged a higher proportion of electricity prices, running into 2024, it appeared clear they would not remain at those levels for much longer. Foresight Solar, therefore, had 91% of revenue considered contracted for 2023.</p> <p>The Company has fixed more than the minimum 60% target for total annual revenue for a few years ahead and the Board does not perceive there to be significant risk in fixing further amounts at attractive rates.</p>	<p>Power prices fell significantly during 2023, in line with falling natural gas prices as supply stabilised.</p> <p>Forward wholesale electricity prices in the UK have continued to soften in early 2024, moving back towards the long-term average.</p>

# RISK AND RISK MANAGEMENT CONTINUED

Business area	Risk summary	Mitigation	Trend and outlook
<p><b>4</b></p> <p><b>Fund performance</b></p>	<p><b>The risk:</b> The Company performs materially below its sector peer group in terms of its stated investment objective, leading to a loss of confidence from investors.</p> <p><b>Why it exists:</b> Meeting the investment objective in a dynamic and competitive marketplace is a challenge that requires the Investment Manager and the Board to implement good strategic decisions and stay on top of key market developments.</p> <p>Challenging market conditions have made the comparison between funds even starker, with corporate actions receiving increased scrutiny. There are greater calls for consolidation and heightened takeover risk.</p> <p><b>Potential impact:</b> Risk of reduced appetite for its shares means that the Company may struggle to raise additional capital for new investments and be unable to grow. This would, in turn, result in a long-term decline in the NAV.</p>	<p>It is the Investment Manager’s role to deliver the Company’s mandate under the oversight of the Board. Foresight Group continuously monitors performance and, with the assistance of the brokers and the Administrator, analyses peers’ delivery, reporting regularly to the Directors.</p> <p>The Board oversees the Investment Manager’s performance on an ongoing basis at the quarterly Board meetings, during ad hoc updates, and specifically via the Management Engagement Committee.</p> <p>The current macroeconomic environment is challenging, but it is affecting the entire asset class. Setting FSFL apart, the Board and the Investment Manager have followed through on a series of proactive measures, demonstrating disciplined capital allocation, delivering on asset disposals, reducing leverage with debt repayments, and returning capital to Shareholders via buybacks.</p>	<p>Intense scrutiny and comparison of the Company and its peer group will likely continue, contrasting actions taken and relative performance.</p> <p>At the AGM in June 2024, the Company will be subject to a discontinuation vote triggered by the share price discount to NAV being greater than 10% over the course of 2023. Whilst the Board will recommend Shareholders vote against discontinuation, this discount control mechanism provides investors the ultimate say on the Company’s performance.</p>

# RISK AND RISK MANAGEMENT CONTINUED

Business area	Risk summary	Mitigation	Trend and outlook
<p><b>5</b></p> <p><b>Portfolio performance</b></p>	<p><b>The risk:</b> Foresight Solar’s operating portfolio meaningfully underperforms in comparison to budgeted expectations.</p> <p><b>Why it exists:</b> There are multiple factors that could result in asset underperformance, including poor technical operation, network issues, low irradiation or overly optimistic initial assumptions.</p> <p>Issues in specific geographies have the potential to cause an outsized impact. The challenging grid and market conditions in Australia in recent years, for example, have resulted in global portfolio production being lower than it could have been.</p> <p><b>Potential impact:</b> Underperformance of a significant proportion of the portfolio or systemic issues resulting in excessive downtime may threaten the Company’s ability to meet its obligations to Shareholders and to creditors.</p>	<p>Diversification is one of the primary mitigants to the risk of systematic underperformance. This comes in many forms, including geographical and technological, but also of revenue streams, equipment manufacturers and electricity offtakers.</p> <p>The Company’s portfolio is sufficiently diversified that no one single issue should itself be large enough to threaten Foresight Solar’s financial resilience.</p> <p>In Australia, economic curtailment, when projects are effectively switched off during negative pricing intervals, was above forecast in the second half of 2023, leading to lower production.</p> <p>The Investment Manager’s local asset management team has been progressing options for the installation of battery storage or other alternative offtake arrangements that can limit the impact of curtailment.</p> <p>In any case, this is a clear example of when assets can underperform due to market and grid issues whilst technically operating normally.</p> <p>The Asset Manager also closely monitors O&amp;M contractors’ performance to ensure a high quality of service. The portfolio has a variety of providers, and services are periodically re-tendered.</p>	<p>Remaining on top of key lifecycle programmes in an ageing portfolio and mitigating the impact of external factors will continue to require active asset management.</p>

## RISK AND RISK MANAGEMENT CONTINUED

Business area	Risk summary	Mitigation	Trend and outlook
<p><b>6</b></p> <p><b>Financial gearing</b></p>	<p><b>The risk:</b> Foresight Solar's subsidiaries and its investments have in place third-party debt facilities that can create greater potential for losses if cash is insufficient to meet repayments. The Company may not be able to refinance existing borrowing on equal terms, or at all.</p> <p><b>Why it exists:</b> The yield payable to Shareholders relies partly on banks making project finance facilities available on normal terms. Any change to lender appetite or significant alterations to terms would impact the yield to Shareholders.</p> <p>The significant rise in interest rates in 2022 and 2023 carries the risk of placing greater pressure on FSFL finances due to higher variable payments and/or refinancing risk. The variable interest rate payable on revolving credit facilities linked to SONIA, for example, is unpredictable.</p> <p>Increasing discount rates results in reduced portfolio valuation, which, in turn, increases the level of gearing as a percentage of GAV/NAV.</p> <p><b>Potential impact:</b> 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 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.</p>	<p>The Investment Manager enters interest rate hedging arrangements for a minimum of 80% of the outstanding debt balances to reduce exposure to benchmark rates and limit the risk of cash flow volatility from interest rate movements.</p> <p>The Company's long-term debt is currently 99.5% hedged. In respect of short-term, variable rate debt, Foresight Solar extended the terms on its revolving credit facility until 2026. During the year, it also paid down the balance on the RCF by £40 million to £75 million using proceeds from the sell down of Lorca, which also significantly reduced floating rate exposure.</p> <p>Additionally, the Investment Manager is carrying out a detailed restructuring analysis to identify further options to reduce gearing pressure.</p> <p>Once the debt is arranged, the Investment Manager continually monitors the covenants on the various facilities to flag and mitigate risks.</p>	<p>Whilst interest rates are forecast to begin falling later in 2024, there is no expectation they will return to the lows seen during the last decade.</p> <p>The Investment Manager will, therefore, reflect this in its assumptions when refinancings fall due.</p>

## RISK AND RISK MANAGEMENT CONTINUED

Business area	Risk summary	Mitigation	Trend and outlook
<p><b>7</b></p> <p><b>Counterparty risk</b></p>	<p><b>The risk:</b> The Company's main contractual counterparties either fail or perform poorly, resulting in them being unable to fulfil their obligations.</p> <p><b>Why it exists:</b> Foresight Solar outsources key services, such as construction, operations and maintenance, and offtake arrangements, via PPAs, as well as financial hedges to third-party specialists.</p> <p>Higher interest rates resulted in higher debt payments for many businesses, putting greater strain on balance sheets. It is important to more actively monitor for signs that entities on which the Company relies on are starting to struggle.</p> <p><b>Potential impact:</b> If the counterparty fails, without sufficient protections the Company is left with the responsibility of continuing the services and the potential associated additional costs.</p>	<p>Counterparty risk is a key consideration in how the Investment Manager structures its procurement and contracting arrangements on the Company's behalf.</p> <p>When selecting construction contractors, for example, 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. However, if a contractor failed during construction, it would inevitably lead to delays.</p> <p>The Investment Manager regularly reviews the opportunity to benchmark key providers or tender for services such as O&amp;M and PPA offtakes. Contracts include termination provisions for insolvency or poor performance and will typically not be signed for longer than five years without a review point.</p> <p>Replacement risk is relatively well mitigated by a competitive landscape. For example, in the event of a PPA offtaker failing, the Company would be able to quickly replace the agreement in a liquid market. The risk, however, would then be lower prices than those originally contracted.</p> <p>The Company also maintains a diversified pool of suppliers such that it does not become overly reliant on a single counterparty.</p>	<p>The impact of higher borrowing costs will still be filtering through to counterparties as existing debt arrangements expire.</p> <p>The risk will be heightened if interest rates remain higher for longer. In this case, balance sheet weaknesses may only become evident in the next year or two.</p>

# RISK AND RISK MANAGEMENT CONTINUED

Business area	Risk summary	Mitigation	Trend and outlook
<p style="text-align: center;"><b>8</b></p> <p><b>Supply chain</b></p>	<p><b>The risk:</b> When it comes to supply chain, the challenge is essentially two-fold: i) access to key equipment and resources shipped internationally is delayed or becomes increasingly expensive due to supply and demand imbalances; and ii) the Company inadvertently acquires equipment required for a solar park or BESS project that has had input from forced labour or modern slavery in the supply chain.</p> <p><b>Why it exists:</b> Global supply chains have been placed under significant strain following the COVID-19 pandemic, geopolitical developments and international conflicts. The macroeconomic environment has also impacted supply and demand dynamics.</p> <p>In terms of ethical concerns, the solar supply chain has been under increased scrutiny in recent years following articles about the use of forced labour and modern slavery in China.</p> <p><b>Potential impact:</b> Strained supply chains can lead to volatile pricing for components such as solar panels and battery cells. This uncertainty can make investment decisions challenging since these costs make up a significant proportion of project expenditure.</p> <p>As a leading renewable investor, there are serious reputational and share price risks of connection to firms suspected of using forced labour. That's why the Investment Manager is seeking to shed greater light on the supply chain that manufactures the components and services used in its projects.</p>	<p>Significant fluctuations in the supply chain resulting in volatile prices and/or shipping delays will happen periodically, typically at times of market stress. The Investment Manager not only maintains strong relationships with head contractors but also key component manufacturers to closely track pricing dynamics. This supports the decision-making process when seeking fixed price contracts for construction and timing of entry into arrangements.</p> <p>In response to labour market and ethical concerns in the solar and BESS supply chains, the Investment Manager has developed its own strategy, building on UK trade association advice.</p> <p>To understand the existing supply chain, the Investment Manager engaged consultant Ethixbase in 2022 for the following services:</p> <ul style="list-style-type: none"> <li>• Due diligence and ESG reports on the Company's suppliers</li> <li>• Dashboard analytics that can be split between assets, locations etc.</li> <li>• Ongoing monitoring and remediation service</li> <li>• Modern slavery questionnaire and dashboard/analytics</li> <li>• Managed service to follow up on the questionnaires directly with suppliers on the Company's behalf</li> <li>• Potential to roll out this due diligence to other technologies, including battery storage</li> </ul> <p>Whilst there are limitations to Ethixbase's ability to penetrate the full supply chain, the service improves the Company's ability to identify risks, map suppliers that may require further support, and work to ensure their processes are more robust.</p>	<p>The Investment Manager continues to observe a positive trend of engagement with the major solar panel and BESS cell manufacturers, who recognise the risk of failing to address concerns over working practices in their own supply chains.</p>

## RISK AND RISK MANAGEMENT CONTINUED

Business area	Risk summary	Mitigation	Trend and outlook
<p>9 Development and construction</p>	<p><b>The risk:</b> Delays to construction timetables, which may result in projects not being able to commence generating power and, therefore, revenues; the risk of bad workmanship in constructing plants; and delays in the connection of solar and BESS projects to the grid.</p> <p><b>Why it exists:</b> The Company invests in development and construction-stage projects that are inherently riskier than those already operational.</p> <p><b>Potential impact:</b> 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, which can place an investment in financial difficulties.</p>	<p>The use of third parties for development and construction exposes the Company to risks associated with the delegation of responsibility. This is mitigated through the negotiation of contracts that shift delivery responsibility to the contractor. Contractual risks will typically be mitigated by performance bonds and milestone payments, with funds transferred only once certain conditions are met.</p> <p>In addition, the Investment Manager employs an experienced in-house construction management team to oversee the process, with support from independent technical advisors to ensure milestones are achieved on schedule and in line with specifications.</p> <p>The Investment Manager carries out careful due diligence on the third parties contracted for development and construction.</p> <p>Due to the time required to construct each solar or BESS project, there will be a period when each site is unable to generate operational cash flow, but during which it will still be accruing interest on the financing.</p> <p>Given the increased focus on development and construction assets for the portfolio, the Investment Manager has strengthened its teams with experienced resources.</p>	<p>Many contractors are keen to enter the renewables space. This is welcome competition as deployment increases.</p>

# RISK AND RISK MANAGEMENT CONTINUED

Business area	Risk summary	Mitigation	Trend and outlook
<p>10</p> <p>Changing climate patterns</p>	<p><b>The risk:</b> Unprecedented changes to weather patterns affect the provision of sunlight due to, for example, excessive cloud cover and storms or because of smoke from more regular wildfires.</p> <p><b>Why it exists:</b> A consequence of global warming and climate change appears to be that many regions of the world experience changes to long-established climate patterns. Relevant examples include: the UK suffering warmer average temperatures and less rainfall; Australia living through several years of La Niña weather events that resulted in severe storms and wet summers, limiting irradiation.</p> <p><b>Potential impact:</b> These are long-term patterns, and their impacts will be measured over many years. The direct effect, however, is that solar irradiation in certain regions may end up being materially different to that forecast at the time of a project’s development. With financial projections based on historic data, if actual sunshine hours are lower than forecast, less revenue will be generated.</p>	<p>The Investment Manager monitors and assesses the impact of climate and weather-related risks on an ongoing basis. Whilst there are limited actions the Company can take to address climatic shifts, there are preventative measures that can be put in place to mitigate their effects.</p> <p>Before any investment decision is made, for example, the Investment Manager applies its proprietary methodology to map sustainability risks and opportunities. The Sustainability Evaluation Tool establishes a benchmark for monitoring and improvement throughout an asset’s life.</p> <p>Asset construction takes into consideration geographical diversity – among other factors – to limit exposure to any one market. If chronic patterns persist, the Investment Manager can update its models and review the Company’s presence in problematic areas.</p> <p>The Investment Manager regularly monitors the portfolio’s actual generation, comparing it to the base case assumption. If there is a divergence, the Investment Manager investigates the reasons for the deviation and, if appropriate, updates the forecasts for the asset – the change is also reflected in the underlying valuation.</p> <p>Technological advancements are also making modules more effective and will help improve productivity. The Investment Manager is monitoring this evolution and factors it into its proposals for repowering and revamping plants.</p>	<p>2023 was the hottest year on record. If carbon dioxide and other greenhouse gas emissions continue unabated, the negative effects of climate change will become even more pronounced.</p> <p>It is hard to foresee exactly what these impacts will be, but the Company has tried to map the potential financial outcomes and included a climate-related scenario analysis from page 75.</p>

# RISK AND RISK MANAGEMENT CONTINUED

## TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES

### Climate change-related risk

Risks traditionally considered non-financial, such as climate change, have the potential to impact long-term returns. Foresight Solar's investments make 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.

Climate change is one of the defining challenges of our time and the Company is supportive of the Task Force on Climate-related Financial Disclosures' established framework to assess and present those risks. TCFD creates a uniform approach for organisations to report on how they expect climate-related risks and opportunities to impact their businesses over time.

As a result, Foresight Solar is voluntarily reporting on the TCFD for the third year. This will continue to develop to identify and share both risks and opportunities the Company faces because of climate change.

The consideration of climate-related matters is embedded throughout FSFL's governance, strategy and risk management processes. The Company has responded to the recommended disclosures for the year to 31 December 2023, whilst also recognising that its TCFD-aligned reporting will continue to evolve in the future.

TCFD disbanded in January 2024, transferring monitoring responsibilities to the ISSB. This brings certainty to companies and stakeholders, streamlining the sustainability and climate-related disclosures landscape.

With the ISSB's standards already outlined, it is up to local regulators to make the guidance mandatory in their jurisdictions. In the UK, the government is developing the UK SDS, expected to be in place by July. The objective of the new standards is to help companies publish consistent information for the 2025 financial year.

Until the new regulatory framework is fully implemented, it is considered best practice to follow the "traditional" TCFD format.

### Governance

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

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

### Board governance

Along with the Investment Manager, the Directors shape the Company's strategy, review performance and authorise new initiatives. A key aspect of the Board's role is to ensure that sustainability considerations, along with the frameworks to manage them, are incorporated in Foresight Solar's investment and operational processes. The Board seeks to ensure that asset management activities are also effective and aligned with market best practices.

Therefore, the Directors have responsibility and accountability for FSFL's climate-related risks and opportunities.

They set the risk appetite for new investments and provide oversight for the management of the existing portfolio. Foresight Group's tracking of climate-related risks and opportunities, for example, is part of the Management Engagement Committee's yearly review of the Investment Manager's overall performance.

Meeting at least once a quarter, the Board and the Investment Manager discuss strategic risks and opportunities, ensuring they are monitored and managed. Specific climate-related risks are incorporated in the Business Risk Assessment, tracked on an ongoing basis, and considered in the Company's strategy, as well as on the day-to-day operations of its assets.

# RISK AND RISK MANAGEMENT CONTINUED

## TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES CONTINUED

### Role of the Investment Manager

In targeting new opportunities, the Investment Manager's Investment Committee ("IC") is responsible for considering market, regulatory and physical issues pertaining to climate-related risks, as well as the opportunities open to that investment. The IC will formally consider and review each proposed transaction during a series of meetings that apply increasing scrutiny as a deal progresses towards approval.

It is the Investment Manager's responsibility to track all sustainability and climate change-related issues, and empower its deal teams to ensure that material concerns are integrated into the investment, asset management and reporting processes. Foresight Group's in-house sustainability function supports the due diligence process, liaising with third-party consultants to undertake supply chain auditing, and feeding into the final decision.

The Investment Manager assesses material sustainability topics at the asset level for all potential infrastructure investments using proprietary systems. The Sustainability Evaluation Tool ("SET") facilitates the integration of sustainability factors into investment management processes and throughout an asset's lifecycle. (Refer to page 77 for details on the SET.)

### Role of the Asset Manager

The asset management team is responsible for closely monitoring the performance of and the risks relating to the Company's assets. They also review climate-related factors that may present new opportunities or pose threats to long-term project forecasts. This includes regular inspections of the assets and, where specific issues become more frequent, the escalation of potential systemic risk.

The Asset Manager also acts to proactively mitigate risks. On certain sites, for example, it has overseen the installation of cooling systems to transformers in response to changing irradiation patterns and higher average temperatures.

Another responsibility of the asset management team is to collect key sustainability performance indicators for the operational portfolio, including data for Scope 1 and Scope 2 emissions. This tracking enables the Company to monitor aspects of its impact on climate change. At this stage, more work is required to better understand Scope 3 emissions and the ability to reduce them. Since this type of emissions is created by third-party providers, such as operations and maintenance suppliers, it requires working with partners to measure their carbon footprints and gauge their plans to reduce them. Due to its complexity, Scope 3 emissions in this report have been calculated using the PCAF methodology and the associated sector and geography-specific emissions factors.



SANDRIDGE, UK

# RISK AND RISK MANAGEMENT CONTINUED

## TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES CONTINUED

### Strategy

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

- Describe the climate-related risks and opportunities the Company has identified over the short, medium and long term
- Detail the impact of climate-related risks and opportunities on the Company's businesses, strategy and financial planning
- Explain 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

Climate change presents risks and opportunities for Foresight Solar. The Company seeks to capitalise on the opportunities created by the deployment of renewable energy technology and energy efficiency, specifically in the solar and battery storage markets.

The table on the following pages sets out a non-exhaustive list of the strategic climate-related risks and opportunities the Company has identified over the short, medium and long term.



LAS SALINAS, SPAIN

# RISK AND RISK MANAGEMENT CONTINUED

## TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES CONTINUED

- S** Short term (0-3 yrs)
- L** Long term (10+ yrs)
- F** Financial planning
- M** Medium term (3-10 yrs)
- S** Strategy
- E** Existing portfolio

Climate-related risks			
Risk	<b>Warmer winters lead to lower power prices and pressure on generating assets' revenue streams</b>	<b>Growing interest in renewable generation drives competition for investments and increases costs</b>	<b>Over-deployment of renewables causes challenges for electricity networks</b>
Description	<ul style="list-style-type: none"> <li>Climate-driven changes in prevailing seasonal temperatures may result in permanent fluctuations in electricity demand for heating, for example, across seasons and reduce prices at certain times of the year.</li> <li>This could result in less predictable, more volatile market pricing.</li> </ul>	<ul style="list-style-type: none"> <li>Regulatory environment incentivises less fossil fuel consumption and fosters the growth of renewables, raising commodity prices and increasing costs to build assets. More interest from investment funds and corporates in solar assets leads to greater competition for investment and higher acquisition and construction costs.</li> </ul>	<ul style="list-style-type: none"> <li>Favourable policy and regulatory environment leads to overbuild of renewable capacity, resulting in a backlog of projects waiting for connection due to grid unavailability and, later on, resulting in lower electricity prices.</li> <li>Low power prices might affect investor appetite because of insufficient returns, limiting capital available to continue the build-out of renewables.</li> <li>Regulators and policymakers may intervene in markets, changing the established pricing structures due to new dynamics (e.g. REMA in the UK).</li> </ul>
Category	<b>Transition - Market</b>	<b>Transition - Market</b>	<b>Transition - Market; Policy and legal</b>
Likelihood	<b>Likely</b>	<b>Very likely</b>	<b>Likely</b>
Time period	<b>M L</b>	<b>S M</b>	<b>L</b>
Impact	<b>S F E</b>	<b>S F</b>	<b>S F E</b>
Investment Manager response	<ul style="list-style-type: none"> <li>The portfolio's geographic diversification, with a global footprint, and strategic composition, with multiple technologies, provides some resilience to changing power prices.</li> <li>Increased market volatility promotes the case for flexible storage assets, such as batteries, which realise greater trading revenues during periods of heightened volatility.</li> </ul>	<ul style="list-style-type: none"> <li>Foresight Solar has changed its investment mandate to include a modest level of development exposure, enabling it to minimise the threat of competition by investing in assets at an earlier stage.</li> <li>The revised investment mandate also enables the Company to take advantage of enhanced risk-adjusted returns by bringing assets from development to ready-to-build and operational status.</li> </ul>	<ul style="list-style-type: none"> <li>The portfolio's composition, which includes battery storage, and its geographic dispersion, globally and in the UK, reflect a well-diversified set of solar assets by location and points of connection within the UK.</li> <li>Foresight Solar actively participates in regulatory discussions to try and shape policy and minimise potential negative effects.</li> </ul>

# RISK AND RISK MANAGEMENT CONTINUED

## TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES CONTINUED

- S** Short term (0-3 yrs)
- L** Long term (10+ yrs)
- F** Financial planning
- M** Medium term (3-10 yrs)
- S** Strategy
- E** Existing portfolio

Climate-related risks continued				
Risk	<b>More frequent extreme weather events cause damage to assets or negatively impact production</b>	<b>Changing climate patterns fundamentally alter the availability of renewable resource</b>	<b>Climate change places greater strain on natural resources required for the construction and operation of solar and battery assets</b>	<b>Technological developments displace existing renewables assets</b>
Description	<ul style="list-style-type: none"> <li>Climate change will make extreme weather events, such as storms, floods, droughts, bush fires and high heat, more frequent, potentially interrupting site construction – causing delays – or operations – leading to downtime or reduced electricity generation.</li> </ul>	<ul style="list-style-type: none"> <li>Unexpected and unprecedented changes to weather patterns affect the provision of sunlight because of excessive cloud cover or because of smoke from more regular wildfires.</li> <li>Global warming is causing many regions of the world to experience changes to long-established climate patterns.</li> </ul>	<ul style="list-style-type: none"> <li>Positive regulatory environment, increased climate focus and popularity of renewables may lead to supply challenges and price pressures on raw materials used in module production and storage components, such as silicon and lithium, respectively.</li> <li>Scarcity of commodities in case of production or supply disruptions after more frequent natural disasters.</li> </ul>	<ul style="list-style-type: none"> <li>Government and philanthropic incentives drive breakthrough innovation and cause existing assets to be outdated or displaced because of obsolescence or inefficiency.</li> </ul>
Category	<b>Physical – Acute</b>	<b>Physical – Chronic</b>	<b>Transition – Market; Technology</b>	<b>Transition – Technology; Policy and legal; Reputation</b>
Likelihood	<b>Likely</b>	<b>Very likely</b>	<b>Possible</b>	<b>Unlikely</b>
Time period	<b>S M L</b>	<b>S M L</b>	<b>S M</b>	<b>L M</b>
Impact	<b>S F E</b>	<b>S F</b>	<b>S F</b>	<b>S E</b>
Investment Manager response	<ul style="list-style-type: none"> <li>The Investment Manager assesses the full range of acute physical weather risks during sustainability-focused due diligence prior to the closing of transactions and during the acquisition process. (Refer to the heatmap on page 77 for more detail.)</li> <li>Site topography and a location’s susceptibility to impacts from weather events are taken into consideration during the investment process to, for example, minimise flood risks and limit the impacts from extreme wind.</li> </ul>	<ul style="list-style-type: none"> <li>Before any investment decision is made, the Investment Manager applies its proprietary methodology to map sustainability risks and opportunities.</li> <li>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.</li> </ul>	<ul style="list-style-type: none"> <li>The Company procures and stocks extra parts crucial for operations, limiting downtime in case of maintenance and securing savings on procurement.</li> <li>Foresight Solar is agile in its investments to protect itself from increases in the price of commodities.</li> <li>Foresight Group’s global network and its management of other renewables funds provide the Company with scale benefits in procurement and purchases.</li> </ul>	<ul style="list-style-type: none"> <li>Substituting innovations would take a long time to deploy at sufficient scale to render the portfolio obsolete. The Investment Manager follows these advances closely and would be able to explore updated opportunities in that period.</li> <li>New, more efficient renewable generation or storage systems also present an opportunity. The Company has the experience, the size and the capital to invest in these technologies once they are market proven.</li> </ul>

# RISK AND RISK MANAGEMENT CONTINUED

## TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES CONTINUED

- S** Short term (0-3 yrs)
- L** Long term (10+ yrs)
- F** Financial planning
- M** Medium term (3-10 yrs)
- S** Strategy
- E** Existing portfolio

Climate-related opportunities				
Opportunity	Capital directed to renewable investments continues to grow	Continued build-out of renewables leads to mature battery storage markets	Carbon tax implementation and/or GHG emissions prices rise	Political and societal support for the energy transition intensifies
Description	<ul style="list-style-type: none"> <li>Regulatory support, investor and lender pressure maintain momentum for fossil fuel disinvestment and shift to renewable energy infrastructure, increasing capital flow to solar to meet Net Zero goals.</li> </ul>	<ul style="list-style-type: none"> <li>Need for infrastructure to help balance the intermittent generation profile of renewables and offer more grid flexibility may drive demand for battery storage systems (“BESS”).</li> <li>Increased penetration of renewable generation leads to more volatility in electricity markets, resulting in the need for more battery storage to balance and stabilise the grid.</li> </ul>	<ul style="list-style-type: none"> <li>Carbon prices rise, leading to greater demand for renewables as governments, corporates and individuals look to offset their environmental footprint.</li> <li>Emissions reporting obligations create a more transparent market and investors shift more aggressively to low-carbon funds.</li> </ul>	<ul style="list-style-type: none"> <li>Government policies aimed at facilitating the transition to a Net Zero economy may lead to subsidies for certain technologies to increase uptake or build-out.</li> </ul>
Category	Transition – Market	Resource efficiency; Products and services; Markets; Resilience	Markets	Markets; Products and services
Likelihood	Very likely	Very likely	Very likely	Likely
Time period	<b>S M L</b>	<b>M L</b>	<b>M L</b>	<b>S M</b>
Impact	<b>S F E</b>	<b>S F</b>	<b>S F</b>	<b>S F</b>
Investment Manager response	<ul style="list-style-type: none"> <li>Higher flows into the sector are likely to make fundraising easier and potentially reduce Foresight Solar’s cost of capital.</li> <li>Increased competition for assets may drive up prices for the portfolio, increasing benefits of the Company’s capital recycling programme.</li> <li>More demand for solar and battery storage projects can spark a more competitive debt market for assets, lowering interest rates.</li> </ul>	<ul style="list-style-type: none"> <li>More volatile wholesale energy prices may provide additional revenue opportunities via arbitrage trading for battery storage assets.</li> <li>Growth will result in more established business models and a reliable revenue stack in markets around the globe.</li> <li>Foresight Solar can invest up to 10% of GAV into BESS. In time, it may be attractive to review this allocation cap so the Company can take more active steps in this sector.</li> </ul>	<ul style="list-style-type: none"> <li>Foresight Solar operates in markets where solar is an established technology and demand is still growing.</li> <li>The Company’s small environmental footprint may appeal to sustainability-focused investors.</li> <li>Emissions reporting could become a differentiator for the Company.</li> </ul>	<ul style="list-style-type: none"> <li>Government-backed incentives create further opportunities for investment and accelerate the Company’s growth.</li> </ul>

# RISK AND RISK MANAGEMENT CONTINUED

## TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES CONTINUED

- S** Short term (0-3 yrs)
- L** Long term (10+ yrs)
- F** Financial planning
- M** Medium term (3-10 yrs)
- S** Strategy
- E** Existing portfolio

Climate-related opportunities continued				
Opportunity	<b>Technological developments complement the existing portfolio</b>	<b>European and OECD PPA markets mature further</b>	<b>Climate emergency sparks more supportive regulatory and planning frameworks</b>	<b>Transition to electricity happens faster than expected</b>
Description	<ul style="list-style-type: none"> <li>Advances in new and existing technologies, both in solar generation and battery storage, improve scale and/or efficiency of current installed capacity.</li> </ul>	<ul style="list-style-type: none"> <li>Driven by the international communities' focus on climate action, a stronger competitive market for offtakers emerges, offering more opportunities and selection.</li> </ul>	<ul style="list-style-type: none"> <li>A favourable regulatory environment with lower barriers to building renewable infrastructure may facilitate optimisations and extensions of existing assets, and open the door to even more opportunities for new projects.</li> </ul>	<ul style="list-style-type: none"> <li>Regulatory support and technological developments accelerate the electrification of industrial processes and of residential infrastructure, increasing the demand for renewable electricity.</li> </ul>
Category	<b>Energy source; Resource efficiency</b>	<b>Markets; Resilience</b>	<b>Markets; Resilience</b>	<b>Energy source; Markets</b>
Likelihood	<b>Likely</b>	<b>Possible</b>	<b>Possible</b>	<b>Unlikely</b>
Time period	<b>M L</b>	<b>S M</b>	<b>M L</b>	<b>M</b>
Impact	<b>S E</b>	<b>S F E</b>	<b>S E</b>	<b>S E</b>
Investment Manager response	<ul style="list-style-type: none"> <li>Innovations may have a direct effect on existing projects, improving revenues, extending asset lives and/or lowering costs.</li> <li>The Company could also benefit from improvements for future projects, realising better returns for Shareholders.</li> </ul>	<ul style="list-style-type: none"> <li>Countries are growing their solar fleets. The Investment Manager has strong presence, deep expertise and extensive networks to help the Company capitalise on these opportunities.</li> <li>The Company would enter new, advantageous PPA contracts to sell its electricity production and capitalise on demand for corporate power purchase agreements - as has been done with the Spanish assets.</li> </ul>	<ul style="list-style-type: none"> <li>Initiatives such as BESS co-location, lease extensions and plant updates can lead to NAV growth and lengthen asset life. Ultimately, making these easier to deliver can provide more resilience, and ensure longevity for the Company.</li> </ul>	<ul style="list-style-type: none"> <li>A reliable installed portfolio with a strong track record in multiple geographies is a competitive advantage for the Company to capitalise on higher demand.</li> <li>The Investment Manager's experience with power purchase agreements and other offtake structures is also a positive factor.</li> </ul>

# RISK AND RISK MANAGEMENT CONTINUED

## TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES CONTINUED

### Strategy

In the short term, renewable energy is likely to continue benefiting from political and societal support in the drive to transition economies away from fossil fuels. The regulatory and planning environments for solar and battery storage in Foresight Solar's target markets are also expected to continue to develop favourably.

Alongside the ever-greater focus on sustainability, more capital is being directed into all areas of renewable energy. Significant investment into solar and battery storage is forecast in the Company's core markets. Russia's invasion of Ukraine in 2022 reignited the energy security debate in many Western nations, pushing the renewable agenda higher up governments' priority lists.

These factors create an environment supportive of potential growth if the Company can continue to source investment opportunities with attractive returns and acceptable risk profiles. Assuming that will be the case, this positive environment should carry across to Foresight Solar's fundraising prospects.

There is, however, such a thing as too much money. Too much deployment into solar generation and battery storage can lead to heightened competition for assets. Greater demand for renewable projects could, in turn, place downward pressure on returns and lead to overpayment. In this regard, maintaining discipline is key to ensuring FSFL continues to make value accretive investments.

### Financial planning

Increasing power price volatility is a key example of how climate-related changes and the energy transition present both opportunities and challenges for the Company's finances. A prolonged fall in electricity prices and the associated merchant revenue for the generating solar portfolio is a significant risk. An active power price hedging strategy, however, allows Foresight Solar to manage it. In practice, the Company secures a significant proportion of income with price agreements up to five years ahead, retaining 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 can lead to power price cannibalisation. Forecasters currently estimate a stagnation of real power price growth in the medium to long term, and a significant build-out of renewable generation at marginal cost may push those assumptions below expected levels. However, if this indeed happens, it will likely result in a reduction in the number of new projects, as many would become economically unviable, and thus a re-balancing of development.

The Company has entered a sustainability-linked credit facility which provides the opportunity to achieve savings on margins if specific criteria are met. Enhanced disclosure of sustainability metrics presents an opportunity for clean energy generators to 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.

### Existing portfolio

The possibility of extreme weather conditions becoming more commonplace poses a risk to Foresight Solar's assets, as well as the markets the Company operates in.

The UK, for example, has experienced more frequent severe flooding. In Australia, bush fires may become increasingly commonplace, affecting production. Severe droughts are also expected to affect Spain more often. To stay ahead of this, the Asset Manager continues to carry out flood risk assessments and cautious geolocation analyses across sites as part of its operational due diligence and management.

Regular occurrences of extreme heat will also pose an issue since the efficiency of solar panels falls at high temperatures. Even in more moderate climates such as the UK, higher temperatures can lead to heat stress on equipment. This reality has already started impacting the Company's sites and fans have been fitted to cool inverters and transformers at Spriggs Farm and High Fields. The expectation is that heat stress will become more prominent in the future, and the Asset Manager is preparing to adapt other sites.

On the other hand, the retirement of coal and nuclear baseload generation, substituted by intermittent renewable power, will likely lead to more wholesale power price volatility in markets around the globe. These higher peaks and lower lows are beneficial to the arbitrage trading strategies of battery storage projects, and will be an increasingly relevant component of their revenue stack.

Over the longer term, the Company will more actively monitor new technologies to ensure its core assets are not displaced. Solar is currently well placed, offering one of the most cost-effective, quick to deploy sources of energy production, but generating technologies will continue to evolve.

# RISK AND RISK MANAGEMENT CONTINUED

## TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES CONTINUED

### Climate-related scenarios and resilience

#### Overview

Since the 2022 Annual Report, the Company has been working with S&P Global Climonomics to analyse different potential scenarios in the future. The platform offers the most comprehensive analysis across four options, integrating not only physical and transitional risks, but also climate-related opportunities.

The basis for Climonomics' analysis is the Shared Socioeconomic Pathways ("SSPs") generated by the Intergovernmental Panel on Climate Change ("IPCC"). The SSPs are an evolution of the earlier Representative Concentration Pathways ("RCPs") and represent a range of possible outcomes not only in future anthropogenic greenhouse gas emissions and their effects on atmospheric concentrations of CO<sub>2</sub>, but also their potential societal, demographical and economical impacts.

The scenarios are best summarised as:

- **SSP 1/RCP 2.6** assumes aggressive mitigation and total GHG emissions reducing to Net Zero by 2050, resulting in a global average temperature increase of 1.3°C to 2.4°C by 2100.
- **SSP 2/RCP 4.5** implies aggressive mitigation with total GHG stabilising at current levels until 2050 and then declining to 2100. This results in a global average temperature increase of 2.1°C to 3.5°C by 2100.
- **SSP 3/RCP 7.0** estimates limited mitigation with total GHG emissions doubling by 2100 and global average temperatures increasing by 2.8°C to 4.6°C.
- **SSP 5/RCP 8.5** assumes low mitigation, total GHG emissions tripling by 2075 and global average temperatures increasing by 3.3°C to 5.7°C.

### Methodology

Climonomics integrates econometric assumptions driven by high resolution geographic, climate, socioeconomic, business and sector-specific data to the SSPs 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 results can then be applied to the Company's valuation model to estimate the potential financial impact.

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

1. **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.
2. **Transitional risk** – Incorporating modelling of hazards associated with a global transition to a low-carbon economy via litigation, reputational, technology and market risk<sup>1</sup>.
3. **Opportunity modelling** – Calculating opportunities derived from resource efficiencies, energy sourcing, changing markets and resilience.

Climonomics' methodology estimates direct financial impacts that the hazards are expected to incur on each asset type. Each technology's vulnerability is characterised by the specific ways in which it is likely to be impacted 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.

The science of scenario analysis is evolving quickly, and current assessments are made with the most credible existing frameworks and input data available. Given the nature of these estimates, 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.

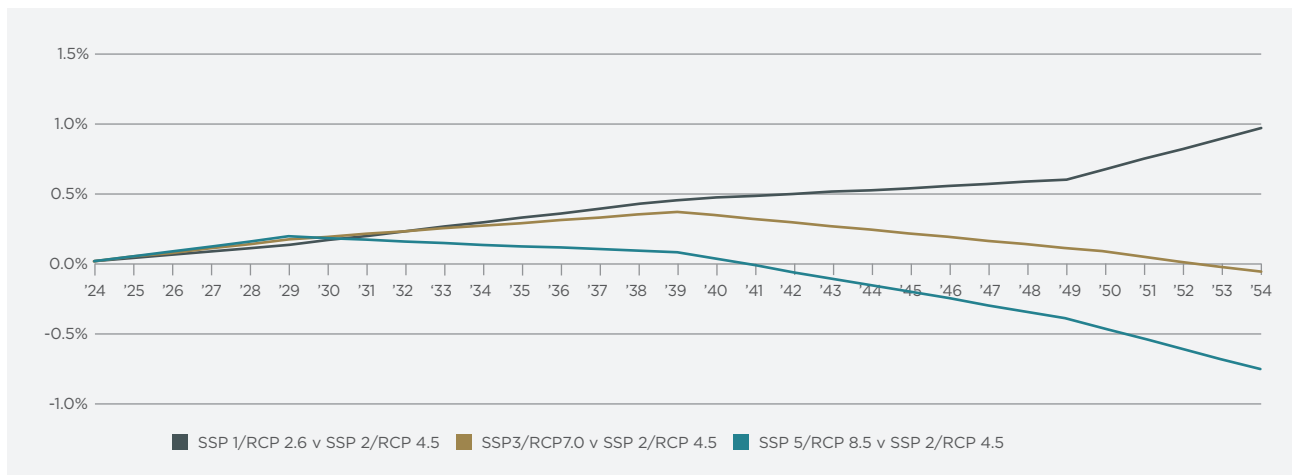
1. Due to the immaterial emissions associated with the portfolio's business activities (disclosed on page 50), carbon pricing has been excluded.

# RISK AND RISK MANAGEMENT CONTINUED

## TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES CONTINUED

### Climate-related scenarios and resilience continued Estimates

Assuming SSP 2 as the most likely outcome due to the current global emissions trajectory, the chart below shows the assessed central case and the potential variations between the three remaining scenarios<sup>1</sup>:



Applying these estimates to the Company’s NAV, it is possible to calculate the potential financial impact in each of the RCPs over assets’ lives until 2050.

The data show a direct relationship between the opportunities and risks of a worsening emissions world and the Company’s valuation. The central case, SSP 2, demonstrates an assumed NAV 1.3pps lower than what would be expected under a less severe SSP 1 scenario that now appears unlikely. Shifting to SSP 3 and SSP 4 results in a further negative impact of 0.1pps and 1.0pps, respectively. That means a combined reduction of 2.4pps against a future in which the SSP 1 scenario is deemed achievable.

The analysis for 2023 contrasts with the previous year’s results, when minimal impact was observed between the equivalent SSP 1 to SSP 3 scenarios. The more pronounced downside related to the equivalent SSP 4 estimate, suggesting a NAV 2.1pps lower. The drivers of change from one year to the other are a slight increase in the projected physical impacts and a change in methodology to incorporate a greater range of climate models.

1. The opportunity scenario analysis results tend to be less variable than the risk data results, so using the latest Coupled Model Intercomparison Project 5 information will not have materially influenced estimates.



LOS PICOS, SPAIN

# RISK AND RISK MANAGEMENT CONTINUED

## TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES CONTINUED

### 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
- Explain the Company’s processes for managing climate-related risks
- Detail 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 Group’s proprietary Sustainability Evaluation Tool (described on page 77) 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 site’s periodic review as part of ongoing management.

Climate-related risks are also identified in the Company’s Business Risk Assessment and reviewed by the Audit and Risk Committee.

These relevant physical risks are plotted onto a risk heatmap (see the solar risk heatmap opposite). 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 score.

As is industry standard, Foresight Solar’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	<ul style="list-style-type: none"> <li>• Increased pricing of greenhouse gas (“GHG”) emissions</li> <li>• Enhanced emissions-reporting obligations</li> <li>• Mandates on, and regulation of, existing products and services</li> <li>• Exposure to litigation</li> </ul>	<ul style="list-style-type: none"> <li>• Substitution of existing products and services with lower emissions options</li> <li>• Costs to transition to lower emissions technology</li> </ul>	<ul style="list-style-type: none"> <li>• Changing customer behaviour</li> <li>• Uncertainty in market signals</li> <li>• Increased cost of raw materials</li> <li>• Increased competition for solar and battery assets</li> </ul>	<ul style="list-style-type: none"> <li>• Shifts in consumer preferences</li> <li>• Stigmatisation of sector</li> <li>• Increased stakeholder concern or negative stakeholder feedback</li> </ul>

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

	Temperature related	Wind related	Water related	Solid mass related
Chronic	<ul style="list-style-type: none"> <li>• Changing temperatures</li> <li>• Heat stress</li> </ul>	<ul style="list-style-type: none"> <li>• Changing wind patterns</li> </ul>	<ul style="list-style-type: none"> <li>• Changing precipitation</li> </ul>	<ul style="list-style-type: none"> <li>• Landslide</li> </ul>
Acute	<ul style="list-style-type: none"> <li>• Heat wave</li> <li>• Wildfire</li> </ul>	<ul style="list-style-type: none"> <li>• Storm</li> </ul>	<ul style="list-style-type: none"> <li>• Heavy precipitation/flood</li> </ul>	

Probability	5 Almost certain					
	4 Likely		Changing precipitation patterns	Changing temperatures Heat wave	Heat stress	
3 Possible		Storm	Changing wind patterns			
2 Unlikely			Heavy precipitation Wildfire	Flood		
1 Rare			Landslide			
		1 Negligible	2 Minor	3 Major	4 Hazardous	5 Catastrophic
Solar	<b>Impact</b>					

# RISK AND RISK MANAGEMENT CONTINUED

## TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES CONTINUED

### Managing climate risk

All potential investments are evaluated in accordance with the Sustainability Evaluation Tool (“SET”) to ensure they meet the Investment Manager’s definition of sustainable infrastructure and that climate-related risks are identified, assessed and 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.

The SET draws on IRIS+ indicators, developed by the Global Impact Investing Network (“GIIN”), which are an aggregation of several widely recognised, external sustainability and ESG-focused frameworks to measure, manage and optimise sustainability and climate-related performance.

These frameworks include, amongst others, the Global Reporting Initiative (“GRI”), the Sustainability Accounting Standards Board (“SASB”), the UN SDGs and the 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:

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

An average is then calculated to produce an overall score for the Climate Change Resilience parameter, which is reviewed and updated periodically by the asset management team to track 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, Foresight Solar tasks technical advisors with conducting further investigation to address any specific queries.

When it comes to physical risks, a climate risk heatmap is produced and used to identify the most material physical risks assets face. This allows the asset management team to conduct further investigation or put in place mitigation measures.

During the investment stage, it is the Investment Manager’s responsibility to complete the SET and use it to establish an asset’s sustainability credentials. Crucially, risks need to be accurately assessed and satisfactorily addressed in the final submission to the Investment Committee with an accompanying risk re-profiling or mitigation measures if necessary.

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, who also take over the responsibility for identifying, managing and assessing climate-related risks and opportunities. It is the role of the Asset Manager to ensure periodic updates of the SET are completed to ensure the physical and transition risks the asset is exposed to are appropriately measured.

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.

# RISK AND RISK MANAGEMENT CONTINUED

## TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES CONTINUED

### 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
- Publish 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 (more on page 48)

As recommended by the TCFD, the Company reports its quantitative exposure to climate-related risk using the universally accepted core metrics. These include:

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

In line with guidance from the Financial Conduct Authority, the calculation of these metrics is performed using Scope 1 and Scope 2 emissions only. In using these core metrics, the Company can compare performance amongst its assets and against those of its wider peer group.

For Foresight Solar, the results were:

TCFD core metrics				
Metric	Description	Expressed as	2023	2022
Weighted average carbon intensity	Exposure to carbon-intensive assets	tCO <sub>2</sub> e/£m revenue	1.51	5.17
Total carbon emissions	Absolute greenhouse gas emissions	tCO <sub>2</sub> e	283.44	897.11
Carbon footprint	Total carbon emissions adjusted to its market value	tCO <sub>2</sub> e/£m invested	0.41	1.16
Carbon intensity	Volume of carbon emissions per million pounds of revenue	tCO <sub>2</sub> e/£m revenue	1.75	5.51
Exposure to carbon-related assets	Percentage of carbon-related assets	%	0	0

Data drawn from the calculation of the core metrics is used to drive decarbonisation across the portfolio and to highlight carbon hotspots in specific business areas as a means of influencing decision making across the business.

### Absolute emissions (more on page 50)

The Greenhouse Gas Protocol separates emissions into the following categories:

Scope 1	Scope 2	Scope 3
<ul style="list-style-type: none"> <li>• All direct emissions from the activities of a company under its control</li> <li>• Includes fuel combustion on site such as gas boilers, fleet vehicles and air-conditioning leaks</li> </ul>	<ul style="list-style-type: none"> <li>• Indirect emissions from electricity purchased and used by the Company</li> <li>• Emissions are created during the production of the energy eventually used by the Company</li> </ul>	<ul style="list-style-type: none"> <li>• All other indirect emissions, occurring from sources that are not owned or controlled</li> <li>• Includes purchased goods and services, business travel, employee commuting, waste disposal, use of sold products, transportation, distribution and investments</li> </ul>

The portfolio sustainability metrics, collected quarterly at the asset level, enable accurate calculation of both Scope 1 and 2 emissions. Meanwhile, the Investment Manager continues to develop its relationships with suppliers to gain 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.

# RISK AND RISK MANAGEMENT CONTINUED

## TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES CONTINUED

### Absolute emissions (more on page 50) continued

All amounts in tCO<sub>2</sub>e

	2023
Scope 1	118.56
Scope 2	164.88
<b>Total</b>	<b>283.44</b>
Scope 3	122,049

### Sustainable impact reporting (more on page 48)

Tracked against the UN SDGs, the sustainable impact reporting metrics demonstrate the positive environmental and social benefits created by Foresight Solar’s investments, helping drive the global sustainability agenda.

The analysis includes the Investment Manager’s estimates for the portfolio’s decarbonisation benefit according to its approach, which is aligned to the IFI’s Harmonised GHG Accounting methodology. The process also factors lifecycle emissions intensity figures, drawing on the data presented in the IPCC’s Special Report on Renewable Energy<sup>1</sup>. The report uses a variety of peer-reviewed research papers to establish median figures for the lifecycle CO<sub>2</sub> intensities of different renewable energy technologies, measured in kgCO<sub>2</sub>e/MWh.

The Company intends to continue delivering sustainable impact in line with its growth to ensure it is regularly moving forward the decarbonisation agenda.

### Targets






Foresight Solar regularly evaluates assets’ sustainability performance, tracking changes over time and acting to improve operational factors when needed. This constant analysis helps develop an understanding of the sustainability characteristics of the portfolio.

### Short-term targets

In 2023, the Investment Manager had a target to:

- Undertake a full scenario analysis with support from external consultants (the results from this exercise are available on page 74)
- Conduct Scope 3 emissions calculation

Both goals were achieved, and the results are being used to better understand Foresight Solar’s environmental footprint and the potential climate change impacts on its portfolio. The conclusions are also likely to feed into the development of specific targets aimed at managing climate-related risks and opportunities.

SDG	Description	Metric(s)			
 3 GOOD HEALTH AND WELL-BEING	Good health and well-being	649,711kg NOx (nitrous oxide) vs energy generated from gas	476,455kg SOx (sulphur dioxide)	11,310kg PM10 (µm10 particulate matter)	5,174kg PM2.5 (µm2.5 particulate matter)
 7 AFFORDABLE AND CLEAN ENERGY	Affordable and clean energy	1,088GWh Renewable energy generated			402,754 Equivalent UK homes powered for a year
 9 INDUSTRY, INNOVATION AND INFRASTRUCTURE	Industry, innovation and infrastructure	969MW Renewable energy capacity connected to the electricity grid			
 13 CLIMATE ACTION	Climate action	378,486 tCO <sub>2</sub> e Emissions avoided compared to country-specific grid			
 15 LIFE ON LAND	Life on land	103,454 ToE Contribution to the avoidance of fossil fuel use (in tonnes of oil equivalent)			

1. Annex III: [https://www.ipcc.ch/site/assets/uploads/2018/02/ipcc\\_wg3\\_ar5\\_annex-iii.pdf](https://www.ipcc.ch/site/assets/uploads/2018/02/ipcc_wg3_ar5_annex-iii.pdf)

## 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 extend to 30 June 2025. 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.

Foresight Solar's business activities, together with the factors likely to affect its future development, performance and position, are set out in this report. The Company's financial position, including its financial performance, cash flows, liquidity and borrowing facilities, are referred to in the Chair's Statement (from page 6), Investment Manager's Report (starting on page 13) and Notes to the Financial Statements (see page 131). The Financial Statements (from page 127) also include Foresight Solar's objectives, policies and procedures for managing its capital, its financial risk management objectives and its exposure to credit and liquidity risks.

A detailed evaluation of the cash flow impact for the going concern assessment period took into consideration the following individual scenarios:

1. All assets consistently generate a P90 level (90% probability of exceeding expected production over a ten-year period) of electricity output. The Directors consider this is an appropriate, market standard downside scenario with relevant examples being the recent extremely high temperatures in Southern Europe, leading to wildfires and severe weather warnings issued by the UK Government, in relation to storms; both of which have the potential to reduce solar generation.
2. Power prices reduce by 20% across the portfolio. This downside scenario emulates merchant power prices remaining elevated but gradually decreasing from historic highs.
3. The Group's biggest PPA provider fails to settle revenues under its contract. This downside evaluation represents the risk of offtaker insolvencies in response to several bankruptcies in recent years – a concern that may continue into 2024 based on above-average power prices, especially under fixed price contracts.
4. Inflation-linked debt and the portfolio's costs are assumed to increase by more than 5% year-on-year. This downside test represents the possibility of high inflation continuing into the going concern assessment period based on the RPI increase registered in 2023.
5. The removal of any distributions from the Australian assets and the prepayment of debt service from surplus cash for the entire going concern assessment period due to ongoing market-wide economic curtailment.

If any of these sensitivities or scenarios were to materialise, the Company could still meet its target dividend per share for 2024 and a progressive dividend for the remaining going concern assessment period. However, the Board would continue to periodically review whether paying the dividend would be appropriate considering the potential for reduced cash flow.

The downside, plausible scenarios 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 operational issues.

The evaluation demonstrated that Foresight Solar would be able to meet its liabilities without breaching any debt covenants and could continue to satisfy the dividend target for 2024 and a progressive dividend thereafter during the going concern assessment period.

Due to Foresight Solar's share price trading at a discount of more than 10% to NAV, the Company will hold a discontinuation vote at its June 2024 AGM, in line with its Articles of Association. Recent interactions with Shareholders do not indicate any concerns about the vote for Foresight Solar continuing operations.

## GOING CONCERN AND VIABILITY STATEMENT CONTINUED

### 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 2028. In accordance with the UK Corporate Governance Code, the Board has assessed FSFL's viability over a five-year period to 31 December 2028 on the basis that it has significant long-term fixed and subsidised revenues and long-term debt in place.

This is the period the Directors focused on during the strategic planning process and is considered reasonable for a business of the Company's size and nature. Whilst the Board has 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 Board considers the Company's ability to raise debt and equity and deploy capital. As part of this process, the Directors have considered the ongoing viability of Foresight Solar's long-term and short-term debt strategies.

The Directors have considered the emerging and principal risks, identified from page 56, in relation to the Company's resilience over a five-year period. In doing so, the Board believes the key direct principal risks to Foresight Solar's financial viability are: changes to the level of political support for subsidies across the Company's markets, energy prices and the impact of climate and changes to weather patterns.

In addition to these principal risks, the Directors have also specifically 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 from page 66.

Government-backed subsidy revenue comprises 47% of the portfolio's turnover for the period to 31 December 2028. Whilst this is a considerable proportion, the subsidies are split across two different jurisdictions (United Kingdom and Australia), with the majority coming from the United Kingdom. It is expected the respective governments, in light of considering commitments to tackling the climate emergency and the renewable energy sector's crucial contribution to decarbonisation, will continue to meet their obligations. In terms of prospective regime changes, such as the closure of the Renewables Obligation scheme for projects commissioned after 31 March 2017, these are not expected to affect the viability of the Company. In the UK, the government has been considering more fundamental changes to energy markets with the Department for Energy Security and Net Zero ("DESNZ") 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 31 December 2028, 66% of the portfolio revenue is contracted through government subsidies or forward electricity sales at a fixed price, leaving 34% of revenues exposed to power price volatility. The Directors believe this risk is sufficiently mitigated through the Company's price fixing strategy, which is reviewed on a regular basis by the Investment Manager.

Foresight Solar owns assets across three international markets, and therefore considers short and medium-term changes in localised weather patterns to be a risk. Relevant examples include the recent extremely high temperatures in Southern Europe, leading to wildfires and severe weather warnings issued by the UK Government, in relation to storms. Whilst very limited action can be taken by the Company to address weather and broader climate shifts, aside from specific, local protective measures at each asset, the Directors and the Investment Manager continue to monitor and assess the potential impacts on an ongoing basis.

In making this statement, the Directors have reviewed Foresight Solar's summary five-year cash projections, including cash balances, dividend cover and debt covenants. Sensitivity analysis covered 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 (see pages 41 and 42 for the full details). 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.

## FINANCIAL REVIEW

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

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

Foresight Solar'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 equity dividends, 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 131.

### Key metrics for the year ended 31 December 2023

All amounts presented in £million (except as noted)	Year ended 31 December 2023	Year ended 31 December 2022
Net Asset Value ("NAV") <sup>1</sup>	697.9	771.5
Gross Asset Value ("GAV") <sup>2</sup>	1,140.5	1,296.3
Operating income and gains and losses on fair value of investments	(1.0)	163.0
Net assets per share (pence)	118.4	126.5
Cash distributions from solar investments	120.4	111.8
Profit/(loss) after tax	(9.3)	154.5

1. Total net assets as per the Statement of Financial Position on page 128.
2. Calculated as the sum of the NAV and total outstanding debt on page 85.

### Net assets

Net assets decreased 9.5% to £697.9 million at 31 December 2023 from £771.5 million at 31 December 2022, primarily due to lower power price forecasts and higher discount rates. This is detailed in the Investment Manager's Report from page 13.

The net assets of £697.9 million comprise the £1,061.9 million portfolio of UK, Australian and Spanish solar and UK battery storage investments, the Group's cash balance of £81.2 million offset by £367.6 million long-term debt, £75.0 million of outstanding RCF and other net liabilities of £2.6 million.

## FINANCIAL REVIEW CONTINUED

### Net assets continued

#### Analysis of the Group's net assets at 31 December 2023

All amounts presented in £million (except as noted)	Year ended 31 December 2023	Year ended 31 December 2022
Gross portfolio value <sup>1</sup>	<b>1,061.9</b>	1,196.9
Intermediate holding companies' cash	<b>79.2</b>	90.1
Intermediate holding companies' long-term debt	<b>(367.6)</b>	(409.8)
Intermediate holding companies' revolving credit facility	<b>(75.0)</b>	(115.0)
Intermediate holding companies' other liabilities	<b>(1.7)</b>	(1.5)
<b>Fair value of the Company's investment in portfolio<sup>2</sup></b>	<b>696.8</b>	760.7
Company's cash	<b>2.0</b>	11.1
Company's other net liabilities	<b>(0.9)</b>	(0.3)
<b>Net Asset Value</b>	<b>697.9</b>	771.5
Number of Ordinary Shares	<b>589,239,345</b>	609,958,720
<b>Net Asset Value per share</b>	<b>118.4p</b>	126.5p

1. Classified as the gross fair value of the underlying assets in the portfolio.
2. Equal to investments held at fair value through profit or loss and interest receivable as per the Statement of Financial Position on page 128.

### Third-party debt arrangements and gearing position

As at 31 December 2023, total outstanding long-term debt was £367.6 million, representing 32.2% of GAV (calculated as NAV plus outstanding debt) of the Company and its subsidiaries (31 December 2022: £409.8 million or 31.6% of GAV).

As at 31 December 2023, total outstanding debt including the RCF was £442.6 million, representing 38.8% of GAV (31 December 2022: £524.8 million or 40.5% of GAV).

The Group's net debt position, after deducting existing cash balances, is £361.4 million, representing 31.7% of GAV (31 December 2022: £423.7 million or 32.7% of GAV).

### Long-term facilities

As at 31 December 2023, of the £367.6 million long-term debt facilities, a total of £88.1 million was linked to inflation.

As at 31 December 2023, the average cost of long-term debt was 4.15% per annum, including the inflationary increase of the nominal balances of the indexed-linked facilities of £88.1 million. The cost of these facilities is expected to increase over time assuming the Company's long-term annual Retail Price Index expectations of 3% in the medium term and 2.25% post-2030.

The Foresight Solar portfolio is largely hedged against interest rate exposure. However, the £2.3 million variable rate loan for FS Holdco, which is scheduled to be repaid in full by March 2024, remains 20% unhedged, which means the Company's long-term debt is 99.7% hedged against interest rate exposure.

### Revolving credit facilities

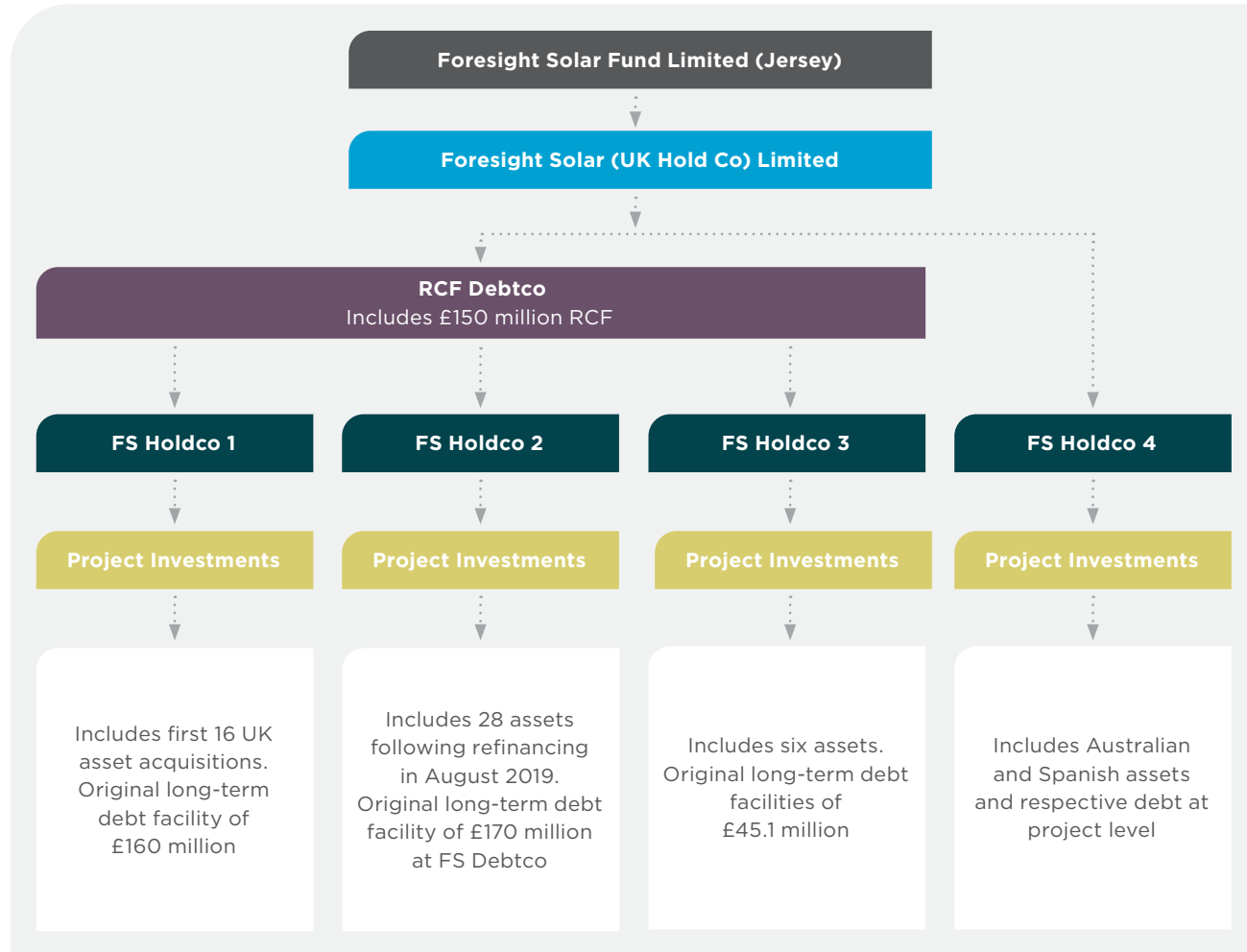
As at 31 December 2023, the Company had used £75.0 million of its RCF, with £75.0 million remaining undrawn following £40.0 million repayments during the year. Of the undrawn balance, £1.6 million was allocated to letters of credit.

During the year, Foresight Solar pushed out refinancing risk by agreeing a one-year extension of its revolving credit facility under the existing terms, until February 2026.

As at 31 December 2023, the weighted total cost of the RCF was 6.62% per annum (2022: 2.08%), as a result of high SONIA rates on the drawn balance.

# FINANCIAL REVIEW CONTINUED

## Debt structure



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



LOS LLANOS, SPAIN

## FINANCIAL REVIEW CONTINUED

### Debt structure continued

The following table summarises the debt position of the Company as at 31 December 2023.

Borrower	Holding vehicle	Provider	Facility type	Outstanding (m)	Maturity	Interest rate hedge	Applicable rate
FS Holdco	FS Intermediate Holdco	MIDIS	Fixed rate, fully amortising	£54.5	Mar-34	100%	3.78%
		MIDIS	Inflation linked, fully amortising	£62.4 <sup>1</sup>	Mar-34	N/A	RPI Index + 1.08%
		Santander	Term loan, fully amortising	£2.3	Mar-24	80%	SONIA + 1.70%
<b>Total</b>				<b>£119.2</b>			
FS Debtco	FS Holdco 2	SMBC/Heleba	Term loan, fully amortising	£142.7 <sup>2</sup>	Mar-36	100%	SONIA + 1.30% (margin step to 1.35% in 2029)
<b>Total</b>				<b>£142.7<sup>2</sup></b>			
Second Generation Portfolio 1	FS Holdco 3	MIDIS	Fixed rate, fully amortising	£3.1	Aug-34	100%	4.40%
			Inflation linked, fully amortising	£25.7 <sup>1</sup>	Aug-34	N/A	RPI Index + 1.70%
<b>Total</b>				<b>£28.8</b>			
Global Solar Energy 27 SL (Lorca)	FS Holdco 4	BayernLB	Term loan	€12.3 <sup>3,4</sup>	Dec-31	100%	Double tranche: €9.5m at 1.61% fixed rate, €2.8m at Euribor + 2.10%
Foresight Solar Australia Pty Ltd		CEFC	Term loan	A\$36.4 <sup>4</sup>	Jun-26	100%	Base rate (0.96375%) + 2.00%
Longreach	FS Holdco 4	ANZ/Deutsche	Term loan	A\$21.2	Apr-27	100%	BBSY Base rate + 1.20%
Oakey 1		ANZ/Deutsche	Term loan	A\$34.2	Apr-27	100%	BBSY Base rate + 1.20%
Oakey 2 Finco Pty Ltd		CEFC	Term loan	A\$32.0	Jun-24	100%	Base rate (4.49%) + 2.25%
<b>Total</b>				<b>A\$123.8</b>			
<b>Total long-term debt</b>				<b>£367.6<sup>5</sup></b>			
FS RCF Debtco	UK Hold Co	AIB, Barclays, Lloyds, NatWest	Revolving credit	£75.0	Feb-26	0%	SONIA + 1.9%
<b>Total revolving debt</b>				<b>£75.0</b>			
<b>Total outstanding debt</b>				<b>£442.6</b>			

- Nominal loan balance as at 31 December 2023 with the applicable RPI applied.
- Interest rate swap for 100% of the outstanding debt during the initial five years, 75% from years six to ten and 50% thereafter.
- EUR/GBP exchange rate of 0.8666 as at 31 December 2023.
- Australian and Spanish debt prorated for Company's share of asset ownership.
- AUD/GBP exchange rate of 0.5353 as at 31 December 2023.

## FINANCIAL REVIEW CONTINUED

### Debt structure continued

The Company continues to have limited exposure to benchmark interest rate movements in the UK, Australia and Spain as a result of long-term interest rate swaps in place. In total, 99.7% of the £367.6 million of long-term debt is hedged against interest rates movements. The short-term £75.0 million RCF, equivalent to 16.9% of total debt, is subject to interest rate volatility.

Sterling-denominated long-term 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 or upon loan extension. All debt facilities have interest rate swaps in place on a decreasing nominal amount for a notional tenor of 20 years. The Australian portfolio was impacted by unexpectedly high economic curtailment in the second half of the year that reduced revenues and placed pressure on debt covenant ratios. This has been addressed with lenders (see the Operational Review on page 37).

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

### Company profit and loss

The Company’s loss after tax for the year ended 31 December 2023 was £9.3 million or 1.5 pence per share (31 December 2022: profit £154.5 million or 25.3 pence per share).

For the year to 31 December 2023, the operating loss on fair value of investments was £1.0 million, which comprised the receipt of £31.8 million of interest on the Foresight Solar (UK Hold Co) loan notes and £32.8 million net losses on investments at fair value incurred in the period.

Operating expenses included in the income statement for the period were £8.3 million, in line with expectations. These comprise investment management fees of £7.0 million and £1.3 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 2023	Year ended 31 December 2022
Interest received on Foresight Solar (UK Hold Co) Limited loan notes	31.8	36.2
Net (losses)/profits on investments at fair value	(32.8)	126.8
<b>Operating income and gains/losses on fair value of investments</b>	<b>(1.0)</b>	163.0
Operating expenses	(8.3)	(8.5)
<b>(Loss)/profit after tax</b>	<b>(9.3)</b>	154.5
(Losses)/earnings per share	<b>(1.5p)</b>	25.3p

### Company cash flow

The Company had a total cash balance at 31 December 2023 of £2.0 million (31 December 2022: £11.1 million). This amount excludes cash held in subsidiaries.

#### Cash flows of the Company only for the year to 31 December 2023

All amounts presented in £million (except as noted)	Year ended 31 December 2023	Year ended 31 December 2022
Cash balance at 1 January	11.1	11.0
Interest on loan notes received from Foresight Solar (UK Hold Co) Limited	62.9	51.5
Directors’ fees and expenses	(0.3)	(0.3)
Investment management fees	(7.0)	(7.4)
Purchase of own Ordinary Shares <sup>1</sup>	(19.2)	—
Administrative expenses	(1.1)	(0.7)
Dividends paid in cash to Shareholders	(44.4)	(43.0)
<b>Company cash balance at 31 December</b>	<b>2.0</b>	11.1

- This figure represents the cash payments made to Jefferies International Limited by 31 December 2023. The total differs to the figure presented in the Statement of Cash Flows by £0.7 million because of the share value purchased yet to be paid to Jefferies. As such, this difference is within the change in trade and other payables line of the Statement of Cash Flows.

## FINANCIAL REVIEW CONTINUED

### Combined profit and loss of underlying investments

During the year, on a combined basis, the underlying assets earned £162.2 million of revenues (2022: £164.5 million). UK subsidised revenue was consistent with expected production. Other income was above expectation due to significantly higher prices received for Renewable Energy Guarantees of Origin (“REGOs”) during the year. Wholesale revenue was impacted by lower global merchant power prices across all markets in 2023.

Operating expenditure of £26.1 million (2022: £23.3 million) was consistent with contractual arrangements, some of which were renegotiated during the year. This resulted in combined operating profit for the year of £136.2 million (2022: £141.2 million).

For the year ended 31 December 2023	UK £m	Australia A\$m <sup>1</sup>	Spain €m <sup>2</sup>	Consolidated £m	2022 Consolidated £m
<b>Revenue</b>					
Wholesale revenue	77.5	11.7	11.2	93.5	95.4
Subsidised revenue <sup>3</sup>	62.5	2.9	—	64.1	66.0
Other income	4.3	0.6	0.1	4.6	3.1
<b>Total operating revenue</b>	<b>144.3</b>	<b>15.2</b>	<b>11.3</b>	<b>162.2</b>	164.5
<b>Operating expenditure</b>					
O&M fixed	(5.8)	(1.3)	(0.5)	(6.9)	(6.8)
O&M variable	(1.0)	(0.6)	—	(1.4)	(1.3)
Other operating expenditure	(14.2)	(4.3)	(1.4)	(17.8)	(15.2)
<b>Total operating expenditure</b>	<b>(21.0)</b>	<b>(6.2)</b>	<b>(1.9)</b>	<b>(26.1)</b>	(23.3)
<b>Total operating profit</b>	<b>123.3</b>	<b>9.0</b>	<b>9.4</b>	<b>136.1</b>	141.2

1. The profit and loss accounts of the Australian assets are combined based on the Company’s ownership, using an average AUD/GBP exchange rate of 0.5338.
2. The profit and loss accounts of the Spanish assets are combined based on the Company’s ownership, using an average EUR/GBP exchange rate of 0.8695.
3. Subsidised revenue consists of ROC, ROC recycle, Feed-in Tariff, embedded benefits and Large-Scale Generation Certificates.

## FINANCIAL REVIEW CONTINUED

### Cash flows of the Company and intermediate holding companies for the year to 31 December 2023

During the year to 31 December 2023, the underlying solar assets paid £120.4 million of ordinary distributions to the intermediate holding companies. Distributions were received from entities in the UK, Australia and Spain.

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

Electricity Generator Levy (“EGL”) payments of £7.8 million were paid to HMRC during 2023 in relation to generation revenue over £10 million and above a £75/MWh cap.

The acquisition costs of £10.8 million relate to the investments in the Lorca portfolio, Sandridge Battery Storage Limited, Clayfords Energy Storage Limited and Lunanhead Energy Storage Limited, and further investment to secure the rights to a 467MWp development-stage solar pipeline in Spain.

During the year to 31 December 2023, Foresight Solar repurchased 20.7 million of its shares through its announced £40 million share buyback programme. The process proved to be in Shareholders’ interest, delivering NAV accretion of 1.1 pence per share.

In November 2023, FS Holdco 4 disposed of 50.0% of its investment in the Lorca portfolio for net proceeds of £24.0 million. During the year, £40.0 million was repaid on the RCF using free cash and proceeds from the divestment of the Lorca portfolio.

<b>Cash flows of the Group for the year to 31 December 2023 (£million)</b>	<b>Year ended 31 December 2023</b>
Cash distributions from solar investments	<b>120.4</b>
Electricity Generator Levy	<b>(7.8)</b>
Administrative expenses	<b>(2.3)</b>
Directors’ fees and expenses	<b>(0.3)</b>
Investment management fees	<b>(7.0)</b>
Financing costs (net of interest income)	<b>(13.5)</b>
Repayments of long-term debt facilities	<b>(18.2)</b>
<b>Cash flow from operations</b>	<b>71.3</b>
Acquisition of new assets	<b>(10.8)</b>
Disposals	<b>24.0</b>
Net drawings and repayments of RCF	<b>(40.0)</b>
Debt arrangement fees and refinancing fees	<b>(0.5)</b>
Purchase of own Ordinary Shares	<b>(19.2)</b>
Other	<b>1.0</b>
Dividends paid in cash to Shareholders	<b>(44.4)</b>
<b>Cash movement in the period</b>	<b>(20.0)</b>
Group cash balance at 1 January	<b>101.2</b>
<b>Group cash balance at 31 December</b>	<b>81.2</b>

## FINANCIAL REVIEW CONTINUED

### Dividend cover

Total dividends of £44.4 million were paid during the year ended 31 December 2023. Compared with the relevant net cash flows from operations of the Company and underlying investments of £71.3 million, these dividends were covered 1.61 times (31 December 2022: 1.74 times).

### Dividends

The Company has declared dividends of 7.55 pence for the year ended 31 December 2023, representing a 6.0% increase to the dividend paid relative to 2022.

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

### 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 Company's long-term investment strategy.

For the Australian assets, Foresight Solar 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 projects, meanwhile, 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 to limit the short-term volatility in sterling-distributable cash flows caused by foreign exchange fluctuations and to optimise the costs of the hedging instruments.

### Dividend timetable for FY2023

Dividend	Amount	Status	Payment date
Interim 1	1.880p	Paid	25 August 2023
Interim 2	1.895p	Paid	24 November 2023
Interim 3	1.880p	Paid	23 February 2024
Interim 4	1.895p	Targeted	24 May 2024
<b>Total</b>	<b>7.550p</b>		

On 12 March 2024, the Company announced its final interim dividend of 1.895 pence per share for the 2023 financial year. The timetable for this payment is set out below:

Dividend timetable - Final	Date
Ex-dividend date	25 April 2024
Record date	26 April 2024
Dividend payment date	24 May 2024

The Board will continue to assess the possibility of offering scrip dividends with respect to future quarterly payments where the scrip reference price is above NAV per Ordinary Share.



WYMESWOLD, UK

## FINANCIAL REVIEW CONTINUED

### Ongoing charges

The ongoing charges ratio for the year to 31 December 2023 was 1.15% (31 December 2022: 1.14%). This has been calculated using methodology as recommended by the Association of Investment Companies.

Asset management fees charged by Foresight Group LLP on an arm's length basis at project level are excluded from the ongoing charges ratio.

	FSFL £'000	UK Hold Co £'000
Ongoing charges		
Investment management fees	7,037	—
Directors' fees	284	—
Administration fees	210	15
Audit fees	173	24
Other legal and professional fees	323	—
Other ongoing expenses	181	94
<b>Total</b>		<b>8,341</b>
<b>Ongoing charges ratio</b>		<b>1.15%</b>
Net Asset Value ("NAV")		£m
31 March 2023		757.5
30 June 2023		726.6
30 September 2023		706.9
31 December 2023		697.9
<b>Average</b>		<b>722.2</b>



## ALTERNATIVE PERFORMANCE MEASURES (“APMs”)

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 2023 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	8.0%	The calculation uses the closing NAV per Ordinary Share as per the Statement of Financial Position on page 128
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 2023 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	6.2%	The calculation uses the closing share price as per key investment metric table on page 18
Cash distributions from solar investments	A measure of performance from the underlying portfolio	Total cash received from investments in the period	£120.4 million	As per cash flows of the Company and intermediate holding companies on page 88
Cash/net 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	1.61x	The calculation uses the net cash flows from operations as per cash flows of the Company and intermediate holding companies on page 88 and the cash dividends paid as per the Statement of Cash Flows on page 130
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 85 as a percentage of GAV	38.8%	The calculation uses the total debt on page 85 and the Net Asset Value as per the Statement of Financial Position on page 128
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 85	£1,140.5 million	The calculation uses the total debt on page 85 and the Net Asset Value as per the Statement of Financial Position on page 128
Market capitalisation	Provides an indication of the size of the Company	Closing share price as at 31 December 2023 multiplied by the closing number of Ordinary Shares in issuance	£602.2 million	The calculation uses the closing share price as per key investment metric table on page 18 and closing number of Ordinary Shares as per note 17 to the Financial Statements on page 153
NAV per Ordinary Share	A measure of the value of one Ordinary Share	The net assets divided by the number of Ordinary Shares	118.4p	As per the closing NAV per Ordinary Share and as per the Statement of Financial Position on page 128

## ALTERNATIVE PERFORMANCE MEASURES ("APMs") CONTINUED

APM	Purpose	Calculation	APM value	Reconciliation to IFRS
Ongoing charges ratio	A measure of the annual reduction in shareholder returns because of operational expenses based on historical data	Total ongoing expenses including Investment Manager fees, legal and professional fees, administration fees, Directors' fees and audit fees expressed as a percentage of average NAV through the year shown on page 90	1.15%	Detailed calculation on page 90
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 2023 plus all dividends in the year assumed reinvested, divided by the NAV at 31 December 2022, expressed as a percentage	(0.6)%	The calculation uses the Net Asset Value as per the Statement of Financial Position on page 128 and the cash dividends paid as per the Statement of Cash Flows on page 130
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 2023 plus all dividends in the year assumed reinvested, divided by the share price at 31 December 2022, expressed as a percentage	(7.6)%	The calculation uses the closing share price as per key investment metric table on page 18 and the cash dividends paid as per the Statement of Cash Flows on page 130



YARDWALL, UK

# GOVERNANCE

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## BOARD OF DIRECTORS

The Directors are responsible for determining the Company’s investment policy, have overall responsibility for its activities, and oversee performance.



**Alexander Ohlsson**  
Chair

### 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. Mr Ohlsson is the Chair of GCP Asset Backed Income Fund Limited; 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 Chair 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 Chair on 16 August 2013 and was re-elected on 14 June 2023.

### External directorships

GCP Asset Backed Income Fund Limited.



**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. 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 14 June 2023.

### External directorships

Jersey Electricity plc.



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

## BOARD OF DIRECTORS CONTINUED



**Ann Markey**  
Non-Executive Director

### Background

Ms Markey is an experienced business leader and Non-Executive Director with a strong financial background. She has over 25 years' experience as a senior executive and as a board member. Ms Markey has extensive experience in the electricity industry, particularly in thermal and renewable generation, including solar PV and wind. She was a senior executive with ESB, a leading Irish utility company, and with Greencoat Capital, a large renewable energy investment manager. She holds several Non-Executive Director positions, chairing Audit and Risk Committees. Ms Markey 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 14 June 2023.

### External directorships

Land Development Agency, Sustainable Energy Authority of Ireland.



**Monique O'Keefe**  
Non-Executive Director

### Background

Mrs O'Keefe is an Executive Director of Arrow Global Group Capital Management Limited, the fund manager for the Arrow Global Group business, and is the Chief Risk and Governance Officer for Arrow Global Group. She is also Deputy Chair of the Board of Commissioners at the Jersey Financial Services Commission, as well as sitting 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 14 June 2023.

### External directorships

Arrow Global Group Capital Management Limited (and related entities), Board of Commissioners at the Jersey Financial Services Commission, and Board of the Jersey Resolution Authority.



**Lynn Cleary**  
Non-Executive Director

### Background

Ms Cleary is an experienced senior executive with vast financial knowledge. As a former CFO of the Royal Bank of Scotland International, one of the largest in the Crown Dependencies, she steered the firm through the financial crash and led its transformation to comply with ring-fencing. An influential member of the Channel Islands' business community, Ms Cleary was a recent President of the Jersey Bankers Association and is current Chair of the Treasury Advisory Panel for the Government of Jersey and of the Audit Committee for Ports of Jersey.

Ms Cleary was appointed as a Non-Executive Director on 18 September 2023 and will stand for election by Shareholders at the next AGM in June 2024.

### External directorships

Treasury Advisory Panel for the Government of Jersey, Board of the Ports of Jersey.



# CORPORATE GOVERNANCE REPORT

## BOARD LEADERSHIP AND COMPANY PURPOSE



A successful company is led by an effective board. Foresight Solar's Directors promote its long-term sustainable success, generating value for Shareholders and contributing to society.

**Alexander Ohlsson**  
Chair

On behalf of the Board, I am pleased to introduce the Company's Corporate Governance Statement for the reporting period ended 31 December 2023.

### Board leadership

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

Foresight Solar's Board is made up of five independent Non-Executive Directors. (Their profiles are set out on pages 94 and 95.) The Nomination Committee has considered the Board's independence in detail and is confident of its autonomy. More detail on this analysis can be found from page 106.

The Board evaluates its effectiveness annually and, as part of that analysis, the Directors have confirmed they have adequate time to commit to their roles and responsibilities. Further details of this assessment are set out in the Nomination Committee Report from page 106.

The Directors believe that they have an appropriate balance of skills, experience and knowledge to oversee Foresight Solar's affairs and act in the best interest of its stakeholders. Diversity of experience and approach amongst members is important, and it is the Company's policy to give careful consideration to Board representation and diversity when making new appointments. (Details of the succession plan and recruitment initiatives are set out in the Nomination Committee Report from page 106.)

### Board operation

The Board is responsible to Shareholders for the proper management of the Company. Meetings are held at least quarterly, with further ad hoc sessions scheduled as required. In the year under review, 11 ad hoc gatherings were held in addition to the usual four quarterly sessions.

As part of its responsibilities, at each meeting, the Board monitors the Company's investment performance in comparison to its objectives. The Directors also review Foresight Solar's activities since the previous gathering to ensure the Investment Manager adheres to the agreed investment policy and to the approved investment guidelines, and, if necessary, approves changes to such policy and guidelines.

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

- Update from the Investment Manager, including:
  - Market commentary
  - Company portfolio overview
  - Portfolio performance reports
  - Independent power price estimates
  - Financial performance analysis, 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

# CORPORATE GOVERNANCE REPORT CONTINUED

## BOARD LEADERSHIP AND COMPANY PURPOSE

### Board operation continued

- Commentary from the Company’s brokers, including:
  - Market update
  - Share price performance against peers
  - Sales and trading report
- Contribution from the Compliance Officer and Company Secretary, including:
  - Compliance monitoring
  - Regulatory and governance updates

The Investment Management Agreement between Foresight Solar and Foresight Group sets out the matters over which the Investment Manager has authority, such as 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 supplemented by further details as requirements change.

A formal induction programme for all new appointees is in place. The Board has also instigated an ongoing annual training programme for Directors on topics relevant to the business.

### Purpose and culture

Foresight Solar’s purpose is to offer investors access to a sustainable, progressive quarterly dividend and enhanced capital value by investing in a diversified portfolio of ground-based solar PV and battery storage assets, including development-stage solar and BESS projects, in the UK and abroad.

To achieve this purpose, the Company’s culture creates openness, integrity and transparency in all business relationships, creating an environment of proactive engagement between Directors and stakeholders, a place for constructive challenge of the Investment Manager, and fostering ways to hold key service providers accountable.

The Board has sustainability responsibilities and aims, with the support of the Investment Manager, to continually improve the Company’s ability to deliver attractive financial returns to investors alongside strong environmental and social benefits.

### Governance

The Board’s governance framework continues to improve. The Directors work closely with the Company Secretary to review and refresh policies and procedures, ensuring they remain up to date and fit for purpose.

### Statement of compliance with the AIC Code

Foresight Solar is a member of the Association of Investment Companies (“AIC”) and the Board has considered the principles and provisions of the AIC Code of Corporate Governance (“AIC Code”).

The AIC Code addresses the relevant requirements set out in the UK Corporate Governance Code (“UK Code”), as well as setting out additional provisions on issues of specific relevance to investment trusts and to Foresight Solar.

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, provides more relevant information to Shareholders than if the Company applied the UK Code.

Therefore, FSFL has applied the principles and complied with the provisions of the AIC Code, available on [www.theaic.co.uk/aic-code-of-corporate-governance](http://www.theaic.co.uk/aic-code-of-corporate-governance)

1. Ann Markey was appointed to the Nomination Committee with effect from 22 February 2023.
2. Lynn Cleary was appointed to the Board with effect from 18 September 2023, joined the Audit and Risk Committee with effect from 23 November 2023 and became a member of the Remuneration Committee with effect from 29 February 2024.
3. Peter Dicks stepped down from the Board on 14 June 2023.

Directors’ attendance at Board and Committee meetings:

	Board	Audit and Risk	Management Engagement	Remuneration	Nomination
Alexander Ohlsson	14/15	—	1/1	—	5/6
Chris Ambler	15/15	7/7	1/1	1/1	6/6
Ann Markey <sup>1</sup>	14/15	7/7	1/1	—	3/4
Monique O’Keefe	9/15	5/7	1/1	1/1	6/6
Lynn Cleary <sup>2</sup>	4/4	2/2	—	—	—
Peter Dicks <sup>3</sup>	8/8	3/3	1/1	1/1	—

# CORPORATE GOVERNANCE REPORT CONTINUED

## BOARD LEADERSHIP AND COMPANY PURPOSE

Foresight Solar’s governance structure supports its purpose and creates a framework to bolster its culture and sustainability initiatives.

### Governance framework:

#### The role of the Board and division of responsibilities

Foresight Solar’s Board of Directors oversees the Investment Manager in delivering the Company’s purpose, engages with key stakeholders to understand how it can best represent their interests, and works closely with the main service providers to maintain strong operational performance.

#### Board roles

#### Role overview

<b>Chair</b>	The Chair leads the Board and is responsible for its overall effectiveness.
<b>Senior Independent Director</b>	The SID provides a sounding board for the Chair and serves as an intermediary for the other Directors and Shareholders.
<b>Non-Executive Director</b>	NEDs provide constructive challenge and strategic guidance, as well as offering specialist advice and holding service providers to account.
<b>Company Secretary</b>	The Company Secretary supports the Board and ensures the Company has the policies, processes, information, time and resources needed to function effectively and efficiently.



COPLEY FARM, UK

# CORPORATE GOVERNANCE REPORT CONTINUED

## BOARD LEADERSHIP AND COMPANY PURPOSE

### Board committees

The Board has four standing committees: Audit and Risk, Management Engagement, Remuneration, and Nomination. Each committee has adopted formal terms of reference, which dictate how to make recommendations to the Board. (Individuals interested in viewing these terms can request a copy by writing to the Company Secretary at Foresight Solar’s registered office.)

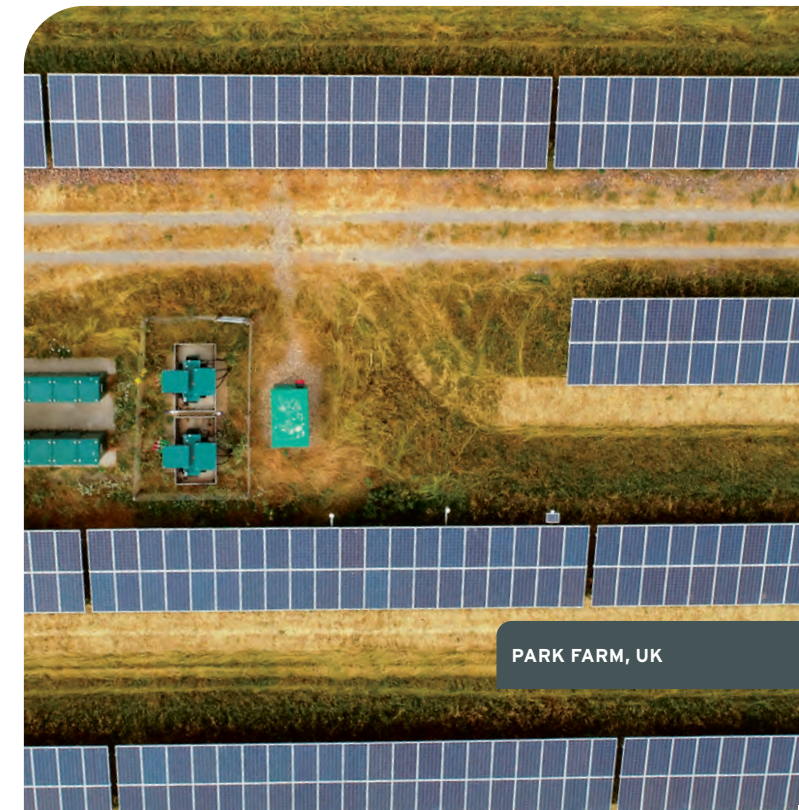
The role of each committee, along with its membership, is set out below:

<p><b>Audit and Risk</b></p>	<p><b>Management Engagement</b></p>
<p>Responsible for ensuring the Company maintains the highest standards of integrity, financial reporting, internal and risk management systems, and corporate governance.</p>	<p>Responsible for reviewing the performance of the Investment Manager, as well as evaluating other key service providers.</p>
<p><b>Composition:</b> Ann Markey (Chair) Monique O’Keefe Chris Ambler Lynn Cleary</p>	<p><b>Composition:</b> Alexander Ohlsson (Chair) Chris Ambler Ann Markey Monique O’Keefe</p>
<p><b>Nomination</b></p>	<p><b>Remuneration</b></p>
<p>Responsible for leading the process for Board appointments, evaluation, succession planning, and ensuring a diverse candidate pipeline.</p>	<p>Responsible for the development of remuneration policies and practices that support the Company’s strategy and promote its long-term success.</p>
<p><b>Composition:</b> Monique O’Keefe (Chair) Alexander Ohlsson Chris Ambler Ann Markey</p>	<p><b>Composition:</b> Monique O’Keefe (Chair) Chris Ambler Lynn Cleary</p>

Reports from the Company’s Committees are available from page 104.

### 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 most of the Company’s risk management and portfolio management functions and performs several of its management functions through its various committees.



PARK FARM, UK

# CORPORATE GOVERNANCE REPORT CONTINUED

## BOARD LEADERSHIP AND COMPANY PURPOSE

### Stakeholders

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

Directors are required to act in good faith and to behave in a way that promotes Foresight Solar's long-term success for the benefit of all its stakeholders. Fostering healthy and constructive relationships with the Company's different audiences and taking their interests into consideration as part of the decision-making process should result in increased shareholder value over the long term.

Whilst Foresight Solar is an investment company with no employees, the Board has identified its key stakeholders and dedicated resources to interact with them, collect and process their views before making relevant decisions.

It does so by tapping the Investment Manager, the joint brokers and the Company Secretary as the main points of contact. They are tasked with interacting with the different stakeholders, gathering input, communicating concerns and, ultimately, delivering the Board's decisions to achieve the best possible outcomes.

As part of its regular course of business, the Board receives updates on matters relevant to stakeholders and discusses those topics in depth during meetings and throughout the year, taking into consideration:

- The likely consequences of any decision in the long term
- The need to foster and retain business relationships with suppliers, customers and other stakeholders
- The impact of the Company's operations on local communities and the wider environment
- The importance of maintaining a reputation for high standards of business conduct
- The need to act fairly towards and ensure equal treatment of Shareholders

A description of Foresight Solar's main stakeholder groups, their interests and how the Directors have taken these into account when making determinations is set out on the following pages.

### Communicating with Shareholders

Shareholders are the Company's primary stakeholders, and Board decisions are carefully considered with their long-term interests in mind. With the support of its Investment Manager and brokers, Foresight Solar maintains regular communication with them and always welcomes their views.

During the year, the Board, the Investment Manager and the brokers held sessions with existing and prospective Shareholders. The main topics of interest were the macroeconomic environment, its effects on the business, and the actions being taken to reduce the share price discount to the Net Asset Value. This led to thorough explanations of FSFL's phased divestment plan and its expanded buyback programme. Spokespeople also touched on the approach to capital recycling to position the Company for growth once equity markets reopen, and its international footprint.

In addition to asking for and collecting feedback in every meeting, in 2023 Foresight Solar for the first time engaged an independent consultant to gather current and prospective investors' views in a perception audit. Questions covered a range of topics from performance to governance and brand to sustainability. The Board believes these studies are an important tool for planning because they offer an unbiased channel for Shareholders to provide views and opinions, resulting in improved communication with the market and an impartial measure of understanding of the Company's investment proposition. The survey's conclusions will be used to inform decision-making and strategy development.

# CORPORATE GOVERNANCE REPORT CONTINUED

## BOARD LEADERSHIP AND COMPANY PURPOSE

### Stakeholder group

### Engagement and communication

### Results and decisions



#### Shareholders

- Institutional and retail Shareholders

**27**

meetings with institutional investors

Foresight Solar's first independent investor survey

- Hosted the Annual General Meeting
- Held regular conversations, attended ad hoc investor meetings and conducted roadshows
- Addressed current and prospective retail investors with its first exclusive meeting
- Responded to queries on financial, strategic and sustainability topics
- Commissioned an independent investor audit to assess opinions of current and prospective Shareholders
- Presented financial updates, including Annual and Interim Reports and factsheets
- Published announcements via RNS
- Updated the dedicated Foresight Solar website
- Launched the Company's LinkedIn page to foster two-way, digital communication

- Declared dividend target of 7.55pps for 2023
- Launched a phased divestment programme of about 200MW of operational projects
- Completed the first sale in Foresight Solar's history at a 21% premium
- Initiated, and then expanded, a share buyback programme of up to £40 million
- Used extra cash from operations to pay down variable-rate debt
- Started building a robust development-stage pipeline with the acquisition of rights to 467MWp of projects in Spain



#### Lenders

- Banks

**13**

debt providers to the Company and its SPVs

- Updated regularly on covenant compliance and cash flow positioning

- Negotiated a one-year extension to the sustainability-linked revolving credit facility at current terms, limiting refinancing risk
- Delivered positively on the RCF's sustainability metrics

# CORPORATE GOVERNANCE REPORT CONTINUED

## BOARD LEADERSHIP AND COMPANY PURPOSE

### Stakeholder group

### Engagement and communication

### Results and decisions



#### Investment Manager

- Foresight Group

**10-YEAR**  
partnership with the Investment  
Manager

- Held regular and ad hoc Board meetings to discuss Company business
- Hosted a Strategy Day to discuss and agree Foresight Solar's position and measures to further its competitiveness
- Debated the potential impacts of government measures, such as the Review of Electricity Market Arrangements and the consultation on fixed-term contracts
- Assessed the Investment Manager's contractual relationship and its performance
- Monitored the effectiveness of the parameters for delegated authority to make investment decisions
- Oversaw internal controls arrangements

- Established the Investment Manager maintains robust internal controls
- Confirmed the continued appropriateness of the Investment Manager's delegated authority to make investment decisions
- Determined the continued appointment of Foresight Group was in the best interest of Shareholders



#### Commercial service providers

- Administrator and Company Secretary
- Joint corporate brokers
- Legal advisors
- Public relations agency
- Tax advisors

**2**  
tender processes to identify  
better quality and secure  
improved terms

- Held regular meetings and calls, as well as various interactions, on strategic actions
- Consulted on regulatory, governance, accounting and taxation matters
- Monitored the internal control environment of the Administrator and of the Company Secretary
- Sought opportunities to engage with journalists, build brand awareness and enhance Foresight Solar's reputation
- Conducted annual service provider performance reviews

- Retained services of all key service providers
- Concluded a competitive tender process to identify best value for external audit works, reappointing KPMG
- Managed a request for proposals to appoint a new public relations agency, selecting Powerscourt

# CORPORATE GOVERNANCE REPORT CONTINUED

## BOARD LEADERSHIP AND COMPANY PURPOSE

### Stakeholder group

### Engagement and communication

### Results and decisions



#### Regulators

- Jersey Financial Services Commission

28

interactions with the JFSC

- Oversaw service providers to ensure successful operations and regulatory reporting
- Interacted with the JFSC to ensure legal and financial compliance

- Took appropriate measures and guaranteed compliance



#### Asset-level counterparties

- Supply chain counterparties
- Landowners
- O&M contractors
- PPA counterparties

60+

different providers

- Focused engagement on value enhancement opportunities, including rationalisation of service provision for cost savings and/or improved services
- Hosted regular calls with O&M providers to ensure adequate oversight of portfolio operations
- Maintained regular contact with the owners of the land on which Foresight Solar's assets operate
- Increased emphasis on internal control frameworks to ensure they are robust and effective
- Increased scrutiny of, and resource allocated to, emerging risks

- Re-evaluated contracts to improve service levels and reduce costs
- Implemented value enhancement projects to improve portfolio operations
- Engaged with select landowners to extend asset leases
- Grew commercial relationships through new acquisitions and development opportunities



#### Local communities

- Local authorities and agencies
- Area residents

£392,816

contributions made to local communities

- Interacted with local authorities to ensure safe and compliant asset operations
- Conducted educational site visits for schools and colleges

- Contributed £392,816 to local community funds

Alexander Ohlsson

Chair

11 March 2024

## MANAGEMENT ENGAGEMENT COMMITTEE REPORT



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

**Alexander Ohlsson**  
Chair

### Membership:

- Alexander Ohlsson
- Chris Ambler
- Ann Markey
- Monique O'Keefe

### Roles and responsibilities:

- Review the terms of appointment and fees paid to the Investment Manager
- Oversee the performance of and hold the Investment Manager accountable for its service delivery
- Review the terms of appointment and fees paid to key service providers, including the Company Secretary, Administrator, registrar, legal and public relations advisors, and brokers
- Oversee the performance of and hold key service providers accountable for their work

Meeting at least once per year, the Management Engagement Committee's main responsibility is to assess the Investment Manager's performance in the context of the Investment Management Agreement between the Company and Foresight Group.

The Directors evaluate the Investment Manager's ability to provide income and growth, deliver financial performance for the desired risk profile, manage the Company's assets effectively, and distribute a sustainable, progressive dividend.

In addition to its main task, the Committee is also charged with analysing the delivery of key service providers' work.

### Performance of the Investment Manager

To analyse the Investment Manager's overall performance, the Committee investigates:

- The Company's results relative to its peers
- The Investment Manager's remuneration for services rendered for the period
- Foresight Group's ability to support the Board in delivering the Company's purpose

The Committee conducted a detailed review and concluded that, whilst the Board should continue to challenge the Investment Manager, the ongoing retention of Foresight Group at current remuneration levels remained in the Company's best interest.

## MANAGEMENT ENGAGEMENT COMMITTEE REPORT CONTINUED

### Performance of key service providers

The complex macroeconomic backdrop increased competition for capital even more, leading the Board to appoint Singer Capital Markets as a joint broker to the Company. They were selected for their extensive network and recognised sales capabilities, and tasked with expanding Foresight Solar's investor reach. Singer will work alongside Jefferies to strengthen existing relationships and form new connections with potential Shareholders.

After five and a half years of partnership, Foresight Solar and public relations firm Citigate Dewe Rogerson ended their relationship. After a competitive process between five providers, Powerscourt was selected to represent the Company based on its team's experience, creative ideas and value for money. The new PR adviser is providing a targeted approach to relay FSFL's key messages externally and reach specific investor audiences.

The Committee also conducted a review of other key service providers, including the Company Secretary and Administrator, brokers, legal advisors and registrar. It concluded that it would continue to work with them to address potential performance concerns and to ensure that the fees paid remained in line with the stipulated budget and the contractual agreements.

Overall, the Committee was comfortable that the dues paid were broadly in line with market rates for comparable services.

### Conclusion

Following these reviews, the Committee determined that it was in the Company's and its Shareholders' best interests for the Investment Manager's appointment to continue, and the Board has since ratified this decision.

### Alexander Ohlsson

Chair of the Management Engagement Committee

11 March 2024



ATHERSTONE, UK

# NOMINATION COMMITTEE REPORT

## COMPOSITION, SUCCESSION AND EVALUATION



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

### Membership:

- Monique O'Keefe
- Alexander Ohlsson
- Chris Ambler
- Ann Markey

### Roles and responsibilities:

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

The Nomination Committee is responsible for ensuring the Company sets formal, rigorous and transparent procedures to select new Board members. The succession pipeline is fostered using objective selection criteria that seek to promote diversity of gender, social and ethnic backgrounds, cognitive and personal strengths.

The Board reviews, at least once a year, its effectiveness and its combination of skills, experience and knowledge.

### Appointments and succession planning

The Board bid farewell to Peter Dicks in 2023 after he stepped down at the AGM in June. Mr Dicks served as a Director since the Company's Initial Public Offering in 2013 and made a significant contribution to Foresight Solar and its success during his tenure.

The Committee reviewed the tenure of Alexander Ohlsson and Chris Ambler, who have been in position since the Company's IPO in 2013, scrutinised their independence and performance, and is satisfied that both remain independent and continue to perform well.

Mr Ohlsson and Mr Ambler are expected to remain on the Board for the next 12 to 24 months as the Company pursues its succession plan. The retention of the two Directors is beneficial to support this phased rotation as it ensures an orderly handover to new Board members.

In addition to the continued strong performance of Mr Ohlsson and Mr Ambler, the longer term nature of Foresight Solar's assets and the desire to retain corporate history, knowledge and experience, the Committee recommended to the Board their continued service.

Further, with the upcoming discontinuation vote at the June AGM, the Committee considers it necessary to ensure stability and continuity on the Board.

During the year, the Committee engaged the Green Recruitment Company to support the first part of the phased succession plan. Unfortunately, this process failed to identify suitable candidates to match the criteria set for the role and had to be brought to an end.

The Board will engage an alternative independent search consultant to support the recruitment of a Non-Executive Director with skills similar to Mr Dicks' to join in 2024. The Committee is open to exploring an appointment in jurisdictions other than Jersey.

The Company, supported by Satori Executive Search, identified an appropriate Jersey-based candidate and we are pleased to announce the conclusion of the process to select a Non-Executive Director. Following due process, which included reviews of long and short lists, as well as interviews with Directors and the Investment Manager, Lynn Cleary was recognised as a strong candidate with complementary skills and experience.

# NOMINATION COMMITTEE REPORT CONTINUED

## COMPOSITION, SUCCESSION AND EVALUATION

### Appointments and succession planning continued

The Committee proceeded to make its recommendation and Ms Cleary was appointed to the Board with effect from 18 September 2023. She was also appointed to the Company's Audit and Risk and Remuneration committees. Ms Cleary will stand for election by Shareholders at the AGM in June 2024.

### Board and committee composition

The Committee reviewed the composition of the current Board and concluded that the Directors work effectively 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 current effective working dynamics.

The composition of the Company's committees was also analysed and the Committee recommended that Ann Markey join the Nomination Committee and that Lynn Cleary be a member of the Remuneration Committee. The committees needs will continue to be reviewed against the skills, experience and workload of the Directors to ensure they remain appropriately supported.

### Board performance evaluation

The Board undertakes an annual evaluation of its own performance and of its committees through an evaluation questionnaire. The Chair then discusses the results with the Board and its committees, and takes appropriate action to address any issues.

During 2023, the Board conducted an internally facilitated evaluation managed by the Company Secretary. The review involved the completion of a questionnaire by all Directors and a review of the actions from the external Board evaluation held the previous year. The key recommendations from the 2022 evaluation were:

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

With the Company Secretary's support, the Board reviewed Foresight Solar's policies and formalised a refreshed schedule of matters reserved for the Directors.

The governance reporting between the Board and its committees has also been more clearly defined and more consistently implemented during the year.

The key development points identified during the 2023 evaluation were:

- Continued implementation and evolution of the Company's succession plan to ensure appropriate Board rotation
- Ongoing training and support on the evolving Anti-Money Laundering and Counter Financing of Terrorism regulations in Jersey

- Development of the Board's review of the Company's risk management framework and internal controls, in line with corporate governance requirements

The Committee will continue to support the implementation and review of these recommendations, and the Board will consider conducting another externally facilitated evaluation in 2025.

Overall, the Board, the Chair, the Directors and the 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 additional information as requirements change. Changes affecting Directors' responsibilities are advised to the Board as they arise.

A formal induction programme for new appointees is in place, helping bring them up to speed on Company developments and accelerate competency-building. In any case, Directors are provided with key information on the Company's policies, regulatory and statutory requirements, and internal controls on a regular basis.

Directors also attend industry seminars, as well as participating in an ongoing annual training programme on topics relevant to the Company's business. This helps build necessary skills and creates opportunities for exchanges of experience between Board members.

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. All Directors met this requirement in 2023.

# NOMINATION COMMITTEE REPORT CONTINUED

## COMPOSITION, SUCCESSION AND EVALUATION

### Diversity

The Board has adopted a Diversity Policy to support the Company's commitment to increase diversity. This policy is reviewed by the Nomination Committee each year to ensure it remains fit for purpose.

With the appointment of Ms Cleary and the resignation of Mr Dicks, the Committee noted that the Company had 60% female representation but had limited ethnic diversity. Addressing this is part of the goal of the current recruitment initiatives.

As the Company continues to progress its succession plan, the Committee is considering candidates from the UK and continental Europe. Foresight Solar 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 require that they seek prior approval from the Board before taking up any other external appointments.

The Board recognises Directors' holdings of Ordinary Shares in the Company, details of which are set out on page 114. The Board considers these interests at each scheduled meeting and remains satisfied that they do not affect members' objectivity or their ability to exercise independent judgement.

### Re-election of Directors

Mr Ohlsson, Mr Ambler, Mrs O'Keefe and Ms Markey were all reappointed at the Annual General Meeting held on 14 June 2023. The Committee was pleased to see the strong Shareholder support, with each Director receiving more than 95% of votes in favour.

Ms Cleary, who was appointed in September 2023, will stand for election at the next AGM in June 2024. All other Directors will offer themselves for re-election at the same meeting.

### Monique O'Keefe

Chair of the Nomination Committee

11 March 2024

### Board member diversity

	Number of Board members	Percentage of the Board	Number of senior positions <sup>1</sup>
<b>Male</b>	2	40%	2
<b>Female</b>	3	60%	–
	Number of Board members	Percentage of the Board	Number of senior positions <sup>1</sup>
<b>White British or other White (including minority-white groups)</b>	5	100%	2

1. Chair and Senior Independent Director.

# AUDIT AND RISK COMMITTEE REPORT

## AUDIT, RISK AND INTERNAL CONTROL



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

### Membership:

- Ann Markey
- Chris Ambler
- Monique O’Keefe
- Lynn Cleary

### Roles and responsibilities:

- Monitor the integrity of the Financial Statements and approve the accounts
- Review Foresight Solar’s internal control and risk management systems
- Make recommendations to the Board about the appointment of the external Auditor
- Oversee the external Auditor and monitor its independence
- Implement and review the policy on the engagement of the external Auditor to supply non-audit services

The Committee operates within clearly defined terms of reference, which are reviewed annually and include the Company’s reporting on sustainability.

During the year, the Committee finalised its framework on risk management and internal controls. This work has improved the transparency of Foresight Solar’s risk management systems and processes, and has more clearly delineated risk responsibilities. The Committee will consider the impact from the recent changes to the UK Corporate Governance Code and any potential future updates to the AIC Code on its work.

The Committee is charged with maintaining an open and effective relationship with the Company’s Auditor. The Chair of the Committee stays in regular contact with the Auditor during the audit process and the Auditor attends meetings in which the Annual Financial Statements are considered.

KPMG LLP (“KPMG”) has completed the Company’s external audit for 2023 and has not performed any non-audit services during the year. JTC (Jersey) Limited (“JTC”) prepares all necessary tax returns following sign-off of the annual accounts.

Meetings are scheduled to coincide with Foresight Solar’s reporting cycle and the Committee met seven times during the year, reflecting its work on the tender for audit services.

None of the members of the Committee have any involvement in the preparation of the Company’s Financial Statements. The Committee reports directly to the Board, which retains the ultimate responsibility for the Financial Statements.

### Significant issues considered

The Committee has identified and considered the following principal key risk in relation to Foresight Solar’s 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. (It is also considered by the Committee in relation to the Interim Financial Statements.)

# AUDIT AND RISK COMMITTEE REPORT CONTINUED

## AUDIT, RISK AND INTERNAL CONTROL

### Significant issues considered continued

#### Valuation of unquoted investments

The unquoted investment is a 100% controlling interest in Foresight Solar ('UK Hold Co') Limited, 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 readily available.

The total controlling interests of the Company's assets are held through its subsidiary, Foresight Solar ('UK Hold Co') Limited: 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 to the Financial Statements on page 131 for details.) 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"), and 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 their net assets.

The majority of the total assets (by value) of FS Holdco, FS Debtco, SGP 1 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.

The valuations of underlying investments are an area of inherent risk and judgement. There is an inherent risk of the Investment Manager unfairly valuing the assets due to its fee being linked to Foresight Solar's Net Asset Value.

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 benchmarks. These policies are set out in note 2 to the Financial Statements, from page 132.

The Committee reviews the Investment Manager's valuations, including changes in assumptions. The Investment Manager confirmed the underlying valuations had been calculated consistently throughout the year and in accordance with industry guidelines, taking account of the latest available information about investee companies and current market data. The Investment Manager also 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 to 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 it was 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 Foresight Solar'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 documentation presented to it in accordance with the relevant guidance. It also assessed the quality and effectiveness of the engagement between the Auditor, the Investment Manager and the Administrator.

The Committee considered the performance of the Auditor and agreed that KPMG provided a high level of service and maintained a good knowledge of the market, ensuring audit quality. Overall, KPMG has carried out its duties in a diligent and professional manner.

# AUDIT AND RISK COMMITTEE REPORT CONTINUED

## AUDIT, RISK AND INTERNAL CONTROL

### External Auditor continued

The Committee also conducted a review of KPMG's independence and objectivity, which included an analysis of the firm's own objectivity and independence assessment, and was satisfied that it was objective and independent. The current audit partner took over the role in November 2020, and so is within the five-year permitted period. She will rotate off the account at the end of the 2024 audit.

The Financial Reporting Council ("FRC"), the UK regulator for auditors, accountants and actuaries, conducted a randomised inspection of KPMG's audit of the Company's 2022 Financial Statements. The investigation covered audit risk assessment and planning; execution of the audit plan; completion and reporting, including the quality of communication with the Audit and Risk Committee; and focused on:

- Key audit matters
  - Valuation of unquoted investments
- Other audit areas
  - Revenue recognition
  - Journal entry testing

The FRC concluded the audit was "good", which is the highest quality rating available, and indicated no key or other findings were identified. (The background and scope of the FRC's inspections, its approach to assessing audit quality, together with its confidentiality obligations, are set out on its website: [www.frc.org.uk/auditors/audit-quality-review](http://www.frc.org.uk/auditors/audit-quality-review).)

### Audit tender

KPMG has audited the Company since it listed in 2013, overseeing the process from the first financial year end on 31 December 2014 to the one covered in this report, which ended on 31 December 2023. According to the FRC's "Audit Committees and the External Audit: Minimum Standard", Foresight Solar was obliged to tender its independent audit work for the financial year ending on 31 December 2024 and will be obliged to rotate its Auditor again in ten years' time.

The Company, therefore, commenced a tender for audit services in July 2023 and concluded the process in December. The selection was managed by a Steering Committee consisting of Ann Markey and Chris Ambler, and was closely supported by the Investment Manager and the Company Secretary. To ensure all members of the Audit and Risk Committee were involved, the Steering Committee provided regular updates and shared proposals for review and comment.

The tender started with an invitation to four shortlisted audit firms. The names were derived from consultation with Foresight Group and from a review of the prospective firms' credentials and capabilities of auditing listed renewable energy investment companies. A key consideration was whether candidates had a valuations team with experience in renewable energy transactions. The shortlist also included a "challenger" firm from outside the "big four".

Foresight Solar's current auditors, KPMG, were asked to re-tender because of their institutional knowledge, understanding of the audit engagement and scope, and working relationship with the Company's key advisors.

The Audit and Risk Committee set the following selection criteria to objectively evaluate each proposal:

- Sector expertise well suited to the Company's asset class and multi-geography presence, as well as consideration for Foresight Solar's acquisition pipeline
- Experience and audit quality record of the firm and of the lead partner proposed
- Experience in transitioning similar audit mandates
- Planned use of technology in the process to deliver quality and efficiency
- Proposed fees

Ultimately, three auditors submitted proposals, with one firm declining to tender due to potential conflicts. The Steering Committee carefully reviewed the documents in October and, the following month, the three tendering firms were invited to present their proposals. The Steering Committee then recommended a preferred option, along with a secondary choice, to the Audit and Risk Committee.

The full Audit and Risk Committee met in December to review the process and consider the recommendation. Following due consideration, and having satisfied itself that the tender was fair, objective and transparent, the Audit and Risk Committee approved the recommendation of the two prospective firms to the Board. The Directors then reviewed the recommendation and resolved to reappoint KPMG LLP for the audit of the financial year ending 31 December 2024.

The decision to reappoint KPMG was supported by the fact that the firm achieved the best results against the evaluation criteria. The Board also took into consideration KPMG's "good" mark in the FRC's Audit Quality Review for the Company's 2022 audit.

# AUDIT AND RISK COMMITTEE REPORT CONTINUED

## AUDIT, RISK AND INTERNAL CONTROL

### **Audit tender continued**

All firms that participated in the tender process produced strong proposals. The Committee would like to thank each one for taking part and thoroughly engaging with the selection process.

KPMG will stand for reappointment at the Company's AGM in June 2024.

### **Internal control and risk management**

The Directors have responsibility for the Company's internal controls and for 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 needs and its risks. By its nature, however, the system can provide reasonable but not absolute assurance against misstatement or loss.

The Board has appointed JTC as Accountant and Administrator, effectively delegating the Company's financial management. There is an established system of controls in place to ensure proper records are maintained and financial information is accurate and reliable, and that Foresight Solar's assets are safeguarded.

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

Pursuant to the terms of its appointment, the Investment Manager provides the Board with a pipeline of potential investment opportunities for it to consider and has physical custody of documents of title relating to the equity investments involved.

The Investment Manager confirmed that there is a continuous process for identifying, evaluating and managing the Company's risks. 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 receives regular reports highlighting all material changes to the risk ratings and confirming the actions that have been or are being taken. This process covers Foresight Solar's key business, operational, compliance and financial risks, and includes consideration of the risks associated with its arrangements with professional advisors.

The Audit and Risk Committee reviewed the effectiveness of the system of internal controls, along with a review of the operational and compliance controls and risk management. The Committee reported its conclusions to the Board, which was satisfied with the overall outcome and with the quality of the internal controls.

The Committee has, however, recommended improvements to the Company's Anti-Money Laundering and Counter Financing of Terrorism risk management policies and processes in line with the relevant Jersey regulations.

The Audit and Risk Committee also analysed the need for an internal audit function and 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 to safeguard Shareholders' investment and the Company's assets.

### **Other matters**

During the year, the Committee investigated 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. This decision will be revised annually to ensure it remains appropriate.

Cybersecurity risks and measures were also reviewed during 2023 and the Committee was satisfied that the Company has adequate protections in place. Cybersecurity breaches are an ongoing threat and the Committee works with its key service providers to ensure protective measures remain effective and fit for purpose.

### **Ann Markey**

Chair of the Audit and Risk Committee

11 March 2024

# DIRECTORS' REMUNERATION REPORT

## REMUNERATION



The Committee has responsibility for reviewing and establishing Directors' remuneration, specifically reflecting the responsibilities and time commitment of their roles.

### Monique O'Keefe

Chair of the Remuneration Committee

### Membership:

- Monique O'Keefe
- Chris Ambler
- Lynn Cleary

### Roles and responsibilities:

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

### Introduction

The Board has prepared this report in line with the AIC Code. An ordinary resolution to approve it will be put to Shareholders at the forthcoming 2024 Annual General Meeting.

### Remuneration considerations

The Committee considers the Board's fees at least once per year, undertaking – when necessary – external comparisons to ensure Directors' remuneration is in line with industry standards. During 2023, neither the Board nor the Committee have been provided with external advice or services about remuneration. The Directors have, however, received peer information for comparison from the Investment Manager.

The Committee considered seeking guidance from an independent consultant but concluded that, due to the Investment Manager's analysis and the availability of appropriate benchmark data, a third-party contribution was not required. The Committee considers the need for external input every year.

Directors had an increase of 5% in fees for 2023. Following its latest review, the Committee concluded that a below-inflation rise of 4% should be applied to Directors' remuneration for this year. The policy guiding these changes is described on the next page.

When determining the appropriate level of compensation for the Directors, the Committee took into consideration a multitude of factors, including the inflationary landscape, the complex regulatory environment, the significant increase in responsibilities due to the Company's growth agenda, and the growing time commitment required of Directors. The Committee also considered feedback received during the recruitment of new Directors.

The detailed fees proposed for 2024 are set out on the next page. The Committee considered this compensation to be justified against the Company's performance and the available peer data. The Committee also concluded that these fees enable Foresight Solar to competitively pursue its succession plan within the overall limit set out in the Company's Articles.

The Committee analysed the fee levels for the Senior Independent Director ("SID") and concluded that, whilst the role came with more 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 Chair on a temporary basis.

Finally, it's important to note that the Directors are not involved in deciding their own individual remuneration, with each Board member abstaining from voting on their own compensation.

# DIRECTORS' REMUNERATION REPORT CONTINUED

## REMUNERATION

### Remuneration policy

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 the recruitment of high calibre candidates that, at a minimum, maintain the existing Board's high standards. It is considered appropriate that no aspect of Director remuneration should include share options or should be performance-related due to their Non-Executive status.

Directors' fixed annual fees are set in accordance with Foresight Solar's Articles of Association, which establishes the limit for compensation.

The Company pays Directors every quarter, in arrears. Mr Ohlsson's remuneration is paid to Carey Olsen Corporate Services Jersey Limited and Mr Ambler is obliged to direct 20% of his fees 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 they 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 whilst engaged on Company business.

Shareholders approved the remuneration policy at the Annual General Meeting held on 14 June 2023 for the financial year to 31 December 2023 and it will apply to subsequent years. Shareholders' views about remuneration are communicated at the AGM and considered in formulating the policy.

### 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 in the following table. No Director waived any fees in the year under review. No other remuneration was paid or payable during the period nor were any expenses claimed by or paid to them other than for expenses incurred wholly, necessarily and exclusively in furtherance of their duties as Directors of the Company.

The Company's Articles of Association set a £400,000 per annum limit on aggregate Director fees, but compensation must also be considered within the wider remuneration policy. Foresight Solar also holds Directors' liability insurance.

	Anticipated Directors' fees for the year ending 31 December 2024 (Unaudited)	Directors' fees for the year ended 31 December 2023 (Audited)	Directors' fees for the year ended 31 December 2022 (Audited)
Alexander Ohlsson (Chair)	£83,000	£79,800	£76,000
Chris Ambler	£53,550	£51,450	£49,000
Ann Markey	£65,550	£63,000	£60,000
Monique O'Keefe	£53,550	£51,450	£49,000
Lynn Cleary <sup>1</sup>	£53,550	£14,801	—
Peter Dicks <sup>2</sup>	—	£23,322	£49,000
<b>Total</b>	£309,200	£283,823	£283,000

- Lynn Cleary was appointed to the Board with effect from 18 September 2023, joined the Audit and Risk Committee with effect from 23 November 2023 and became a member of the Remuneration Committee with effect from 29 February 2024.
- Peter Dicks stepped down from the Board on 14 June 2023.

### Company interest

Directors who had interests in the shares of the Company on 31 December 2023 are shown below. As noted earlier, Directors do not have any options over shares.

	Ordinary Shares of nil par value held on 31 December 2023	Ordinary Shares of nil par value held on 31 December 2022
Alexander Ohlsson (Chair) <sup>1</sup>	75,000	25,000
Chris Ambler	51,691	36,162
Ann Markey	10,000	—
Monique O'Keefe	—	—
Lynn Cleary	—	—

- Shares legally and beneficially owned by a personal pension company.

### Approval of report

The Board will propose a resolution at the forthcoming AGM that this Remuneration Report be approved, including the Directors' fees for the year to 31 December 2024.

### Monique O'Keefe

Chair of the Remuneration Committee

11 March 2024

## DIRECTORS' REPORT

The Directors present their report and the audited Financial Statements of the Company for the year ended 31 December 2023.

### The Company

Foresight Solar Fund Limited is a closed-ended company with an indefinite life. It was incorporated in Jersey under the Companies (Jersey) Law 1991, as amended on 13 August 2013, with registration number 113721, and, as such, is regulated in Jersey as a listed fund in accordance with the JFSC's Listed Fund Guide.

The registered office's address is: 28 Esplanade, St. Helier, Jersey, JE4 2QP.

### 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 11 March 2024 there were 581,569,316 Ordinary 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 mix of institutional and retail investors. Those with a holding of more than 5% as at 31 December 2023 were:

Investor	% shareholding as at 31 December 2023 <sup>1</sup>
BlackRock Investment Management Ltd	12.32%
Gravis Capital Management Ltd	6.61%
Cazenove Capital Management Ltd	5.22%
Charles Stanley & Co Ltd	5.12%
<b>Total</b>	<b>29.27%</b>

1. This table reflects the information available as at the date of publication. No further disclosures have been made to the Company under DTR5.

### Allotment of shares

The Shareholders have authorised Directors to issue new shares equivalent of up to 10% of Foresight Solar's 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 also authorised Directors to allot shares without application of the pre-emption rights, as set out in Article 10.2 of the Company's Articles of Association and in the Financial Conduct Authority's Listing Rules 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 authority by proposing a special resolution be passed at the Annual General Meeting.

No shares were allotted under this authority during the year.

## DIRECTORS' REPORT CONTINUED

### Purchase of own shares

The Company has been authorised to make market purchases of its own Ordinary Shares of up to 14.99% of its 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 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 26 May 2023, equivalent to 91,493,198
- 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

Any repurchase of Ordinary Shares 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 NAV 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.

On 4 May 2023, the Company announced a £10 million share buyback programme to address the disconnect between asset values inferred by the share price and the asset pricing supported by third-party transactions. The programme was extended twice to a total of up to £40 million. By 31 December 2023, the Company had utilised half of its allocation to repurchase 20,719,375 Ordinary Shares. The Board will keep buybacks under review to ensure its continuation remains in Shareholders' best interests.

As at the date of this report, 28,389,404 Ordinary Shares had been repurchased under this authority, which will expire on the earlier of 15 September 2024 or the Company's next AGM.

### Treasury shares

Jersey Company Law allows companies to hold shares acquired in the market 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 Foresight Solar the ability to reissue shares quickly and cost efficiently, improving liquidity and providing additional flexibility in the management of its capital base.

As at the date of this report, 28,389,404 shares were held in treasury.

### Dividends

Under the Articles, the Board is authorised to approve the payment of interim dividends without the need for Shareholder approval. However, having regard to best practice, the Company seeks permission from Shareholders for its dividend policy to pay four interim dividends per year at each Annual General Meeting. This authority was duly approved at the AGM on 14 June 2023.

### 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 rather than cash. Foresight Solar was also authorised to offer an ongoing Scrip Dividend Scheme for a period of three years. This authority was renewed at the AGM held on 15 June 2022.

## DIRECTORS' REPORT CONTINUED

### **Scrip dividend option continued**

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

Whilst the Scrip Dividend Scheme has been suspended, the Directors keep it under review with the objective of reinstating it as soon as it is appropriate to do so.

### **Share dealing code, policy and manual**

In accordance with the UK Market Abuse Regulations, Foresight Solar has adopted a share dealing code, policy and manual to ensure compliance when Directors, being Persons Discharging Managerial Responsibilities, deal in its 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**

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

It 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.

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

### **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 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 Directors, indemnifying them in case of certain liabilities which may be incurred in connection with its business activities. This policy, however, does not provide cover for fraudulent or dishonest actions.

### **Articles of Association**

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

### **Website publication**

The Board is responsible for publishing the Company's audited Annual Report and Financial Statements on the website, in accordance with applicable legislation governing their preparation and dissemination.

The Directors are responsible for the maintenance and integrity of the website, as well as the information published therein, including the Financial Statements.

Legislation in Jersey governing the preparation and dissemination of financial statements may differ from that in other jurisdictions.

### **Post-balance sheet events**

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

### **Annual General Meeting**

The AGM is expected to be held on 12 June 2024 at the Company's registered office at 28 Esplanade, St. Helier, Jersey, JE2 3QA.

Further details on how Shareholders can participate will be set out in the Notice of Annual General Meeting that will be published in due course.

By order of the Board

### **Alexander Ohlsson**

Chair

For and on behalf of  
Foresight Solar Fund Limited

11 March 2024

# STATEMENT OF DIRECTORS' RESPONSIBILITIES

## IN RESPECT OF THE ANNUAL REPORT AND FINANCIAL STATEMENTS

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

Jersey Company Law requires directors to prepare financial statements that give a true and fair view of a company's state of affairs and of its profit or loss for each financial year. Under that law, and as permitted by UK Disclosure Guidance and Transparency Rules, the Directors have elected to prepare the Financial Statements in accordance with standards issued by the International Accounting Standards Board and applicable law.

In preparing the 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 the Company's financial position with reasonable accuracy at any time, 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 Company's assets and to prevent and detect irregularities.

The maintenance and integrity of the corporate and financial information included on Foresight Solar's website is the Directors' responsibility; the Auditor's work carried out 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 its audit report since 11 March 2024. KPMG LLP has carried out no procedures of any nature subsequent to 11 March 2024 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.

### **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 Annual 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 they face

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

### **Alexander Ohlsson**

Chair

For and on behalf of  
Foresight Solar Fund Limited

11 March 2024

# FINANCIAL STATEMENTS

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## 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 2023, 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 adopted pursuant to Regulation (EC) No. 1606/2002 as it applies in the European Union, of the state of the Company’s affairs as at 31 December 2023, and of its loss for the year then ended; and
- have been properly prepared in accordance with the Companies (Jersey) Law, 1991.

#### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (“ISAs (UK)”) and applicable law. Our responsibilities are described below. We 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 listed public interest 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 2022), in arriving at our audit opinion above, together with our key audit procedures to address those matters and our findings from those procedures in order that the Company’s members, as a body, may better understand the process by which we arrived at our audit opinion. This matter was addressed, and our findings are based on procedures undertaken, in the context of, and solely for the purpose of, our audit of the financial statements as a whole, and in forming our opinion thereon, and consequently are incidental to that opinion, and we do not provide a separate opinion on this matter. In arriving at our audit opinion above, the key audit matter was as follows (unchanged from 2022):

## INDEPENDENT AUDITOR'S REPORT CONTINUED TO THE MEMBERS OF FORESIGHT SOLAR FUND LIMITED

Valuation of unquoted investments	Subjective valuation:	Our procedures included:
<p>(£683.1 million; 2022: £715.9 million)</p> <p>Refer to page 109 (Audit &amp; Risk Committee Report), page 136 (accounting policy) and page 140 (financial disclosures).</p> <p>Risk level remains unchanged from prior year.</p>	<p><b>Subjective valuation:</b> 98% (2022: 93%) of the Company's total assets (by value) is held in investments where no quoted market price is available.</p> <p>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.</p> <p>As these investments are unquoted and illiquid, in order to determine the fair value, the directors adopted a number of assumptions and data points which are unobservable in the market.</p> <p>These include:</p> <p><b>Significant assumptions:</b> 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.</p> <p><b>Non-significant assumptions and data points:</b> 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:</p> <ul style="list-style-type: none"> <li>Useful economic life assumption</li> <li>Inflation assumption</li> <li>Revenue and costs data</li> </ul> <p>The financial statements (note 16) disclose the sensitivity estimated by the Company.</p>	<p><b>Our procedures included:</b></p> <p><b>Control design:</b></p> <ul style="list-style-type: none"> <li>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.</li> <li>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.</li> </ul> <p>Our procedures for significant assumptions included:</p> <p><b>Our valuations experience:</b></p> <ul style="list-style-type: none"> <li>We critically evaluated and challenged the significant assumptions affecting the valuation of the underlying assets, namely, 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.</li> </ul> <p>Our procedures in respect of the non-significant assumptions and data points included:</p> <p><b>Test of detail:</b> 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 when the assets were constructed. We evaluated the competence, objectivity and independence of the third-party engineers engaged by the company. 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.</p> <p>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.</p> <p><b>Our valuations experience:</b> 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.</p> <p><b>Assessing transparency:</b> 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.</p> <p><b>Our findings:</b> We found the Company's valuation of unquoted investments to be balanced (2022: balanced).</p>

## **INDEPENDENT AUDITOR'S REPORT** CONTINUED **TO THE MEMBERS OF FORESIGHT SOLAR FUND LIMITED**

### **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 £6.9 million (2022: £7.70 million), determined with reference to a benchmark of total assets, of which it represents 1% (2022: 1%).

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

Performance materiality was set at 75% (2022 : 75%) of materiality for the financial statements as a whole, which equates to £5.10 million (2022 : £5.77m). 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 £0.35 million (2022: £0.38 million), in addition to other identified misstatements that warranted reporting on qualitative grounds.

Our audit of the company was undertaken to the materiality and performance materiality levels 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. 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 discontinuation vote at the Annual General Meeting in June 2024, which is triggered by the level of discount between the Company's net asset value and its share price;
- 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.

## INDEPENDENT AUDITOR'S REPORT CONTINUED TO THE MEMBERS OF FORESIGHT SOLAR FUND LIMITED

### 5. Going concern continued

In relation to the discontinuation vote, we considered the likely outcome of the discontinuation vote with reference to the following information:

- The outcome of the recent survey of investors commissioned by the Company, and conducted by an independent third party;
- The performance of the Company, with reference to the performance of the underlying assets. We have also considered this in light of the current macroeconomic conditions and compared to competitors/similar asset funds in the same sector;
- The voting history in the Company's Annual General Meetings;
- The profile of the shareholders; and
- Our knowledge of the industry and market the Company operates in.

In relation to the valuation of the assets and the liquidity of the investment portfolio, 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; and
- 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.

## INDEPENDENT AUDITOR'S REPORT CONTINUED TO THE MEMBERS OF FORESIGHT SOLAR FUND LIMITED

### **6. Fraud and breaches of laws and regulations - ability to detect** continued **Identifying and responding to risks of material misstatement due to fraud** continued

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 and implementation of controls over journals entries at the Administrator, no further high-risk journal entries or other adjustments were identified.

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

#### **Identifying and responding to risks of material misstatement related to 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), distributable profits legislation, and the Listing Rules, and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

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

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

#### **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 fraud 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.

## INDEPENDENT AUDITOR'S REPORT CONTINUED TO THE MEMBERS OF FORESIGHT SOLAR FUND LIMITED

### 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.

Under the terms of our engagement, we are also required to report to you if, in our opinion, the part of the Directors' Remuneration Report which we were engaged to audit is not in agreement with the accounting records and returns. We have nothing to report in these respects.

#### 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 page 81 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 and Risk Committee, including the significant issues that the Audit and 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.

## INDEPENDENT AUDITOR'S REPORT CONTINUED TO THE MEMBERS OF FORESIGHT SOLAR FUND LIMITED

### 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 financial statements 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 118, the Directors are responsible for: the preparation of financial statements that give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

#### Auditor's responsibilities

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

A fuller description of our responsibilities is provided on the FRC's website at:

[www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities).

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

This report is made solely to the Company's members, as a body, in accordance with Article 113A of the Companies (Jersey) Law 1991 and the terms of our engagement by the Company. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report, and the further matters we are required to state to them in accordance with the terms agreed with the Company, and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

### Fang Fang Zhou

for and on behalf of KPMG LLP

Chartered Accountants and Recognised Auditor

15 Canada Square  
Canary Wharf  
London  
E14 5GL

11 March 2024

## STATEMENT OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2023

	Notes	31 December 2023 £'000	31 December 2022 £'000
<b>Revenue</b>			
Interest earned on cash in bank		54	6
Interest income	4	31,820	36,146
(Loss)/gains on investments held at fair value through profit or loss	14	(32,838)	126,840
<b>Total revenue</b>		<b>(964)</b>	162,992
<b>Expenditure</b>			
Administration fees	6	(208)	(200)
Directors' fees	7	(284)	(283)
Management fees	5	(7,037)	(7,418)
Other expenses	8	(791)	(620)
<b>Total expenditure</b>		<b>(8,320)</b>	(8,521)
<b>(Loss)/profit before tax for the year</b>		<b>(9,284)</b>	154,471
Taxation	2.7	—	—
<b>(Loss)/profit for the year</b>		<b>(9,284)</b>	154,471
Other comprehensive income		—	—
<b>(Loss)/profit and other comprehensive (loss)/profit for the year</b>		<b>(9,284)</b>	154,471
<b>(Loss)/earnings per Ordinary Share (pence per share)</b>	9	<b>(1.54)</b>	25.32

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

The accompanying notes on pages 131 to 162 form an integral part of these Financial Statements.

## STATEMENT OF FINANCIAL POSITION

### AS AT 31 DECEMBER 2023

	Notes	31 December 2023 £'000	31 December 2022 £'000
<b>Assets</b>			
<b>Non-current assets</b>			
Investments held at fair value through profit or loss	14	683,104	715,942
<b>Total non-current assets</b>		<b>683,104</b>	715,942
<b>Current assets</b>			
Interest receivable	10	13,651	44,731
Trade and other receivables	11	290	279
Cash and cash equivalents	12	2,041	11,052
<b>Total current assets</b>		<b>15,982</b>	56,062
<b>Total assets</b>		<b>699,086</b>	772,004
<b>Equity</b>			
Retained earnings		67,997	141,575
Stated capital and treasury shares	17	629,892	629,892
<b>Total equity</b>		<b>697,889</b>	771,467
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables	13	1,197	537
<b>Total current liabilities</b>		<b>1,197</b>	537
<b>Total liabilities</b>		<b>1,197</b>	537
<b>Total equity and liabilities</b>		<b>699,086</b>	772,004
<b>Net Asset Value per Ordinary Share</b>	18	<b>118.4</b>	126.5

The Financial Statements on pages 127 to 130 were approved by the Board of Directors and signed on its behalf on 11 March 2024 by:

**Alexander Ohlsson**

Chair

The accompanying notes on pages 131 to 162 form an integral part of these Financial Statements.

## STATEMENT OF CHANGES IN EQUITY

### FOR THE YEAR ENDED 31 DECEMBER 2023

	Notes	Issued Ordinary Shares £'000	Treasury shares <sup>1</sup> £'000	Retained earnings £'000	Total £'000
<b>Balance as at 1 January 2023</b>		<b>629,892</b>	<b>—</b>	<b>141,575</b>	<b>771,467</b>
Total comprehensive loss for the year:					
Loss for the year		—	—	(9,284)	(9,284)
Transactions with owners, recognised directly in equity:					
Dividends paid in the year	21	—		(44,385)	(44,385)
Purchase of treasury shares <sup>1</sup>	17	(19,909)	19,909	(19,909)	(19,909)
<b>Balance as at 31 December 2023</b>		<b>609,983</b>	<b>19,909</b>	<b>67,997</b>	<b>697,889</b>

1. This figure represents the cash payments made to Jefferies International Limited by 31 December 2023.

### FOR THE YEAR ENDED 31 DECEMBER 2022

	Notes	Stated capital <sup>2</sup> £'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

2. The stated capital of the Company comprises issued Ordinary Shares, share premium and treasury shares.

The accompanying notes on pages 131 to 162 form an integral part of these Financial Statements.

## STATEMENT OF CASH FLOWS

### FOR THE YEAR ENDED 31 DECEMBER 2023

	Notes	31 December 2023 £'000	31 December 2022 £'000
<b>(Loss)/profit for the year after tax</b>		<b>(9,284)</b>	154,471
Adjustments for:			
Unrealised loss/(gains) on investments	14	<b>32,838</b>	(126,840)
<b>Operating cash flows before changes in working capital</b>		<b>23,554</b>	27,631
Decrease in interest receivables	10	<b>31,080</b>	15,372
Increase in trade and other receivables	11	<b>(11)</b>	(4)
Increase in trade and other payables	13	<b>660</b>	93
<b>Net cash inflow from operating activities</b>		<b>55,283</b>	43,092
<b>Financing activities</b>			
Purchase of treasury shares		<b>(19,909)</b>	—
Dividends paid	21	<b>(44,385)</b>	(43,004)
<b>Net cash outflow from financing activities</b>		<b>(64,294)</b>	(43,004)
<b>Net (decrease)/increase in cash and cash equivalents</b>		<b>(9,011)</b>	88
Cash and cash equivalents at the beginning of the year		<b>11,052</b>	10,964
<b>Cash and cash equivalents at the end of the year</b>	12	<b>2,041</b>	11,052

The accompanying notes on pages 131 to 162 form an integral part of these Financial Statements.

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 31 DECEMBER 2023

### 1. Company information

Foresight Solar Fund Limited (the “Company”) is a closed-ended public company with an indefinite life and was incorporated in Jersey under the Companies Law (Jersey) 1991, as amended, on 13 August 2013, with registered number 113721. The address of the registered office is: 28 Esplanade, St Helier, Jersey, JE4 2QP.

The Company has one investment, Foresight Solar (UK Hold Co) Limited (“UK Hold Co”). 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 Foresight Battery Storage Holding Limited, formerly Sandridge Battery Storage Holding Limited (“FBSHL”).

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”).

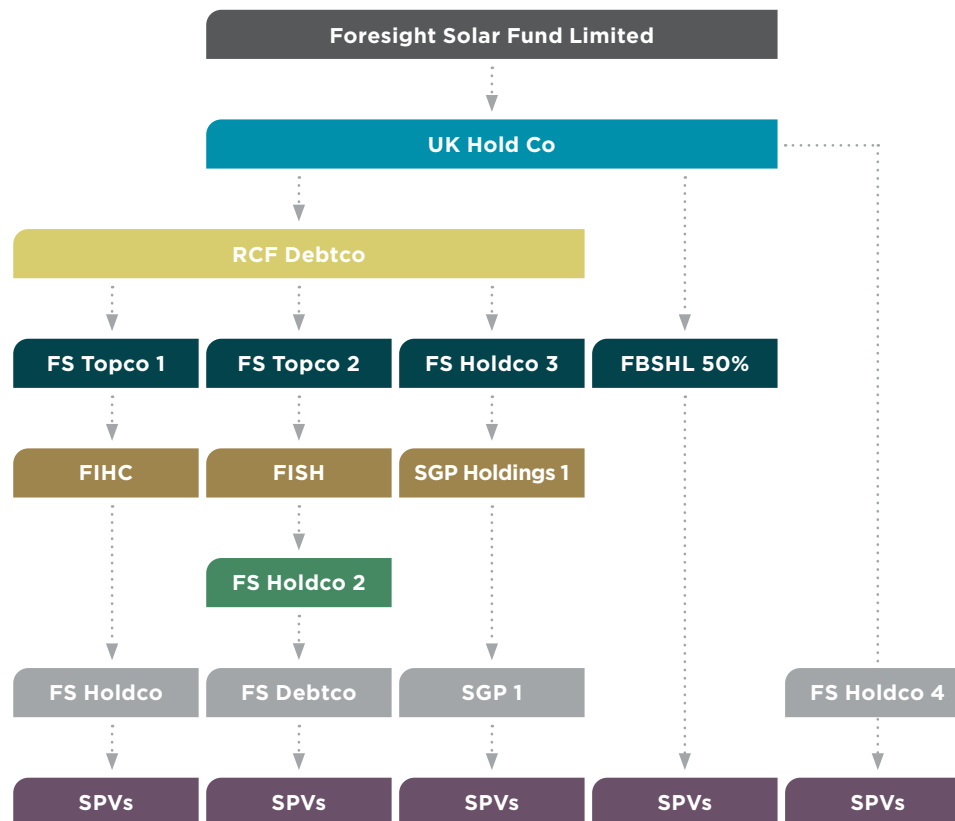
FS Topco 2 has one investment in Foresight Intermediate Solar Holdings Limited (“FISH”). In turn, FISH has one investment in FS Holdco 2 Limited (“FS Holdco 2”) which has one investment in FS Debtco Limited (“FS Debtco”).

FS Holdco 3 has one investment in Second Generation Portfolio 1 Holdings Limited (“SGP Holdings 1”). SGP Holdings 1 in turn invests in Second Generation Portfolio 1 (“SGP 1”) which invests directly into underlying solar investments.

FS Holdco, FS Debtco and FS Holdco 4 invest in further holding companies (the “SPVs”) which then invest in the underlying solar investments.

### Structure chart

The following chart shows the Group structure as at 31 December 2023:



## NOTES TO THE FINANCIAL STATEMENTS CONTINUED

### FOR THE YEAR ENDED 31 DECEMBER 2023

## 2. Summary of significant accounting policies

### 2.1 Basis of presentation

The Financial Statements for the year ended 31 December 2023 (the “Financial Statements”) have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union (“IFRS”). 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 2022 (“IPEV”) Valuation Guidelines.

### 2.2 Going concern

As set out in the Company’s Articles of Association, as the Company’s share price traded at more than a 10% discount to NAV during the year, shareholders will have the opportunity to vote on a special resolution at the AGM of the Company to be held in June 2024 on whether the Company should cease to continue in its present form. The Directors have considered this when evaluating the going concern assessment for the Company.

Recent Interactions with shareholders do not indicate any concerns in respect to the discontinuation vote. The Directors have no reason to believe that such special resolution will be passed by shareholders, as the discount to share price is driven by macroeconomic and geopolitical factors which is consistent with the entire renewables sector.

The Investment Manager anonymously surveyed, through an independent third party, shareholders representing approximately a quarter of Ordinary Shares outstanding to receive feedback and better understand the sentiment around the Company’s discontinuation vote. The survey was conducted through individual meetings. The result of the survey showed that the majority of the participants indicated that they intend to vote against the discontinuation of the Company, and that no shareholders indicated that they will vote for the discontinuation of the Company. As a result, the Directors and the Investment Manager do not consider the discontinuation vote will impact the Company’s ability to continue as a going concern.

The Company’s exposure to wholesale energy prices is reduced in the medium term by maintaining a substantial proportion of electricity generation on fixed price arrangements. This provides protection if merchant power prices continue to decline. As the Company’s power purchase agreements (“PPAs”) are all contracted across a pool of five UK, five Australian and two Spanish energy suppliers, the counterparty risk on existing energy suppliers is required to be continually monitored by the Investment Manager.

The high energy price environment has likely increased the 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 new PPAs if the counterparty risk of existing energy suppliers is of concern.

The 2022 Annual Report presented an initial commentary of the Review of Electricity Market Arrangements (“REMA”). In November 2023, pursuant to responses received from market participants in relation to the REMA consultation, the UK government decided to not take forward a number of options originally proposed in the REMA framework.

Despite more clarity on the REMA initiative, the changes required to the UK wholesale power market are still uncertain in terms of timing and impact on corporate power price agreements. The Investment Manager expects any market changes will take years to implement and will therefore fall outside of the going concern assessment period.

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 semi-annual debt compliance reporting. The covenants that FS Holdco and FS Debtco are required to report on are the look-back debt service cover ratio, the look-forward debt service cover ratio and the loan life cover ratio.

## NOTES TO THE FINANCIAL STATEMENTS CONTINUED

### FOR THE YEAR ENDED 31 DECEMBER 2023

#### 2. Summary of significant accounting policies continued

##### 2.2 Going concern continued

The debt service cover ratio (“DSCR”), calculated at investment entity subsidiaries level, 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.

RCF Debtco is required to report an interest cover ratio (“ICR”) and a Loan to Value (“LtV”) ratio. These must be compliant semi-annually to permit the movement of UK project company distributions to UK Hold Co and FSFL. Without these project distributions, FSFL would unlikely be able to pay quarterly dividends to investors at the current dividend per share.

A breach at RCF Debtco would restrict more cash moving up the structure than a breach at either Holdco or Debtco. While the Investment Manager considers non-compliance of the RCF covenants as unlikely, it was considered prudent to investigate this via two reverse stress tests as detailed below:

- 1) The base case SONIA interest rate was gradually increased until the increased finance costs caused the ICR threshold to be breached
- 2) The valuation of the RCF Debtco qualifying portfolio was gradually decreased until the LtV covenant was breached. This investigation has been deemed necessary considering falling merchant energy prices, rising discount rates and associated falling project valuations

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 for the going concern assessment period 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 downside 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 ten-year period) of electricity output. The Directors deem this is an appropriate, market standard stress test with a relevant example being the La Niña weather pattern that brought cool temperatures and record breaking rain to Australia’s east coast leading to lower than budgeted irradiation and generation.
- 2) Power prices were reduced by 20% 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) 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 counterparties in response to the high number of energy company insolvencies during the last three years, linked to the high-power price market.
- 4) Retail Price Index (“RPI”) is assumed to continue at 5.2% on costs and inflation-linked debt, in line with the actual RPI for the 2023 calendar year.
- 5) Removal of any distributions from the Australian SPVs for the going concern assessment period, due to economic curtailment being experienced in Australia.

If any of these sensitivities or scenarios were to materialise, the Company could still pay a progressive dividend 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 be settled as they fall due, but the cash balance would reduce gradually during the going concern assessment period, without affecting the ability to pay dividends.

The Board is also pleased to confirm that there were no instances of non-compliance of debt covenants throughout the period or during the scenarios as well as a combination of scenarios tested in the going concern assessment period, except for in two ‘severe but plausible’ scenarios tested. In both cases, challenges can be effectively managed to avoid a breach of covenants.

Consequently, the Board is confident that the cash flows have been appropriately challenged and therefore 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.

## NOTES TO THE FINANCIAL STATEMENTS CONTINUED

### FOR THE YEAR ENDED 31 DECEMBER 2023

#### 2. Summary of significant accounting policies continued

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

###### New and revised IFRS adopted by the Company

The accounting policies adopted are consistent with those of the previous financial year. Management have assessed all new standards and amendments to standards and interpretations that are effective for annual periods after 1 January 2023 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) Non-current liabilities with covenants** – These amendments clarify how conditions with which an entity must comply within 12 months after the reporting period affect the classification of a liability – effective from 1 January 2024
- **IAS 7 and IFRS 7 (amended) Supplier finance** – These amendments require disclosures to enhance the transparency of supplier finance arrangements and their effects on an entity's liabilities, cash flows and exposure to liquidity risk – effective from 1 January 2024

There are no standards, amendments or interpretations in issue at the reporting date which are effective after 1 January 2024 that are deemed 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.

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. 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.

## **NOTES TO THE FINANCIAL STATEMENTS** CONTINUED

### **FOR THE YEAR ENDED 31 DECEMBER 2023**

#### **2. Summary of significant accounting policies** continued

##### **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 (2022: £nil).

##### **2.8 Treasury shares**

The Company recognises the purchase of its own equity instruments in treasury shares, which are deducted from retained earnings. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

##### **2.9 Functional and presentational currency**

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

Indirect subsidiaries of the Company may have assets and liabilities 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.

## NOTES TO THE FINANCIAL STATEMENTS CONTINUED

### FOR THE YEAR ENDED 31 DECEMBER 2023

## 2. Summary of significant accounting policies continued

### 2.10 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, transaction 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. FS Holdco and FS Debtco are 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, FS Holdco 2, FS Topco 1, FIHC, FBSHL 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 2022 ("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 (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.

## NOTES TO THE FINANCIAL STATEMENTS CONTINUED

### FOR THE YEAR ENDED 31 DECEMBER 2023

## 2. Summary of significant accounting policies continued

### 2.10 Financial instruments continued

#### Derecognition continued

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.

### 2.11 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.

### 2.12 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 in which 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.

## NOTES TO THE FINANCIAL STATEMENTS CONTINUED

### FOR THE YEAR ENDED 31 DECEMBER 2023

#### 3. Critical accounting estimates and judgements continued

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

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 and related market data. 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. Inflation forecasts, such as those of the Office for Budget Responsibility, 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 lives (“UELs”) 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 UELs of the assets are based on the underlying lease contract of the individual assets. The expected weighted average life of the UK portfolio as at 31 December 2023 is 31.1 years from the date of commissioning. The UELs of the Australian and Spanish portfolios are 37.0 and 40.0 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.

#### 4. Interest income

	31 December 2023 £'000	31 December 2022 £'000
Interest on loan notes	25,649	29,975
Interest on Shareholder loans	6,171	6,171
	<b>31,820</b>	36,146

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 (2022: £250,000,000). These loans form part of the fair value of the investments as per note 14. On 28 February 2023, UK Hold Co had unpaid interest which therefore compounded and changed the interest rate to 11%. On 31 August 2023, all outstanding interest up to date was paid, resulting in no compounding interest. Subsequently the interest rate was changed back 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 year end is £304,316,450 (2022: £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 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 of 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 2023, the Investment Manager was entitled to a management fee of £7,036,782 (2022: £7,418,165) of which £nil was outstanding as at 31 December 2023 (2022: £nil).

## NOTES TO THE FINANCIAL STATEMENTS CONTINUED

### FOR THE YEAR ENDED 31 DECEMBER 2023

#### 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 £182,000 (2022: £182,000) payable quarterly in arrears. For the year ended 31 December 2023, total administration and accountancy fees, including disbursements, were £207,526 (2022: £199,711) of which £45,000 was outstanding as at 31 December 2023 (2022: £91,000).

#### 7. Staff costs and Directors' fees

No members of staff were employed during the year (2022: nil).

Total Directors' fees were £283,823 (2022: £283,000).

#### 8. Other expenses

	31 December 2023 £'000	31 December 2022 £'000
Legal and professional fees	626	491
Other expenses	165	129
	<b>791</b>	620

Included within legal and professional fees is £173,189 (2022: £154,554) 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 £338,943 for the year ended 31 December 2023 (2022: £302,120). There were no other fees paid to the Auditor for non-audit services during the year (2022: £nil).

#### 9. Earnings per Ordinary Share - basic and diluted

The basic and diluted loss per Ordinary Share for the Company is (1.54) pence per share (2022: basic profit of 25.32 pence per share). This is based on the loss for the year of £9,284,495 (2022: £154,470,462 profit) and on 603,598,450 (2022: 609,958,720) Ordinary Shares, being the weighted average number of shares in issue during the year, excluding treasury shares.

#### 10. Interest receivable

	31 December 2023 £'000	31 December 2022 £'000
Interest receivable on loan notes	10,973	8,429
Interest receivable on Shareholder loans	2,678	36,302
	<b>13,651</b>	44,731

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 2023 £'000	31 December 2022 £'000
Prepaid expenses	35	23
Other receivables	255	256
	<b>290</b>	279

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 2023 £'000	31 December 2022 £'000
Cash at bank	2,041	11,052
	<b>2,041</b>	11,052

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

## NOTES TO THE FINANCIAL STATEMENTS CONTINUED

### FOR THE YEAR ENDED 31 DECEMBER 2023

#### 13. Trade and other payables

	31 December 2023 £'000	31 December 2022 £'000
Accrued expenses	238	350
Amounts due to subsidiaries <sup>1</sup>	187	187
Unsettled treasury shares	772	—
	<b>1,197</b>	537

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 2023 £'000	31 December 2022 £'000
Investment in UK Hold Co	—	—
	<b>683,104</b>	715,942
	<b>683,104</b>	715,942
Book cost as at 1 January	<b>554,315</b>	554,315
Opening investment holding gains	<b>161,627</b>	34,787
Valuation as at 1 January	<b>715,942</b>	589,102
Movements during the year:		
Unrealised investment holding (losses)/gains	<b>(32,838)</b>	126,840
Valuation as at 31 December	<b>683,104</b>	715,942
Book cost as at 31 December	<b>554,315</b>	554,315
Closing investment holding gains	<b>128,789</b>	161,627
	<b>683,104</b>	715,942

The Company has one investment in 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 fair valued using its net assets.

UK Hold Co has three investments in RCF Debtco, FS Holdco 4 and FBSHL. RCF Debtco has three investments in FS Topco 1, FS Topco 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 in FS Debtco. FS Holdco 3 has one investment in SGP Holdings 1 which in turn has one investment in 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 assets 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 assets.

## NOTES TO THE FINANCIAL STATEMENTS CONTINUED

### FOR THE YEAR ENDED 31 DECEMBER 2023

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

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, and a Spanish development pipeline which is held at cost.

Foresight Battery Storage Holding Limited, formerly Sandridge Battery Storage Holding Limited ("FBSHL") is held at cost as the underlying SPVs are not yet operational and the price of the recent investment acquired by the Group 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, categorised between those whose fair value is based on:

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

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

As UK Hold Co's Net Asset Value is not considered observable market data, the investment in UK Hold Co has been classified as level 3. There were no movements between levels during the year, categorised between those whose fair value is based on:

#### As at 31 December 2023:

	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Investments held at fair value through profit or loss	—	—	683,104	683,104
	—	—	683,104	683,104

#### 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

#### 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.

## NOTES TO THE FINANCIAL STATEMENTS CONTINUED

### FOR THE YEAR ENDED 31 DECEMBER 2023

#### 15. Subsidiaries and associates

##### Investments in subsidiaries

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

## NOTES TO THE FINANCIAL STATEMENTS CONTINUED

### FOR THE YEAR ENDED 31 DECEMBER 2023

#### 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 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%
FS Holdco 5 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%

## NOTES TO THE FINANCIAL STATEMENTS CONTINUED

### FOR THE YEAR ENDED 31 DECEMBER 2023

#### 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 Yarburgh Limited	Indirect	UK	SPV Holding Company	100%
FS Nowhere Solar Limited	Indirect	UK	SPV Holding Company	100%
FS Bilsthorpe Solar Limited	Indirect	UK	SPV Holding Company	100%
FS Bulls Head Solar Limited	Indirect	UK	SPV Holding Company	100%
FS Roskrow Solar Limited	Indirect	UK	SPV Holding Company	100%
FS Abbeyfields Solar Limited	Indirect	UK	SPV Holding Company	100%
FS Lindridge Solar Limited	Indirect	UK	SPV Holding Company	100%
FS Misson Solar Limited	Indirect	UK	SPV Holding Company	100%
FS Playters Solar Limited	Indirect	UK	SPV Holding Company	100%
FS PS Manor Farm Solar Limited	Indirect	UK	SPV Holding Company	100%
FS SV Ash Solar Park Limited	Indirect	UK	SPV Holding Company	100%
FS Pen Y Cae Solar Limited	Indirect	UK	SPV Holding Company	100%
Second Generation Portfolio Holdings 1 ("SGP Holdings 1")	Indirect	UK	SPV Holding Company	100%
Second Generation Portfolio 1 ("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%

## NOTES TO THE FINANCIAL STATEMENTS CONTINUED

### FOR THE YEAR ENDED 31 DECEMBER 2023

#### 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
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%
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%

## NOTES TO THE FINANCIAL STATEMENTS CONTINUED

### FOR THE YEAR ENDED 31 DECEMBER 2023

#### 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
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%
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%
Virgen del Carmen Solar S.L ("Virgen")	Indirect	Spain	Investment	100%
Fotovoltaica Puerto Cruz II.S.L	Indirect	Spain	Investment	100%
Bailey Solar Limited	Indirect	UK	Investment	100%
True Blue Solar Limited	Indirect	UK	Investment	100%
Abbeyfields Solar Limited ("Abbeyfields Solar")	Indirect	UK	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%

## NOTES TO THE FINANCIAL STATEMENTS CONTINUED

### FOR THE YEAR ENDED 31 DECEMBER 2023

#### 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	SPV Holding Company	50%
Clayfords Energy Storage Limited	Indirect	UK	SPV Holding Company	50%
Sandridge Battery Storage Limited	Indirect	UK	SPV Holding Company	50%
Global Solar Energy Veintisiete, S.L	Indirect	Spain	Investment	50%
Solar de la Contraviesa 5 S.L.U	Indirect	Spain	Investment	50%
Solar de la Contraviesa 6 S.L.U	Indirect	Spain	Investment	50%
Solar de la Contraviesa 7 S.L.U	Indirect	Spain	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 2022 ("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 2023 and have therefore been omitted from the sensitivity analysis on the following pages.

## NOTES TO THE FINANCIAL STATEMENTS CONTINUED

### FOR THE YEAR ENDED 31 DECEMBER 2023

#### 16. Fair value of the investments in unconsolidated entities continued

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

The majority of the Company's underlying investments (indirectly held through its unconsolidated subsidiaries FS Holdco, FS Debtco, FS Holdco 3 and FS Holdco 4) are valued with reference to the discounted value of future cash flows. The Directors consider the valuation methodology used, including the key assumptions and discount rate applied, to be appropriate. On a quarterly basis, the Board reviews 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 £645.1 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 £645.1 million is equal to the NAV of £697.9 million less items deemed not subject to the sensitivities applied.

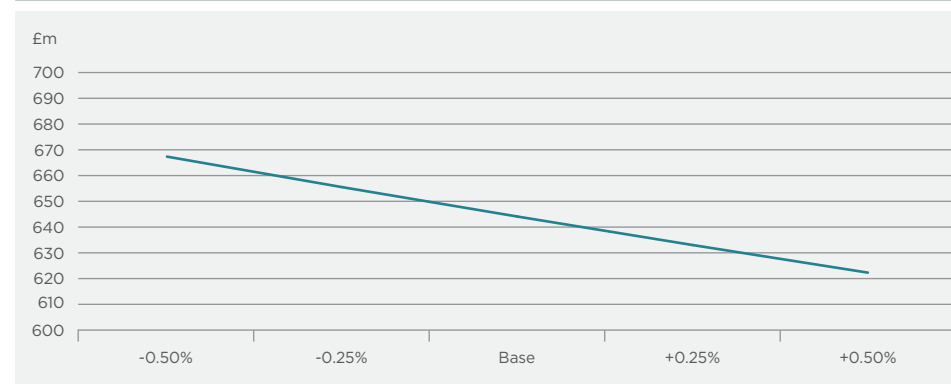
	31 December 2023 £m
Base case for sensitivities	<b>645.1</b>
Items not subject to sensitivities:	
Cash in assets	<b>30.4</b>
Assets in construction valued at cost	<b>19.0</b>
Company and intermediate holding companies' cash	<b>81.2</b>
Funds held at group level on behalf of assets	<b>(5.0)</b>
RCF outstanding	<b>(75.0)</b>
Other adjustments	<b>(0.1)</b>
Other Company and intermediate holding companies' net assets	<b>2.3</b>
<b>Net Asset Value at 31 December 2023</b>	<b>697.9</b>

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 6.23% (2022: 7.16%). The Directors do not typically 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)	668.8	656.8	645.1	633.9	622.9
Change in portfolio valuation (£m)	23.7	11.6	—	(11.3)	(22.2)
NAV per share change (pence)	4.0	2.0	—	(1.9)	(3.8)



## NOTES TO THE FINANCIAL STATEMENTS CONTINUED

### FOR THE YEAR ENDED 31 DECEMBER 2023

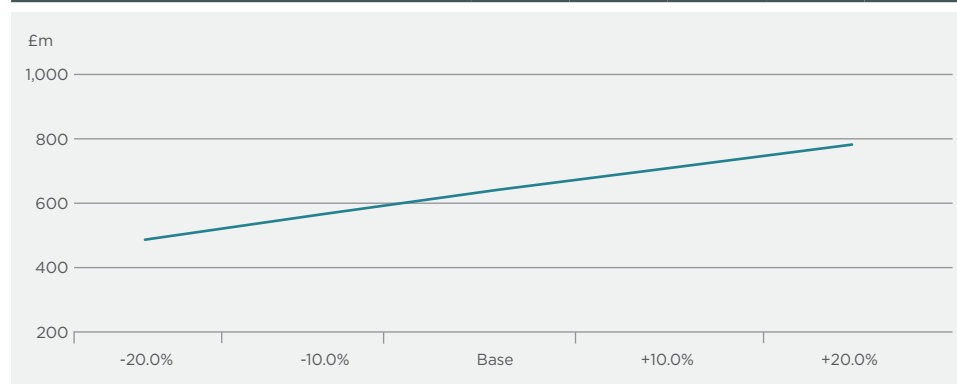
#### 16. Fair value of the investments in unconsolidated entities continued

##### 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 2.1% (2022: decrease of 5.5%). During the period, c.40% of the investments’ operational revenues came from regulatory support mechanisms. The remaining c.60% 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.47% of total revenues.

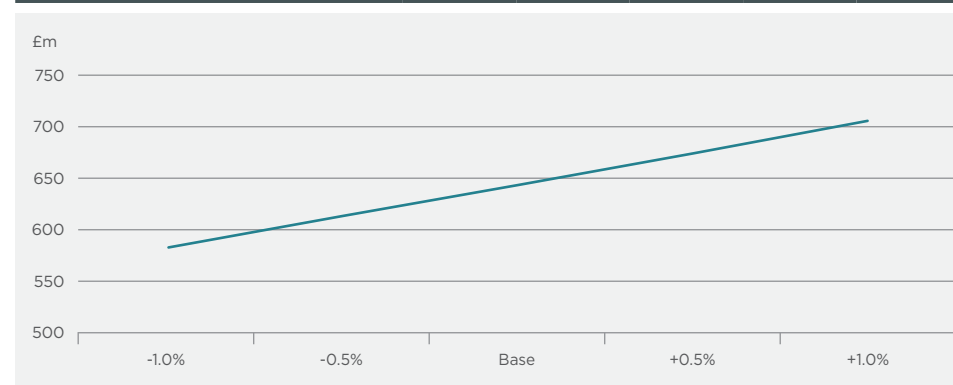
	-20.0%	-10.0%	Base	+10.0%	+20.0%
Portfolio valuation (£m)	541.0	593.9	645.1	694.6	742.9
Change in portfolio valuation (£m)	(104.1)	(51.2)	—	49.5	97.8
NAV per share change (pence)	(17.7)	(8.7)	—	8.4	16.6



##### Inflation

A variable of 0.5% to 1.0% is considered reasonable given the long-term inflation rate of 3.50% for 2024, 3.00% from 2025 to 2030, after which it is 2.25% (2022: 3.00% and 2.25%, respectively).

	-1.0%	-0.5%	Base	+0.5%	+1.0%
Portfolio valuation (£m)	587.1	616.8	645.1	675.1	706.5
Change in portfolio valuation (£m)	(58.0)	(28.3)	—	30.0	61.3
NAV per share change (pence)	(9.8)	(4.8)	—	5.1	10.4



## NOTES TO THE FINANCIAL STATEMENTS CONTINUED

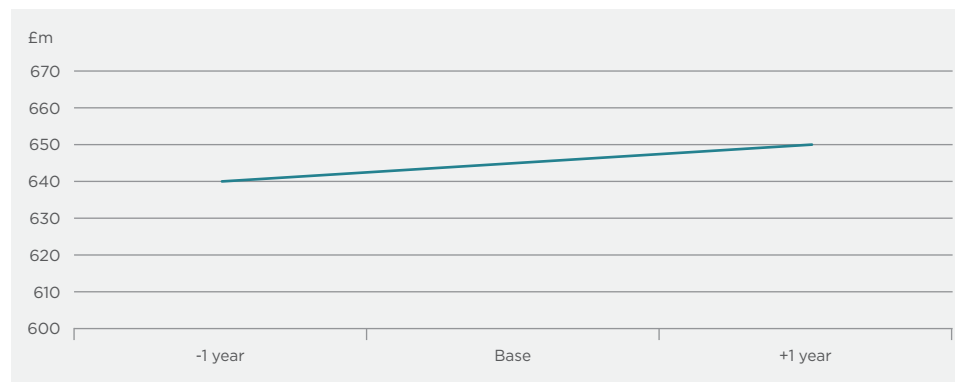
### FOR THE YEAR ENDED 31 DECEMBER 2023

#### 16. Fair value of the investments in unconsolidated entities continued

##### Useful economic lives (“UELs”)

The valuation of the Company’s investments is determined based on the discounted value of future cash flows of those investments over their UELs. The UEL of individual assets is determined by reference to a fixed contractual lease term. However, the Board notes that if extended contractual lease terms were negotiated for individual assets, this would increase the value of those assets. Similarly, if the assets did not operate for the duration of the fixed contractual period, this would reduce the value of those assets.

	-1 year	Base	+1 year
Portfolio valuation (£m)	640.3	645.1	649.3
Change in portfolio valuation (£m)	(4.8)	—	4.1
NAV per share change (pence)	(0.8)	—	0.7

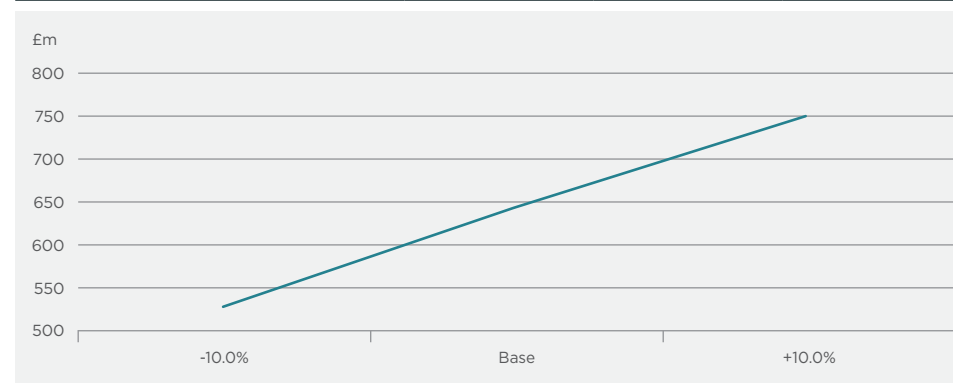


The Directors also consider the following to be important inputs to the discounted cash flows calculation.

#### Production

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

	-10.0%	Base	+10.0%
Portfolio valuation (£m)	530.8	645.1	751.9
Change in portfolio valuation (£m)	(114.3)	—	106.8
NAV per share change (pence)	(19.4)	—	18.1



## NOTES TO THE FINANCIAL STATEMENTS CONTINUED

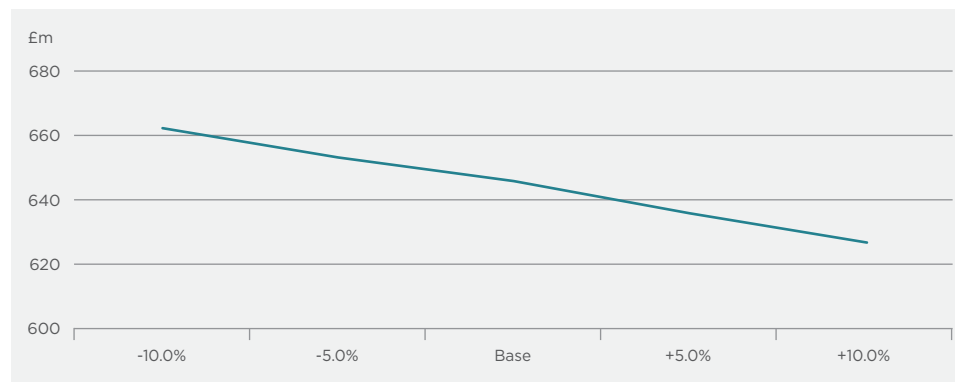
### FOR THE YEAR ENDED 31 DECEMBER 2023

#### 16. Fair value of the investments in unconsolidated entities continued

##### 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. The Directors 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.

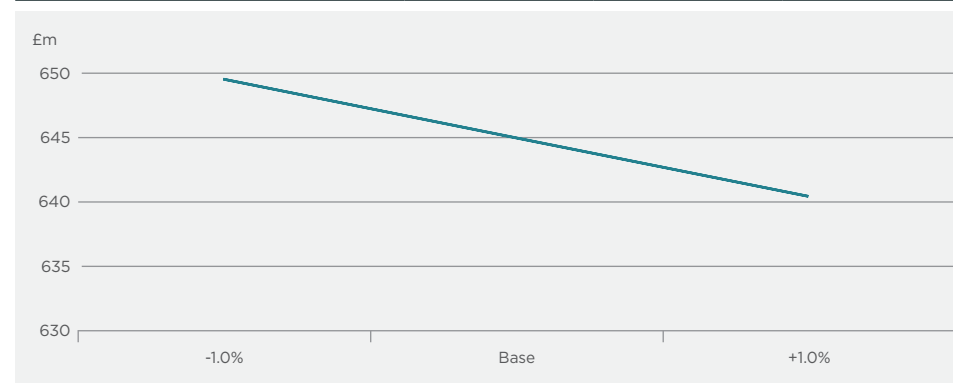
	-10.0%	-5.0%	Base	+5.0%	+10.0%
Portfolio valuation (£m)	662.7	654.1	645.1	636.7	627.5
Change in portfolio valuation (£m)	17.5	9.0	—	(8.4)	(17.7)
NAV per share change (pence)	3.0	1.5	—	(1.4)	(3.0)



##### Tax rate

On 1 April 2023, the rate of UK corporation tax increased from 19% to 25%. The impact of this change is reflected in the 31 December 2023 valuation. On that basis, a variable of 1.0% is considered reasonable given historic information.

	-1.0%	Base	+1.0%
Portfolio valuation (£m)	649.1	645.1	641.7
Change in portfolio valuation (£m)	4.0	—	(3.4)
NAV per share change (pence)	0.7	—	(0.6)



## NOTES TO THE FINANCIAL STATEMENTS CONTINUED

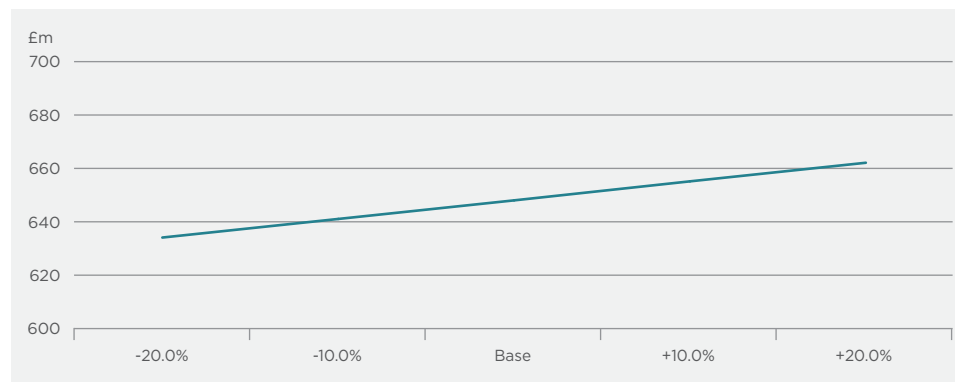
### FOR THE YEAR ENDED 31 DECEMBER 2023

#### 16. Fair value of the investments in unconsolidated entities continued

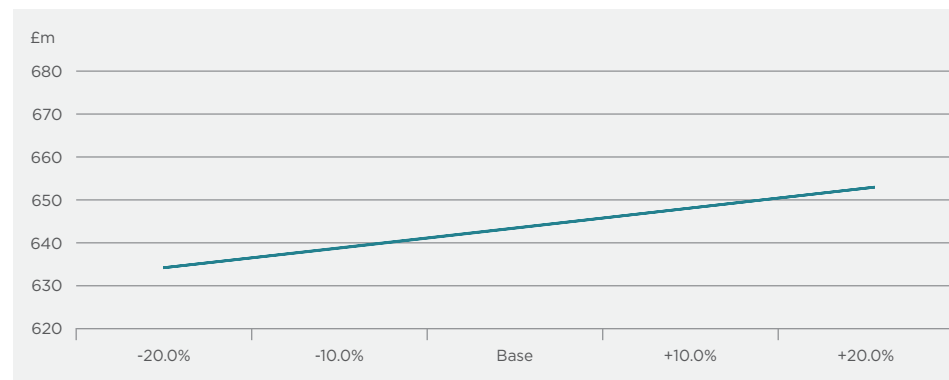
##### Exchange rate

The Company's investments are directly exposed to fluctuations in foreign currency due to its investments in Australian dollar and Euro denominated assets. Whilst the Group mitigates its exposure to fluctuations in AUD and EUR through the use of forward contracts, the valuations of these assets will be directly impacted. Whilst the Directors would not expect to see fluctuations quite this large, a variable of 20% is considered appropriate.

AUD/GBP	-20.0%	-10.0%	Base	+10.0%	+20.0%
Portfolio valuation (£m)	636.5	640.8	645.1	653.8	662.4
Change in portfolio valuation (£m)	(8.6)	(4.3)	—	4.4	8.7
NAV per share change (pence)	(1.5)	(0.7)	—	0.7	1.5



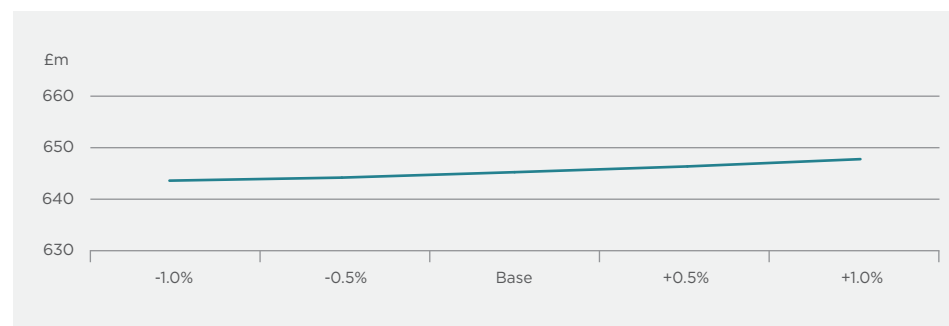
EUR/GBP	-20.0%	-10.0%	Base	+10.0%	+20.0%
Portfolio valuation (£m)	636.5	640.8	645.1	649.4	653.7
Change in portfolio valuation (£m)	(8.6)	(4.3)	—	4.3	8.6
NAV per share change (pence)	(1.5)	(0.7)	—	0.7	1.5



##### Interest rate

The Group's interest rate received on UK bank deposits is subject to reassessment in respect of fluctuations in the Bank of England base rate. The valuations of the assets will be directly impacted by any changes to the UK bank deposit rate. Whilst the Directors would not expect to see fluctuations quite this large, a variable of 1% is considered appropriate.

	-1.0%	-0.5%	Base	+0.5%	+1.0%
Portfolio valuation (£m)	643.5	644.3	645.1	646.5	647.3
Change in portfolio valuation (£m)	(1.6)	(0.8)	—	1.4	2.2
NAV per share change (pence)	(0.2)	(0.1)	—	0.2	0.3



## NOTES TO THE FINANCIAL STATEMENTS CONTINUED

### FOR THE YEAR ENDED 31 DECEMBER 2023

#### 17. Stated capital and share premium

The Company issued shares of nil par value and therefore the stated capital relates only to share premium. The stated capital of the Company consists of Ordinary Shares and treasury shares. 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. As at the year end the total number of voting rights in the Company is 589,239,345 which excludes 20,719,375 Ordinary Shares held in treasury.

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 2023 Shares	31 December 2022 Shares
Ordinary Shares – nil par value	<b>Unlimited</b>	Unlimited

#### Issued Ordinary Shares

	31 December 2023		31 December 2022 Shares
	Ordinary Shares	Treasury shares	
Opening balance	609,958,720	–	609,958,720
Purchase of treasury shares	(20,719,375)	20,719,375	–
Closing balance	589,239,345	20,719,375	609,958,720

#### Issued Ordinary Share capital and treasury shares

	31 December 2023		31 December 2022 £'000
	Ordinary Shares £'000	Treasury Shares £'000	
Opening balance	629,892	–	629,892
Less: Purchase of treasury shares <sup>1</sup>	(19,909)	19,909	–
Closing balance	609,983	19,909	629,892

1. This figure represents the cash payments made to Jefferies International Limited by 31 December 2023. The total differs to the figure presented in the Statement of Cash Flows by £0.8 million because of the share value purchased yet to be paid to Jefferies. As such, this difference is within the change in trade and other payables line of the Statement of Cash Flows.

On 4 May 2023, the Company announced a share buyback programme and allocated an initial £20 million from its available cash reserves to the programme. On 16 November 2023, the Company announced that this allocation of available cash would be increased to a potential £40 million. There is no certainty that the full buyback allocation will be utilised.

Share buybacks under the engagement will be made pursuant to the authority granted to the Company at its General Meeting held on 14 June 2023 which limit purchases of Ordinary Shares by the Company in the market to up to 14.99% of the Company's issued capital.

#### 18. NAV per Ordinary Share

The Net Asset Value (“NAV”) per redeemable Ordinary Share for the Company is 118.4 (2022: 126.5) pence per Ordinary Share. This is based on the Net Asset Value at the reporting date of £697,888,983 (2022: £771,597,780) and on 589,239,345 (2022: 609,958,720) redeemable Ordinary Shares, being the number of Ordinary Shares in issue at 31 December 2023 excluding Ordinary Shares held in treasury.

## NOTES TO THE FINANCIAL STATEMENTS CONTINUED

### FOR THE YEAR ENDED 31 DECEMBER 2023

#### 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, credit risk and interest rate 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 GBP 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 assets and cash denominated in EUR and AUD. 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:

	<b>31 December 2023 £'000</b>	31 December 2022 £'000
AUD - Investments	<b>47,898</b>	55,432
EUR - Investments	<b>46,577</b>	69,296
AUD - Cash	<b>44</b>	1,840
EUR - Cash	<b>2,027</b>	7,484

The FX rate applied at 31 December 2023 was AUD/GBP 0.5353 (2022: 0.5647) and EUR/GBP 0.8666 (2022: 0.8868).

The sensitivities linked to the assets denominated in AUD and EUR are set out in note 16 as these assets are held in the underlying investment.

###### (b) Price risk

The Company's investments are susceptible to market price risk arising from uncertainties about future values of the instruments. The Investment Manager provides the Company with investment recommendations. The Investment Manager's recommendations are reviewed and approved by the Board before the investment decisions are implemented. To manage the market price risk, the 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 2023, 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 £68,310,349 (2022: £71,594,174). The impact of changes in unobservable inputs to the underlying investment is considered in note 16.

## NOTES TO THE FINANCIAL STATEMENTS CONTINUED

### FOR THE YEAR ENDED 31 DECEMBER 2023

#### 19. Financial instruments and risk profile continued

##### 19.1 Market risk continued

##### (c) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's exposure to the risk of changes in market interest rates relates primarily to the Company's long-term borrowing to its subsidiary. At year end the Company had no long-term borrowings with third parties (2022: £nil).

	Total portfolio 31 December 2023 £'000	Weighted average interest rate 31 December 2023 %	Weighted average time for which rate is fixed 31 December 2023 Days
Loan notes	250,000	10.03	1,872
Shareholder loans	304,315	2.00	3,104
Cash	2,041	0.05	—
	<b>556,356</b>		

	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	10.09	1,516
Shareholder loans	304,316	2.00	2,748
Cash	11,052	0.05	—
	<b>565,368</b>		

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 2023 £'000	Weighted average interest rate 2023 %	Weighted average time for which rate is fixed 2023 Days
Investments - RCF Debtco <sup>1</sup>	642,105	7.09	730 <sup>2</sup>
Investments - FS Holdco <sup>4</sup>	93,401	5.64	2,781 <sup>2</sup>
Cash and cash equivalents	21,584	0.05	—
<b>Total indirect exposure interest rate risk</b>	<b>757,090</b>		

	Total indirect exposure 2022 £'000	Weighted average interest rate 2022 %	Weighted average time for which rate is fixed 2022 Days
Investments - RCF Debtco <sup>1</sup>	689,582	6.00	365 <sup>2</sup>
Investments - FS Holdco <sup>4</sup>	93,401	5.00	2,781 <sup>2</sup>
Cash and cash equivalents	27,409	0.05	—
<b>Total indirect exposure interest rate risk</b>	<b>810,392</b>		

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.

## NOTES TO THE FINANCIAL STATEMENTS CONTINUED

### FOR THE YEAR ENDED 31 DECEMBER 2023

#### 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:

	Carrying amount £'000	Contractual total £'000	Less than 6 months £'000	6 to 12 months £'000	Greater than 12 months £'000
<b>31 December 2023</b>					
<b>Financial assets</b>					
Investments	683,104	683,104	—	—	683,104
Trade and other receivables	290	290	—	290	—
Interest receivable	13,651	13,651	—	13,651	—
Cash and cash equivalents	2,041	2,041	2,041	—	—
<b>Total financial assets</b>	<b>699,086</b>	<b>699,086</b>	<b>2,041</b>	<b>13,941</b>	<b>683,104</b>
<b>Financial liabilities</b>					
Trade and other payables	1,197	1,197	1,197	—	—
<b>Total financial liabilities</b>	<b>1,197</b>	<b>1,197</b>	<b>1,197</b>	<b>—</b>	<b>—</b>
<b>Net position</b>	<b>697,889</b>	<b>697,889</b>	<b>844</b>	<b>13,941</b>	<b>683,104</b>
<b>31 December 2022</b>					
<b>Financial assets</b>					
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	—	—
<b>Total financial assets</b>	<b>772,004</b>	<b>772,004</b>	<b>11,052</b>	<b>45,010</b>	<b>715,942</b>
<b>Financial liabilities</b>					
Trade and other payables	537	537	537	—	—
<b>Total financial liabilities</b>	<b>537</b>	<b>537</b>	<b>537</b>	<b>—</b>	<b>—</b>
<b>Net position</b>	<b>771,467</b>	<b>771,467</b>	<b>10,515</b>	<b>45,010</b>	<b>715,942</b>

## NOTES TO THE FINANCIAL STATEMENTS CONTINUED

### FOR THE YEAR ENDED 31 DECEMBER 2023

#### 19. Financial instruments and risk profile continued

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

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

	Moody's credit rating	31 December 2023 £'000
Cash in bank:		
Royal Bank of Scotland International Limited	P2	2,041
<b>Total cash and cash equivalents</b>		<b>2,041</b>

	Moody's credit rating	31 December 2022 £'000
Cash in bank:		
Royal Bank of Scotland International Limited	P2	11,052
<b>Total cash and cash equivalents</b>		<b>11,052</b>

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 £765,269,357 (2022: £782,983,492), being the portion of UK Hold Co investments that are made up of loans as at 31 December 2023. Included within this are the related party loans as disclosed within note 22 as well as long-term debt facilities entered into by FS Holdco, FS Debtco and RCF Debtco with Santander UK plc, NatWest Group plc, Allied Irish Banks plc, Lloyds Bank plc, Macquarie Group Limited, Landesbank Hessen-Thüringen Girozentrale, Sumitomo Mitsui Banking Corporation, London Branch and Barclays plc. The balance of the external debt facilities as at year end amounted to £317,419,968 (2022: £374,514,646).

The Group's ability to meet the debt covenants described in note 2.2 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. On the debt calculation date before the date of this report, the DSCR for FS Holdco was 3.13:1 and for FS Debtco it was 5.96:1. The Loan Life Cover Ratio for FS Holdco was 2.51:1. During 2023 the debt covenants were not breached.

On the debt calculation date for RCF Debtco, the interest cover ratio was 10.83:1. This ratio must remain higher than 3.00:1 to be compliant.

###### 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.

## NOTES TO THE FINANCIAL STATEMENTS CONTINUED

### FOR THE YEAR ENDED 31 DECEMBER 2023

#### 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.

In recent years 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, which was exacerbated by the continuing Russian invasion of Ukraine, which caused many countries, including the UK, to place sanctions on the usage of Russian fossil fuels.

The Directors continue 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. For example, recent attacks by militant groups on US and UK ships, as well as international commercial shipping in the Red Sea, could potentially impact oil prices and supply uncertainty, which could impact power prices and other macroeconomic factors affecting the Company.

During 2023, the macroeconomic environment has been the key contributing factor to Foresight Solar's shares trading at a discount to the net asset value. The associated risks that have been most closely monitored are those related to direct government market intervention, such as the effects of a higher interest rate environment and volatile power prices.

The Directors continue to monitor and review all risks associated with near and long-term power prices through the risk management framework.

The UK government started a consultation process in 2022 on the future of the electricity market in Great Britain. The results of REMA have been delayed and are now expected sometime in the first half of 2024, with any radical changes coming into force after 2030. In November 2023, pursuant to responses received from market participants in relation to the REMA consultation, the UK government has decided to not take forward a number of options originally proposed in the REMA framework.

Despite more clarity on the REMA initiative, the changes required to the UK wholesale power market are still uncertain in terms of timing and impact on corporate power price agreements.

In July 2023, the UK government launched a consultation into the Renewables Obligation Certificate ("ROC") scheme in which it seeks views on introducing Fixed Price Certificates ("FPCs") as the UK-wide RO programme starts winding down in the next two decades. The move was envisaged in the latter years of the ROC scheme to help provide price stability as the subsidy came to an end. The Investment Manager is engaging with the process and responding via industry representatives to minimise any perceived risks for the sector.

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

#### 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. The Company is permitted to purchase up to 14.99% of its own issued share capital.

## NOTES TO THE FINANCIAL STATEMENTS CONTINUED

### FOR THE YEAR ENDED 31 DECEMBER 2023

#### 21. Dividends

	2023 £'000	2023 Pence/Ordinary Share	2022 £'000	2022 Pence/Ordinary Share
Quarter 1	10,857	1.780	10,644	1.745
Quarter 2	10,857	1.780	10,644	1.745
Quarter 3	11,367	1.880	10,858	1.780
Quarter 4	11,304	1.895	10,858	1.780
	<b>44,385</b>		<b>43,004</b>	

On 24 November 2023, the Company announced the third interim dividend, in respect of the period 1 July 2023 to 30 September 2023, of 1.880 pence per Ordinary Share. The shares went ex-dividend on 25 January 2024 and the dividend was paid on 23 February 2024 to Shareholders on the register as at the close of business on 26 January 2024.

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 2023:

	Opening balance as at 1 January 2023 £'000	Movements during the year £'000	Closing balance as at 31 December 2023 £'000
Interest bearing loans and outstanding interest	599,050	31,084	567,966
Non-interest bearing loans	187	—	187

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	614,419	(15,369)	599,050
Non-interest bearing loans	187	—	187

#### Transactions between UK Hold Co and its underlying subsidiaries

There were no transactions between UK Hold Co, FISH, FS Topco 1, FIHC and SGP Holdings 1 during the current or prior year.

#### Transactions with RCF Debtco

For the year ended 31 December 2023:

	Opening balance as at 1 January 2023 £'000	Movements during the year £'000	Closing balance as at 31 December 2023 £'000
Interest bearing loans and outstanding interest	589,262	49,566	638,828
Non-interest bearing loans	(300,459)	(5,820)	(306,279)

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)

## NOTES TO THE FINANCIAL STATEMENTS CONTINUED

### FOR THE YEAR ENDED 31 DECEMBER 2023

#### 22. Related party disclosures continued

##### Transactions between UK Hold Co and its underlying subsidiaries continued

##### Transactions with FS Holdco

For the year ended 31 December 2023:

There were no transactions between UK Hold Co and FS Holdco during the year.

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	406,930	(406,930)	—
Interest bearing loans and outstanding interest	(45,253)	45,253	—
Non-interest bearing loans	(143,504)	143,504	—
Non-interest bearing loans	875	(875)	—

##### Transactions with FS Topco 2

For the year ended 31 December 2023:

There were no transactions between UK Hold Co and FS Topco 2 during the year.

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 loan	(26,524)	26,524	—

##### Transactions with FS Debtco

For the year ended 31 December 2023:

There were no transactions between UK Hold Co and FS Debtco during the year.

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)	—

##### Transactions with FS Holdco 3

For the year ended 31 December 2023:

There were no transactions between UK Hold Co and FS Holdco 3 during the year.

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	—

## NOTES TO THE FINANCIAL STATEMENTS CONTINUED

### FOR THE YEAR ENDED 31 DECEMBER 2023

#### 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 2023:

	Opening balance as at 1 January 2023 £'000	Movements during the year £'000	Closing balance as at 31 December 2023 £'000
Interest bearing loans and outstanding interest	147,725	53	147,778
Non-interest bearing loan	(9,665)	(5,487)	(15,152)

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)

Transactions between FS Holdco, FS Debtco, FS Holdco 3, FS Holdco 4 and their SPVs

All of the SPVs are cash-generating solar assets (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 2023:

	Opening balance receivable/ (payable) as at 1 January 2023 £'000	Amounts paid on behalf of SPV 2023 £'000	Amounts received from SPV 2023 £'000	Net amount (payable)/ receivable as at 31 December 2023 £'000
FS Holdco and its SPVs	(50,577)	10,467	(28,398)	(68,508)
FS Debtco and its SPVs	(48,927)	—	(31,849)	(80,776)

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)

## NOTES TO THE FINANCIAL STATEMENTS CONTINUED

### FOR THE YEAR ENDED 31 DECEMBER 2023

#### 22. Related party disclosures continued

##### Transactions between UK Hold Co and its underlying subsidiaries continued

##### Transactions with FBSHL

For the year ended 31 December 2023:

	Opening balance as at 1 January 2023 £'000	Movements during the year 2023 £'000	Closing Balance as at 31 December 2023 £'000
Interest bearing loans and outstanding interest	2,699	5,341	8,040

For the year ended 31 December 2022:

	Opening balance as at 1 January 2022 £'000	Movements during the year 2022 £'000	Closing Balance as at 31 December 2022 £'000
Interest bearing loans and outstanding interest	886	1,813	2,699

#### Transactions with the Investment Manager

The Investment Manager of Foresight Solar is Foresight Group LLP.

The Investment Manager, through its asset management subsidiary, Foresight Asset Management Limited, charged asset management fees to the underlying projects of £2,312,500 during the period (2022: £2,217,300).

#### 23. Commitments and contingent liabilities

There are no commitments or contingent liabilities (2022: £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 from page 13.

The performance of Foresight Solar's portfolio during the year is also disclosed in full in the Operational Review from page 37.

Meanwhile, a list of FSFL's portfolio investments is included from page 31.

### 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 from page 83.

"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 Foresight Solar'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 Company positions (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 Company positions (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 Company's local currency 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 2023 is:

- Gross method: 30%
- Commitment method: 42%

### Liquidity

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due because 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 Foresight Solar's liquidity requirements to ensure there is sufficient cash to meet operating needs.

The Company's financial position, its cash flows, liquidity position and borrowing facilities are referred to in the Chair's Statement (see page 6), Strategic Report (see page 1) and Notes to the Financial Statements (see page 131). In addition, the Financial Statements (see page 127) 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.

Foresight Solar has sufficient financial resources together with investments and income generated. Consequently, the Directors believe it is able to manage its business risks.

### Risk management policy note

Please refer to the principal risks section from page 56.

### Remuneration

As an AIFM, the Company is subject to a remuneration code which is consistent with the requirements of the Financial Conduct Authority. The remuneration policy is designed to ensure that any relevant conflicts of interest can be always managed appropriately and that the remuneration of the Directors and of senior management are in line with the risk policies and objectives of the funds managed by the AIFM.

The Company does not directly employ any staff members. These services are provided by Foresight Group LLP employees.

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 2023) are available from the AIFM on request.

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## GLOSSARY OF TERMS

<b>AGM</b>	Annual General Meeting	<b>IPCC</b>	Intergovernmental Panel on Climate Change
<b>AIC</b>	The Association of Investment Companies	<b>IPEV</b>	International Private Equity and Venture Capital
<b>AIC Code</b>	The Association of Investment Companies Code of Corporate Governance	<b>IPO</b>	Initial Public Offering
<b>AIFs</b>	Alternative Investment Funds	<b>ISSB</b>	International Sustainability Standards Board
<b>AIFMs</b>	Alternative Investment Fund Managers	<b>KPMG LLP</b>	KPMG is the Company's Auditor
<b>AIFMD</b>	The Alternative Investment Fund Managers Directive	<b>LGC</b>	Large-Scale Generation Certificate
<b>APMs</b>	Alternative Performance Measures	<b>Listing Rules</b>	The set of FCA rules which must be followed by all companies listed in the UK
<b>Asset Manager</b>	The Company's underlying investments have appointed Foresight Group LLP, a subsidiary of Foresight Group CI, to act as Asset Manager	<b>Main Market</b>	The main securities market of the London Stock Exchange
<b>BBSY</b>	Bank Bill Swap Bid Rate	<b>MIDIS</b>	Macquarie Infrastructure Debt Investment Solutions
<b>BESS</b>	Battery storage system	<b>MWh</b>	Megawatt hour
<b>CEFC</b>	The Clean Energy Finance Corporation	<b>NAV</b>	Net Asset Value
<b>Company</b>	Foresight Solar Fund Limited	<b>NSW</b>	New South Wales
<b>CPI</b>	Consumer Price Index	<b>Official List</b>	The Premium Segment of the UK Listing Authority's Official List
<b>DCF</b>	Discounted cash flow	<b>O&amp;M</b>	Operation and maintenance
<b>DNO</b>	Distribution network operator	<b>P90</b>	90% probability of exceeding expected production over a ten-year period
<b>DSCR</b>	Debt service cover ratio	<b>PNIEC</b>	Plan Nacional Integrado de Energía y Clima
<b>EEA</b>	European Economic Area	<b>PPA</b>	Power purchase agreement
<b>EGL</b>	Electricity Generator Levy	<b>PV</b>	Photovoltaic
<b>EPC</b>	Engineering, Procurement and Construction	<b>QLD</b>	Queensland
<b>ESG</b>	Environmental, Social and Governance	<b>RCF</b>	Revolving credit facility
<b>FiT</b>	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	<b>RCPs</b>	Representative Concentration Pathways
<b>GAV</b>	Gross Asset Value on investment basis including debt held at SPV level	<b>REMA</b>	Review of Electricity Market Arrangements
<b>GHG</b>	Greenhouse gas	<b>ROC</b>	Renewables Obligation Certificates
<b>Group borrowing</b>	Group borrowing refers to all third-party debt by the Company and its subsidiaries	<b>RPI</b>	The Retail Price Index
<b>GWh</b>	Gigawatt hour	<b>SDGs</b>	Sustainable Development Goals
<b>IAS</b>	International Accounting Standard	<b>Solar capture price discount</b>	The half-hourly market pricing during periods of solar generation
<b>IC</b>	IC Investment Committee	<b>SPVs</b>	The Special Purpose Vehicles which hold the Company's investment portfolio of underlying operating assets
<b>IFRS</b>	International Financial Reporting Standards issued by the International Accounting Standards Board	<b>SSPs</b>	Shared Socioeconomic Pathways
<b>Investment Manager</b>	Foresight Group CI Limited	<b>TCFD</b>	Task Force on Climate-related Financial Disclosures
		<b>UEL</b>	Useful economic life
		<b>UK</b>	The United Kingdom of Great Britain and Northern Ireland
		<b>VIC</b>	Victoria





**Foresight**

FOR A SMARTER FUTURE

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