

**FORESIGHT SOLAR (UK HOLDCO) LIMITED**

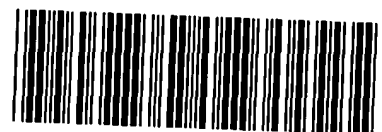
**FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED**

**31 DECEMBER 2017**

**COMPANY NUMBER: 08584284**

THURSDAY



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## **Contents**

<b>Directors' Report</b>	<b>1</b>
<b>Strategic Report</b>	<b>3</b>
<b>Statement of Directors' Responsibilities</b>	<b>4</b>
<b>Independent Auditor's Report to the Members of Foresight Solar (UK Holdco) Limited</b>	<b>5</b>
<b>Statement of Comprehensive Income</b>	<b>9</b>
<b>Statement of Financial Position</b>	<b>10</b>
<b>Statement of Changes in Equity</b>	<b>12</b>
<b>Statement of Cash Flows</b>	<b>13</b>
<b>Notes to the Financial Statements</b>	<b>14 - 51</b>

## **FORESIGHT SOLAR (UK HOLDCO) LIMITED**

### **Directors' Report**

**For the year ended 31 December 2017**

The Directors of Foresight Solar (UK Holdco) Limited (the "Company") present their report and Financial Statements for the year ended 31 December 2017.

#### **Incorporation and Structure**

Foresight Solar (UK Holdco) Limited is a private limited company, with registration number 08584284, within the meaning of section 4(1) of the Companies Act 2006. The liability of the members is limited to the amount, if any, unpaid on the shares held by them. The Company's registered office is c/o Foresight Group, The Shard, 32 London Bridge Street, London, SE1 9SG.

The Company is a wholly owned subsidiary of Foresight Solar Fund Limited (the "Fund") which is a London Stock Exchange listed renewable infrastructure company incorporated in Jersey under the Companies (Jersey) Law 1991, as amended, on 13 August 2013, with registered number 113721. The Company was established as a vehicle through which the Fund makes its investments.

During the prior year, the Company incorporated two subsidiaries, FS Holdco Limited ("FS Holdco"), on 11 January 2016 with 1 ordinary share in issue for a cost of £1 and FS Holdco 2 Limited ("FS Holdco 2"), on 1 December 2016 with 1 ordinary share in issue for a cost of £1. On 2 December 2016, FS Holdco 2 incorporated a subsidiary, FS Debtco Limited ("FS Debtco") with 1 ordinary share in issue for a cost of £1.

During the current year, the Company incorporated two further subsidiaries, namely FS Holdco 3 Limited ("FS Holdco 3"), on 31 August 2017 with 1 ordinary share in issue for a cost of £1 and FS Holdco 4 Limited ("FS Holdco 4"), on 1 September 2017 with 1 ordinary share in issue for a cost of £1.

FS Holdco, FS Holdco 2 via FS Debtco and FS Holdco 4 have investments in SPVs which invest in underlying solar products. As at 31 December 2017 there had been no activities in FS Holdco 3.

#### **Activities and Results**

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

The results of the Company are set out in the Statement of Comprehensive Income on page 9.

The Group has continued to expand its investment portfolio, primarily through FS Holdco 3 which purchased 5 additional solar farms from Belltown Power Ltd in April 2018.

#### **Going Concern**

The financial statements have been prepared on the going concern basis which the directors believe to be appropriate given that the Company is dependent for its working capital on funds provided to it by Foresight Solar Fund Limited, the ultimate parent undertaking of the Company.

The Fund has provided the Company with an undertaking that for at least 12 months from the date of approval of these financial statements, it will continue to make available such funds as are required by the Company and in particular will not seek repayment of the amounts currently made available. This should enable the Company to continue in operational existence for the foreseeable future by meeting its liabilities as they fall due for payment. As with any company placing reliance on other group entities for financial support, the directors acknowledge that there can be no certainty that this support will continue although, at the date of approval of these financial statements, they have no reason to believe that it will not do so.

Based on this undertaking the directors believe that it remains appropriate to prepare 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.

#### **Dividends**

The Directors of the Company do not recommend the payment of a dividend for the year (2016: Nil).

## **FORESIGHT SOLAR (UK HOLDCO) LIMITED**

### **Directors' Report (continued) For the year ended 31 December 2017**

#### **Directors**

The Directors of the Company who held office during the year, and subsequently, were:

- Jamie Richards (resigned 26 March 2018)
- Ricardo Pineiro
- Pinecroft Corporate Service Limited (appointed 26 March 2018)

The Directors in office at the end of the year had no interests in the share capital of the Company at any time during the year.

#### **Secretary**

The Secretary of the Company who held office during the year, and subsequently, was Foresight Fund Managers Limited.

#### **Political and charitable donations**

No contributions to political organisations or charitable donations were made during the year (2016: £nil).

#### **Employees**

During the year, the average number of persons employed by the Company was nil (2016: nil).

#### **Statement of disclosure of information to the Independent Auditors**

The Directors who held office at the date of approval of this directors' report confirm that, so far as they are aware there is no relevant information of which the Company's auditor is unaware, each Director have taken all steps they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

#### **Auditor**

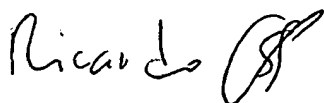
Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and KPMG LLP will therefore continue in office.

For and on behalf of the Board of Directors

Ricardo Pineiro

The Shard  
32 London Bridge Street  
London  
SE1 9SG

13 August 2018



## **FORESIGHT SOLAR (UK HOLDCO) LIMITED**

### **Strategic Report**

**For the year ended 31 December 2017**

#### **Introduction**

This Strategic Report has been prepared in accordance with the requirements of Section 414A of the Companies Act 2006 and best practice. Its purpose is to inform the members of the Company and help them to assess how the Directors have performed their duty to promote the success of the Company, in accordance with Section 172 of the Companies Act 2006.

#### **Investment Objective**

As a subsidiary of the Fund, the Company's primary objective is to act as a holding company for the investments made by the Group.

The Group invests in unquoted investments and these are usually structured as a combination of ordinary shares and loan stocks.

#### **Performance and Key Performance Indicators (KPIs)**

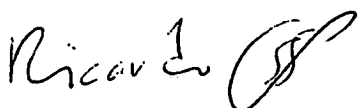
The Board expects the Company to deliver a performance which meets its objectives. The key performance indicator of the Company that is reviewed by the Board is the value of its assets, which was £557,473,272 as at 31 December 2017 (2016: £431,173,087).

#### **Business review**

During the year, the Company incorporated new subsidiaries. Details of the new subsidiaries are disclosed on page 1 of the Directors' Report under Incorporation and Structure.

During the year, the Company's subsidiaries acquired several additional solar farms. In the UK, FS Debtco acquired Shotwick (72MW), Sandridge (50MW) and Wally Corner (5MW), and FS Holdco 4 purchased 4 construction assets in Australia – Bannerton (110MW), Longreach (17MW), Oakey 1 (30MW) and Oakey 2 (70MW). These Australian assets will become operational towards the end of 2018.

Post year-end, the Group continued to expand its investment portfolio, primarily through FS Holdco 3 which purchased 5 additional solar farms from Belltown Power Ltd in April 2018.



Ricardo Pineiro, for and on behalf of the Board of Directors  
13 August 2018

## **FORESIGHT SOLAR (UK HOLDCO) LIMITED**

### **STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE STRATEGIC REPORT, THE DIRECTORS' REPORT AND THE FINANCIAL STATEMENTS**

**For the year ended 31 December 2017**

The directors are responsible for preparing the Strategic Report, the Directors' Report and the financial statements in accordance with applicable law and regulations.

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

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

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable, relevant and reliable;
- state whether they have been prepared in accordance with IFRSs as adopted by the EU;
- assess the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

Under applicable law and regulations, the directors are also responsible for preparing a Strategic Report and a Directors' Report that complies with that law and those regulations.

**Independent Auditor's Report to the Members of Foresight Solar (UK Holdco) Limited  
For the year ended 31 December 2017**

**1. Our opinion is unmodified**

We have audited the financial statements of Foresight Solar (UK Holdco) Limited ("the Company") for the year ended 31 December 2017 which comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Equity, the Statement of Cash Flows, and the related notes, including the accounting policies in note 2.

In our opinion, the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2017 and of the Company's profit for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs as adopted by the EU); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

***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 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 judgment, 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. This matter was addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, 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 2016):

**The risk: Valuation of Unlisted Investments**

85% (2016: 87%) of the company's total assets (by value) are held in investments where there is no quoted market price available.

The unquoted Investments are 100% controlling interests in FS Holdco Limited ("FS Holdco") FS Holdco 2 Limited ("FS Holdco 2"), FS Holdco 3 Limited ("FS Holdco 3") and FS Holdco 4 Limited ("FS Holdco 4"). These are measured at fair value, being the net assets of FS Holdco, FS Holdco 2, FS Holdco 3 and FS Holdco 4.

70% of FS Holdco's, 10% of FS Holdco 4's and 74% of FS Debtco's total assets (by value) are held in investments where no quoted market price is available. These are measured at fair value using discounted cash flow measurements or the price of a recent transaction.

Fair value is established in accordance with the International Private Equity and Venture Capital Valuation Guidelines.

**Independent Auditor's Report to the Members of Foresight Solar (UK Holdco) Limited (continued)  
For the year ended 31 December 2017 (continued)**

There is a significant risk over the valuation of the underlying investments (directly held by FS Holdco, FS Holdco 4 and FS Debtco) and that is the key judgemental area that our audit focused on.

**Our response:** Our procedures included:

- **Control design:** Documenting and assessing the design and implementation of the investment valuation processes and controls;
- **Control observation:** Attending the year-end Audit Committee of the Parent Company where we assessed the effectiveness of the Audit Committee's challenge and approval of unlisted investment valuations;
- **Methodology choice:** In the context of observed industry best practice and the provisions of the International Private Equity and Venture Capital Valuation ("IPEVCV") Guidelines, we challenged the appropriateness of the valuation basis selected;
- **Our valuation experience:** With the assistance of our own valuation specialists, we challenged the Investment Manager on key judgements affecting investee company valuations, such discount factors and the useful economic life of the assets. We compared key underlying financial data inputs to external sources, investee company audited accounts and management information as applicable. We challenged the assumptions around the sustainability of earnings based on the plans of the investee companies and whether these are achievable, and we obtained an understanding of existing and prospective investee company cash flows to understand whether borrowings can be serviced or refinancing may be required. Our work included consideration of events which occurred subsequent to the year end up until the date of our audit report.
- **Comparing valuations:** Where a recent transaction was used to value any holding, we obtained an understanding of the circumstances surrounding those transactions and whether it was considered to be on an arms-length basis and suitable as an input into a valuation.
- **Assessing transparency:** Consideration of the appropriateness, in accordance with relevant accounting standards, of the disclosures in respect of unquoted investments and the effect of changing one of more inputs to reasonable possible alternative valuation assumptions.

**Our results:** We found the Company's valuation of unquoted investments to be acceptable

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

Materiality for the financial statements as a whole was set at £4.6m (2016: £3.5m), determined with reference to a benchmark of Total Assets, of which it represents 0.9% (2016: 1%).

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

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

**4. We have nothing to report on going concern**

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least twelve months from the date of approval of the financial statements. We have nothing to report in these respects.

**Independent Auditor's Report to the Members of Foresight Solar (UK Holdco) Limited (continued)  
For the year ended 31 December 2017 (continued)**

**5. We have nothing to report on the other information in the Annual Report**

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

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

***Strategic report and directors' report***

Based solely on our work on the other information:

- we have not identified material misstatements in the strategic report and the directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

**6. We have nothing to report on the other matters on which we are required to report by exception**

Under the Companies Act 2006, we are required to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent Company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in these respects.

**7. Respective responsibilities**

***Directors' responsibilities***

As explained more fully in their statement set out on page 4, the Directors are responsible for: the preparation of the financial statements including being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Group and parent 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 Group or the parent 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).

**Independent Auditor's Report to the Members of Foresight Solar (UK Holdco) Limited (continued)**  
**For the year ended 31 December 2017 (continued)**

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

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members, as a body, for our audit work, for this report, or for the opinions we have formed.



**Henry Todd (Senior Statutory Auditor)**  
**for and on behalf of KPMG LLP, Statutory Auditor**  
*Chartered Accountants*  
15 Canada Square  
London  
E14 5GL

~~17~~ August 2018

14

# **FORESIGHT SOLAR (UK HOLDCO) LIMITED**

## **Statement of Comprehensive Income For the year ended 31 December 2017**

	Notes	2017 £	2016 £
<b>Income</b>			
Interest income	5	32,528,777	27,575,857
Gains on investments at fair value through profit or loss	14	<u>9,871,082</u>	<u>9,545,604</u>
<b>Total revenue</b>		<u>42,399,859</u>	<u>37,121,461</u>
<b>Expenditure</b>			
Finance costs	6	-	(1,113,448)
Interest on loan notes	7	(32,245,925)	(27,314,237)
Interest on shareholder loan	7	(3,150,240)	(2,134,994)
Interest on subsidiary loan	7	(169,178)	-
Other expenses	8	<u>(119,675)</u>	<u>(89,376)</u>
<b>Total expenditure</b>		<u>(35,685,018)</u>	<u>(30,652,055)</u>
<b>Profit before taxation for the year</b>		<b>6,714,841</b>	<b>6,469,406</b>
Taxation	9	<u>(2,064,927)</u>	<u>(1,694,813)</u>
<b>Profit for the year</b>		<b>4,649,914</b>	<b>4,774,593</b>
<b>Other comprehensive income</b>		<u>-</u>	<u>-</u>
<b>Profit and total comprehensive income for the year</b>		<u><b>4,649,914</b></u>	<u><b>4,774,593</b></u>

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

The accompanying notes on pages 14 to 51 form an integral part of these Financial Statements.

# **FORESIGHT SOLAR (UK HOLDCO) LIMITED**

## **Statement of Financial Position As at 31 December 2017**

	Notes	2017 £	2016 £
<b>Assets</b>			
<b>Non-current assets</b>			
Investments held at fair value through profit or loss	14	<u>557,473,272</u>	<u>431,173,087</u>
<b>Total non-current assets</b>		<u>557,473,272</u>	<u>431,173,087</u>
<b>Current assets</b>			
Trade and other receivables	10	44,496,471	21,175,880
Loan to subsidiary	12	55,000,000	-
Cash and cash equivalents		<u>539,488</u>	<u>44,934,984</u>
<b>Total current assets</b>		<u>100,035,959</u>	<u>66,110,864</u>
<b>Total assets</b>		<u>657,509,231</u>	<u>497,283,951</u>
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
Loan with subsidiary	12	143,503,500	183,503,500
Loan notes with parent	12	<u>250,000,000</u>	<u>250,000,000</u>
<b>Total non-current liabilities</b>		<u>393,503,500</u>	<u>433,503,500</u>
<b>Current liabilities</b>			
Trade and other payables	11	63,488,237	40,166,569
Loans with subsidiaries	12	41,970,000	-
Shareholder loan with parent	12	154,109,725	23,909,725
Financial liability held at fair value through profit or loss	14	<u>83,698</u>	<u>-</u>
<b>Total current liabilities</b>		<u>259,651,660</u>	<u>64,076,294</u>
<b>Total liabilities</b>		<u>653,155,160</u>	<u>497,579,794</u>
<b>Equity</b>			
Retained earnings		4,353,971	(295,943)
Share capital	18	<u>100</u>	<u>100</u>
<b>Total equity</b>		<u>4,354,071</u>	<u>(295,843)</u>
<b>Total equity and liabilities</b>		<u>657,509,231</u>	<u>497,283,951</u>

**FORESIGHT SOLAR (UK HOLDCO) LIMITED**

**Statement of Financial Position (continued)**  
**As at 31 December 2017**

The Financial Statements on pages 9 to 51 were approved by the Board of Directors and signed on its behalf on 13 August 2018 by:

A handwritten signature in black ink, appearing to read 'Ricardo' followed by a stylized monogram or initials.

Ricardo Pineiro, for and behalf of the Board of Directors

The accompanying notes on pages 14 to 51 form an integral part of these Financial Statements.

# **FORESIGHT SOLAR (UK HOLDCO) LIMITED**

## **Statement of Changes in Equity For the year ended 31 December 2017**

	Share Capital £	Retained Earnings £	Total £
Balance as at 1 January 2017	100	(295,943)	(295,843)
Profit and total comprehensive income for the year:			
Profit for the year	-	4,649,914	4,649,914
Balance as at 31 December 2017	100	4,353,971*	4,354,071
For the year ended 31 December 2016:			
	Share Capital £	Retained Earnings £	Total £
Balance as at 1 January 2016	100	(5,070,536)	(5,070,436)
Profit and total comprehensive income for the year:			
Profit for the year	-	4,774,593	4,774,593
Balance as at 31 December 2016	100	(295,943)*	(295,843)

\*Included in retained earnings are distributable reserves of (£17,520,194) (2016: (£12,299,026)) and non-distributable reserves of £21,874,165 (2016: £12,003,083).

The accompanying notes on pages 14 to 51 form an integral part of these Financial Statements.

# **FORESIGHT SOLAR (UK HOLDCO) LIMITED**

## **Statement of Cash Flows** **For the year ended 31 December 2017**

		2017	2016
	Notes	£	£
<b>Profit after taxation for the year</b>		<b>4,649,914</b>	<b>4,774,593</b>
<b>Adjustments for:</b>			
Gains on investments		(9,871,082)	(9,545,604)
Interest income	5	(32,528,777)	(27,575,857)
Finance costs	6	-	1,113,448
Interest expense	7	35,565,343	29,449,231
Taxation	9	2,064,927	1,694,813
<b>Operating cash flows before movements in working capital</b>		<b>(119,675)</b>	<b>(89,376)</b>
Decrease in trade and other receivables		(3,939,344)	(654,277)
Decrease in trade and other payables		(3,494,109)	(7,465,782)
Net payments to SPVs		-	(2,662,486)
<b>Cash used in operating activities</b>		<b>(7,553,128)</b>	<b>(10,871,921)</b>
Finance costs paid		-	(1,113,448)
<b>Net cash used in operating activities</b>		<b>(7,553,128)</b>	<b>(11,985,369)</b>
<b>Investing activities</b>			
Acquisition of investments	14	(116,345,405)	(10,397,534)
Increase in loan to subsidiary	12	(55,000,000)	-
Investment income received		13,147,516	9,082,307
<b>Net cash outflow from investing activities</b>		<b>(158,197,889)</b>	<b>(1,315,227)</b>
<b>Financing activities</b>			
Net increase in loans from subsidiaries		1,970,000	34,000,000
Loan notes interest paid		(10,814,479)	(1,050,915)
Increase in shareholder loan with parent		130,200,000	19,179,730
Bank facility drawn down	13	-	3,500,000
<b>Net cash inflow from financing activities</b>		<b>121,355,520</b>	<b>55,628,815</b>
<b>Net (decrease)/ increase in cash and cash equivalents</b>		<b>(44,395,496)</b>	<b>42,328,219</b>
<b>Cash and cash equivalents at the beginning of the year</b>		<b>44,934,984</b>	<b>2,606,765</b>
<b>Cash and cash equivalents at the end of the year</b>		<b>539,488</b>	<b>44,934,984</b>

The accompanying notes on pages 14 to 51 form an integral part of these Financial Statements.

## **FORESIGHT SOLAR (UK HOLDCO) LIMITED**

### **Notes to the Financial Statements**

**For the year ended 31 December 2017**

#### **1. Company information**

Foresight Solar (UK Holdco) Limited (the "Company") is a private company within the meaning of section 4(1) of the Companies Act 2006. The liability of the members is limited to the amount, if any, unpaid on the shares held by them. The Company was incorporated in the United Kingdom on 25 June 2013 with the company number 08584284. The address of the registered office is shown on page 1.

The Company is a wholly owned subsidiary of Foresight Solar Fund Limited (the "Fund") which is a London Stock Exchange listed renewable infrastructure company incorporated in Jersey under the Companies (Jersey) Law 1991, as amended, on 13 August 2013, with registered number 113721. The Company was established as a vehicle through which the Fund makes its investments.

On 11 January 2016, the Company incorporated a subsidiary, FS Holdco Limited ("FS Holdco") with 1 ordinary share in issue for a cost of £1.

On 1 December 2016, the Company incorporated a second subsidiary, FS Holdco 2 Limited ("FS Holdco 2") with 1 ordinary share in issue for a cost of £1. On 2 December 2016, FS Holdco 2 incorporated a subsidiary, FS Debtco Limited ("FS Debtco") with 1 ordinary share in issue for a cost of £1.

During the current year, the Company incorporated two further subsidiaries, namely FS Holdco 3 Limited ("FS Holdco 3"), on 31 August 2017 with 1 ordinary share in issue for a cost of £1 and FS Holdco 4 Limited ("FS Holdco 4"), on 1 September 2017 with 1 ordinary share in issue for a cost of £1.

FS Holdco, FS Holdco 2 via FS Debtco and FS Holdco 4 invested in solar projects via further holding companies (the SPVs). As at 31 December 2017 there had been no activities in FS Holdco 3.

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

#### **2. Summary of significant accounting policies**

The principal accounting policies applied in the preparation of these Financial Statements are set out below.

##### **2.1. Basis of preparation**

The Financial Statements for the year ended 31 December 2017 (the "Financial Statements") have been prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union ("EU") which comprise standards and interpretations issued by the International Accounting Standards Board ("IASB"), and International Accounting Standards and Standing Interpretations approved by the International Financial Reporting Interpretation Committee ("IFRIC") that remain in effect and to the extent they have been adopted by the EU. 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 Act 2006.

##### **2.2. Going concern**

The financial statements have been prepared on the going concern basis which the directors believe to be appropriate given that the Company is dependent for its working capital on funds provided to it by Foresight Solar Fund Limited, the ultimate parent undertaking of the Company.

## FORESIGHT SOLAR (UK HOLDCO) LIMITED

### Notes to the Financial Statements (continued) For the year ended 31 December 2017

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

##### 2.2. Going concern (continued)

The Fund has provided the Company with an undertaking that for at least 12 months from the date of approval of these financial statements, it will continue to make available such funds as are required by the Company and in particular will not seek repayment of the amounts currently made available. This should enable the Company to continue in operational existence for the foreseeable future by meeting its liabilities as they fall due for payment. As with any company placing reliance on other group entities for financial support, the directors acknowledge that there can be no certainty that this support will continue although, at the date of approval of these financial statements, they have no reason to believe that it will not do so.

Based on this undertaking the directors believe that it remains appropriate to prepare the financial statements on a going concern basis. The financial statements do not include any adjustments that would result from the basis of preparation being inappropriate.

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

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

The following standards, amendments and interpretations which are effective for the financial year beginning 1 January 2017 are material to the Company:

- IAS 7, 'Statement of Cash Flows'. Effective for accounting periods commencing on or after 1 January 2017.

On January 29, 2016, the International Accounting Standards Board (IASB) published amendments to IAS 7 'Statement of Cash Flows'. The amendments are intended to clarify IAS 7 to improve information provided to users of financial statements about an entity's financing activities. They are effective for annual periods beginning on or after January 1, 2017.

The amendments state that one way to fulfil the new disclosure requirements is to provide a reconciliation between the opening and closing balances in the statement of financial position for liabilities arising from financing activities. This reconciliation has been disclosed in note 22.

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

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

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

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

## FORESIGHT SOLAR (UK HOLDCO) LIMITED

### Notes to the Financial Statements (continued) For the year ended 31 December 2017

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

##### 2.3. Changes in accounting policies and disclosures (continued)

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

###### *Scope:*

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

###### *Application to the Company:*

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

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

IAS 18 currently specifies that interest revenue is recognised using the effective interest method. The measurement principles for interest revenue are excluded from the scope of IFRS 15 and instead have been included in IFRS 9 which similarly will require that interest revenue be recognised using the effective interest method.

Revenue arising from changes in the fair value of financial assets and financial liabilities or their disposal is specifically excluded from the scope of IAS 18 and also falls within the scope of IFRS 9.

As both revenue streams fall within the scope of IFRS 9 the adoption of IFRS 15 is not expected to have a material impact on the Company.

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

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

###### *Initial measurement of financial instruments:*

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

## FORESIGHT SOLAR (UK HOLDCO) LIMITED

### Notes to the Financial Statements (continued) For the year ended 31 December 2017

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

##### 2.3. Changes in accounting policies and disclosures (continued)

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

###### *Application to the Company:*

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

###### *Investment assets and liabilities held at fair value through profit or loss*

The Company's investments in FS Holdco, FS Holdco 2, FS Holdco 3 and FS Holdco 4 (which comprises both debt and equity) are held at fair value through profit or loss under IAS 39. Under IFRS 9, the investments will continue to be held at fair value through profit or loss.

The Company classifies its derivatives i.e. the forward exchange contracts, as financial assets or financial liabilities at fair value through profit or loss. Under IFRS 9 this classification will continue.

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

###### *Other financial instruments*

Other financial instrument assets consist of interest receivable, trade and other receivables, loans to subsidiary and cash and cash equivalents.

Other financial instrument liabilities consist of trade and other payables, loans with subsidiaries, loan notes and shareholder loan.

Under IAS 39, all other financial instruments are measured at amortised costs. This is not expected to change with the application of IFRS 9.

###### *Conclusion:*

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

#### 2.4. Consolidation

##### *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.

## FORESIGHT SOLAR (UK HOLDCO) LIMITED

### Notes to the Financial Statements (continued) For the year ended 31 December 2017

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

##### 2.4. Consolidation (continued)

###### *Investment Entity*

Qualifying entities that meet the definition of an investment entity are not required to produce a consolidated set of Financial Statements and instead account for subsidiaries at fair value through profit or loss.

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

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

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

- It obtains funds from one or more investors for the purpose of providing those investor(s) with professional investment management services;
- It commits to its investors that its business purpose is to invest funds solely for returns from capital appreciation, investment income or both; and
- It measures and evaluates the performance of substantially all of its investments on a fair value basis.

As discussed in note 1, the Company has four direct subsidiaries, 100% controlling interests in FS Holdco, FS Holdco 2, FS Holdco 3 and FS Holdco 4. FS Holdco 2 has one subsidiary, FS Debtco and FS Holdco, FS Debtco and FS Holdco 4 in turn have 100% controlling interest in the SPVs which then invest in the underlying investments.

Therefore FS Debtco, the SPVs and the underlying investments are indirect subsidiaries. The Directors deem that, though the Company does not meet all the defined criteria of an "investment entity" as it is 100% owned by the Fund, it is nevertheless an "investment entity" as the remaining requirements have been met because the Fund that holds 100% of the share capital has a number of investors and, through FS Holdco, FS Holdco 2, FS Holdco 3 and FS Holdco 4, there is a diverse investment. Therefore the Company does not consolidate any of its subsidiaries but carries them at fair value through profit or loss.

As FS Holdco, FS Holdco 2 and FS Holdco 4 are not consolidated, their subsidiaries are also not separately presented at fair value through profit or loss in the Company's accounts. However, if an investment entity is the parent of another investment entity, the parent shall also provide the disclosures required by *IFRS 12 Interest in unconsolidated entities*. These disclosures are set out in note 16.

## FORESIGHT SOLAR (UK HOLDCO) LIMITED

### Notes to the Financial Statements (continued) For the year ended 31 December 2017

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

##### 2.5. Income

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

##### 2.6. Expenses

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

The Company's finance costs, accountancy fees, interest on loan notes and all other expenses are charged through the Statement of Comprehensive Income.

*Acquisition costs of assets are capitalised on purchase of assets.*

##### 2.7. Taxation

The Company is registered in the United Kingdom ("UK") and as such is subject to corporation tax at the main tax rate.

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

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

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

The carrying amount of deferred tax assets is reviewed at each year end date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised. Deferred tax is charged or credited in the Statement of Comprehensive Income, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

##### 2.8. Functional and presentational currency

The Directors consider the Company's functional currency to be Pounds Sterling ("GBP" or "£") 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.

## FORESIGHT SOLAR (UK HOLDCO) LIMITED

### Notes to the Financial Statements (continued) For the year ended 31 December 2017

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

##### 2.8. Functional and presentational currency (continued)

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

##### 2.9. Financial assets and liabilities

###### 2.9.1. Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss comprise investments in FS Holdco, FS Holdco 2, FS Holdco 3 and FS Holdco 4. Assets in this category are classified as current assets if they are expected to be settled within twelve months, otherwise they are classified as non-current.

The Company classifies its derivatives i.e. the forward exchange contracts, as financial assets or financial liabilities at fair value through profit or loss. These financial assets and financial liabilities are designated by the Board of Directors at fair value through profit or loss at inception. The Company does not classify any derivatives as hedges in a hedging relationship.

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

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

Fair value is defined as the amount for which an asset could be exchanged between knowledgeable willing parties in an arm's length transaction.

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

The fair value of the underlying investments held by the Company's subsidiaries, which impact the value of the Company's subsidiaries, are determined by using valuation techniques. The Directors base the fair value of the investments based on information received from the Investment Manager. The Investment Manager's assessment of fair value of investments is determined in accordance with the International Private Equity and Venture Capital ("IPEVC") Valuation Guidelines, using a Discounted Cash Flow valuation methodology. As described in more detail in note 17, valuations such as these rely on inputs relating to the output of the asset (including assumptions such as solar irradiation and technological performance of the asset), power prices, operating costs, discount and inflation rates applied to the cash flows, and the duration of the useful economic life of the asset. The Board and the Investment Manager consider that the discounted cash flow valuation methodology used in deriving a fair value is in accordance with the fair value requirements of IAS 39.

Gains or losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are presented in the Statement of Comprehensive Income within gains/(losses) on investments at fair value through profit or loss recognised in the period in which they arise.

## FORESIGHT SOLAR (UK HOLDCO) LIMITED

### Notes to the Financial Statements (continued)

For the year ended 31 December 2017

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

##### 2.9. Financial assets and liabilities (continued)

###### 2.9.1. Financial assets at fair value through profit or loss (continued)

###### a) Recognition and measurement (continued)

Derivatives are recognised initially at fair value; any directly attributable transaction costs are recognised in profit or loss as they are incurred. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are generally recognised in profit or loss.

###### b) Change in valuation methodology

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

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

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

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

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

###### c) Derecognition

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

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

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

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

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

## **FORESIGHT SOLAR (UK HOLDCO) LIMITED**

### **Notes to the Financial Statements (continued) For the year ended 31 December 2017**

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

##### **2.9. Financial assets and liabilities (continued)**

###### **2.9.2. Financial assets and liabilities at amortised cost (continued)**

equivalents. Financial liabilities at amortised cost consist of trade and other payables, shareholder loans, loan notes and interest payable. Trade and other receivables are rights to receive compensation for goods or services that have been provided in the ordinary course of business to customers. Accounts receivable are classified as current assets if receipt is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current assets.

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

Loans to subsidiaries are loans issued by the Company to its subsidiaries and are classified as non-current unless the loan is payable on demand.

Cash and cash equivalents comprise cash in hand.

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

Interest payable are obligations to make payments at fixed or variable interest rates on shareholders loans, bank loans and loan notes received by the Company. Interest payable is classified as current if the receipt is due within one year or less.

Loan notes are issued by the Company to its parent in order to fund the purchase of specific investments. Loan notes are classified as non-current unless the loan is payable on demand.

A Shareholder loan arises when the total amount paid out by the Fund on behalf of Company for the costs of investments is more than the loan notes in issue. The additional amounts paid out are classified as a Shareholder loan on which interest accrues at a fixed rate per annum. When further loan notes are issued the amount is reclassified from Shareholder loan to Loan notes. Interest charges are accounted for on an accruals basis in the Statement of Comprehensive Income using the effective interest rate method.

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

Trade and other receivables, loans to subsidiaries and interest receivable are initially recognised at cost plus transaction costs that are directly attributable to the acquisition, and subsequently carried at amortised cost less provision for impairment. The effect of discounting on these financial assets is not considered to be material.

Cash is initially and subsequently recognised at cost.

All financial liabilities are recognised initially and subsequently at cost. All purchases of financial liabilities are recorded on trade date, being the date on which the Company becomes party to the contractual requirements of the financial liability.

## FORESIGHT SOLAR (UK HOLDCO) LIMITED

### Notes to the Financial Statements (continued) For the year ended 31 December 2017

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

##### 2.9. Financial assets and liabilities (continued)

##### 2.9.2. Financial assets and liabilities at amortised cost (continued)

###### *b) Derecognition*

A financial asset or liability at amortised cost (in whole or in part) is derecognised when the Company has extinguished its contractual obligations, it expires or is cancelled. Any gain or loss on derecognition is taken to Profit or Loss.

###### **Impairment of financial assets at amortised cost**

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

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

The carrying amount of the asset is reduced and the amount of the loss is recognised in the Statement of Comprehensive Income through profit or loss.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the reversal of the previously recognised impairment loss is recognised in the Statement of Comprehensive Income through profit or loss.

##### 2.9. 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 par value of £1.00.

##### 2.10. Dividend distribution

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

#### 3. Critical accounting estimates and assumptions

The preparation of Financial Statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies.

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

## FORESIGHT SOLAR (UK HOLDCO) LIMITED

### Notes to the Financial Statements (continued) For the year ended 31 December 2017

#### 3. Critical accounting estimates and assumptions (continued)

The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgments about the carrying value of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates and underlying assumptions are reviewed on an ongoing basis.

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

The Board considers that the fair value of Investments not quoted in an active market involves critical accounting estimates and judgements because it is determined by the Directors using their own models, which are usually based on valuation methods and techniques generally recognised as standard within the industry. Models use observable data, to the extent practicable. However, they also rely on significant unobservable inputs about the output of the asset (including assumptions such as solar irradiation and technological performance of the asset), power prices, operating costs, discount and inflation rates applied to the cash flows, and the duration of the useful economic life of the asset.

Furthermore, changes in these inputs and assumptions could affect the reported fair value of financial instruments. The determination of what constitutes 'observable' requires significant judgement by the Fund. The Fund considers observable data to be market data that is readily available, regularly distributed or updated, reliable and verifiable, not proprietary, and provided by independent sources that are actively involved in the relevant market.

#### 4. Employees

During the year, the average number of persons employed by the Company was nil (2016: nil).

No remuneration was paid to the directors during the period in connection with the management of the affairs of the Company (2016: nil).

#### 5. Interest income

	2017	2016
	£	£
Loan interest receivable from SPV's	-	6,837,036
Loan interest receivable from subsidiaries	32,524,791	20,736,506
Bank interest receivable	3,986	2,315
	<u>32,528,777</u>	<u>27,575,857</u>

For the period 1 January 2016 to 31 March 2016, loan interest was receivable from the SPVs on the shareholder loans at a weighted average interest rate of 7.96%.

## FORESIGHT SOLAR (UK HOLDCO) LIMITED

### Notes to the Financial Statements (continued) For the year ended 31 December 2017

#### 5. Interest Income (continued)

On 31 March 2016, the Company transferred all shareholder loans and interest receivable as at 31 March 2016 to FS Holdco in return for a new loan of £343,730,873 which bears interest at 8% per annum and is repayable on demand. From 31 March 2016, loan interest was receivable from FS Holdco at a fixed interest rate of 8% per annum.

On 7 April 2017 the Company issued a £55,000,000 loan to FS Debtco. Loan interest was receivable from FS Debtco at a fixed interest rate of 5% per annum.

On 20 February 2017 the Company issued a £74,893,885 shareholder loan to FS Holdco 2, loan interest was receivable from FS Holdco 2 at a fixed interest rate of 5% per annum.

On 27 September 2017 the Company issued a £12,481,518 shareholder loan to FS Holdco 4 and on 19 December 2017 an additional shareholder loan of £28,970,000 was issued to FS Holdco 4, loan interest on both loans is charged at a fixed interest rate of 5% per annum.

#### 6. Finance costs

	2017 £	2016 £
Credit facility agreement commitment fees (see note 13)	-	7,165
Interest on credit facility drawn down (see note 13)	-	1,106,283
	<u>-</u>	<u>1,113,448</u>

#### 7. Interest expense

	2017 £	2016 £
Interest on loan notes	32,245,925	27,314,237
Interest on shareholder loan	3,150,240	2,134,994
Interest on subsidiary loan	<u>169,178</u>	<u>-</u>
	<u>35,565,343</u>	<u>29,449,231</u>

Loan notes were issued to the company by the Fund for the purchase of investments. Interest is payable at 9% per annum in arrears on each Interest Payment Date (28 / 29 February and 31 August each year). Where interest is not paid on payment date, it will compound and future interest shall accrue at 11% per annum from the due date up to the date of actual payment compounding on each Interest Payment Date

A Shareholder loan is created when the total amount paid by the Fund on behalf of the Company for the cost of investments is more than the loan notes issued by the Fund to the Company. Interest was previously payable at 9% per annum, decreased to 2% per annum on 1 April 2017 and is repayable in full on demand.

On 27 September 2017 the Company received a £13,000,000 loan from FS Holdco 2 at an interest rate of 5% per annum accrued quarterly in arrears.

## FORESIGHT SOLAR (UK HOLDCO) LIMITED

### Notes to the Financial Statements (continued) For the year ended 31 December 2017

#### 8. Other expenses

	2017	2016
	£	£
Accountancy fees	12,850	25,930
Annual fees	1,848	2,538
Bank charges	3,136	1,692
Legal and professional fees	101,841	58,641
Penalties and charges	-	200
Security	-	375
	<u>119,675</u>	<u>89,376</u>

Included in legal and professional fees are fees for the audit of these financial statements of £9,688 (2016: £9,500) all of which is outstanding as at 31 December 2017 (2016: £9,500). There were no non-audit fees payable to the auditors during the year.

#### 9. Taxation

	2017	2016
	£	£
a) Tax expense during the year		
Current tax	2,064,927	1,694,813
Deferred tax	-	-
Total tax expense	<u>2,064,927</u>	<u>1,694,813</u>

At 31 December 2017, FS Holdco had a deferred tax asset of £57,054, which can be utilised by the group (2016: £79,510).

## FORESIGHT SOLAR (UK HOLDCO) LIMITED

### Notes to the Financial Statements (continued) For the year ended 31 December 2017

#### 9. Taxation (continued)

##### b) Factors affecting tax charge during the year

The Company is currently registered in the United Kingdom. The standard rate of corporation tax was 20% up to 1 April 2017 and 19% from 1 April 2017. The total tax charge is greater than (2016: greater than) the effective tax rate.

	2017 £	2016 £
Profit before tax for the year	6,714,841	6,469,406
Expected tax charge at 19.25% (2016: 20.00%)	1,292,607	1,293,881
Effects of:		
Income not taxable:		
Adjustments in respect of prior years	377,841	(133,766)
Expenses not deductible for tax purposes	2,310,774	2,950,177
Tax rate changes	-	(14,863)
Unrealised gains not taxable	(1,916,295)	(2,400,616)
Current tax charge for the year	<u>2,064,927</u>	<u>1,694,813</u>

##### c) Factors affecting future tax charges

A reduction in the UK corporation tax rate to 18% (effective 1 April 2020) was substantively enacted on 26 October 2015, and an additional reduction to 17% (effective 1 April 2020) was substantively enacted on 6 September 2016. This will reduce the company's future current tax charge accordingly.

There are no unrecognised tax losses as at 31 December 2017 (31 December 2016: £nil). The Company has no unutilised unrecognised tax losses in the current year (31 December 2016: £nil).

#### 10. Trade and other receivables

	2017 £	2016 £
Accrued interest receivable	37,711,361	20,511,723
Interest on shareholder loan	2,181,609	-
Margin balance on forward exchange contracts	152,717	-
Other receivables from subsidiaries *	4,448,871	661,927
Prepaid expenses	<u>1,913</u>	<u>2,230</u>
	<u>44,496,471</u>	<u>21,175,880</u>

\* Other receivables from subsidiaries are interest free, unsecured and repayable on demand.

## FORESIGHT SOLAR (UK HOLDCO) LIMITED

### Notes to the Financial Statements (continued) For the year ended 31 December 2017

#### 11. Trade and other payables

	2017 £	2016 £
Accrued expenses	18,360	64,631
Amounts payable to Foresight Solar Fund Limited *	1,116,371	4,694,208
Amounts payable to SPV's *	130,000	-
Interest payable	57,794,925	33,044,076
Taxation payable	4,428,581	2,363,654
	<u>63,488,237</u>	<u>40,166,569</u>

\*Amounts payable to Foresight Solar Fund Limited and to the SPV's are interest free, unsecured and repayable on demand.

#### 12. Intercompany loans

	2017 £	2016 £
<b>Current assets</b>		
Loan to subsidiary	<u>55,000,000</u>	<u>-</u>
<b>Non-current liabilities</b>		
Loan notes with parent	250,000,000	250,000,000
Loan with subsidiary		
- FS Holdco	<u>143,503,500</u>	<u>183,503,500</u>
	<u>393,503,500</u>	<u>433,503,500</u>
<b>Current liabilities</b>		
Shareholder loan with parent	154,109,725	23,909,725
Loans with subsidiaries		
- FS Holdco 2	<u>41,970,000</u>	<u>-</u>
	<u>196,079,725</u>	<u>23,909,725</u>

The Company paid £55,000,000 on behalf of FS Debtco, a subsidiary of FS Holdco 2, for the acquisition of its investments. Interest accrues quarterly in arrears from 7 April 2017 at a rate of 5% per annum. The loan is repayable in full by 7 April 2020 or immediately on demand and has thus been classified as current.

The loan payable to FS Holdco is repayable in full on demand. However, the directors do not intend to repay all of the loan in the next 12 months and the directors of FS Holdco have represented that they do not intend to demand repayment in the next 12 months. Furthermore, the loan is linked to the long-term borrowings in the Company. Therefore, it has been classified as non-current. Interest is charged on this loan at a rate of 0%. During the year repayments of £12,500,000 and £27,500,000 were made by the Company to FS Holdco, reducing the loan payable to FS Holdco at year end to £143,503,500 (2016: £183,503,500).

## **FORESIGHT SOLAR (UK HOLDCO) LIMITED**

### **Notes to the Financial Statements (continued)**

**For the year ended 31 December 2017**

#### **12. Intercompany loans (continued)**

A Shareholder loan is created when the total amount paid on behalf of the Company by the Fund for the cost of subsidiaries is more than the total loan notes issued from the Company to the Fund. The Shareholder loan is classified as current as it is repayable in full on demand. On 18 January 2017, the Fund issued an additional £35,200,000 shareholders loans to the Company, funded using equity proceeds raised during the prior year. Additionally, cash proceeds from two placings during the year, £67,500,000 in March and £27,500,000 in November, was transferred from the Fund to the Company. As at the reporting date, the Fund had increased its Shareholder loan receivable from the Company by £130,200,000 to £154,109,725 (2016: £23,909,725). Interest was previously payable at 9% per annum, decreasing to 2% per annum from 1 April 2017.

Two separate loans were extended by FS Holdco 2 to the Company during the year. £28,970,000 was transferred to fund the acquisition of FS Holdco 4's investment, Canadian Solar. The loan is interest bearing and accrues interest at a fixed rate of 5% per annum, effective from 1 January 2018. A further £13,000,000 was transferred to fund the acquisition of FS Holdco 4's investment, Bannerton Solar Farm. The loan is interest bearing and accrues interest at a fixed rate of 5% per annum. Both loans are repayable on demand and have thus been classified as current.

#### **13. External long-term borrowings**

On 14 April 2016, the outstanding external loan balance of £149,503,500 was paid by FS Holdco on behalf of the Company resulting in a non-interest bearing, repayable on demand loan payable to FS Holdco. The outstanding loan interest of £187,721 was repaid by the Company.

# **FORESIGHT SOLAR (UK HOLDCO) LIMITED**

## **Notes to the Financial Statements (continued)** **For the year ended 31 December 2017**

### **14. Investments at fair value through profit and loss**

#### **(a) Assets**

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

As at 31 December 2017:

	Ownership	Initial Investment date	Cost as at 31 December 2016 £	Additions £	Cost as at 31 December 2017 £	Unrealised gain as at 31 December 2016 £	Movement in unrealised (loss)/gain for the year £	Unrealised gain as at 31 December 2017 £	Fair value as at 31 December 2017 £
FS Holdco – Equity	100%	11 Jan 2016	75,439,130	-	75,439,130	12,003,083	(536,780)	11,466,303	86,905,433
FS Holdco – Loan		11 Jan 2016	343,730,873	-	343,730,873	-	-	-	343,730,873
FS Holdco 2 – Equity	100%	1 Dec 2016	1	-	1	-	10,456,008	10,456,008	10,456,009
FS Holdco 2- Loan		1 Dec 2016	-	74,893,885	74,893,885	-	-	-	74,893,885
FS Holdco 3 - Equity	100%	31 Aug 2017	-	1	1	-	-	-	1
FS Holdco 4 - Equity	100%	1 Sep 2017	-	1	1	-	35,552	35,552	35,553
FS Holdco 4- Loan		1 Sep 2017	-	41,451,518	41,451,518	-	-	-	41,451,518
			<b>419,170,004</b>	<b>116,345,405</b>	<b>535,515,409</b>	<b>12,003,083</b>	<b>9,954,780</b>	<b>21,957,863</b>	<b>557,473,272</b>

FS Holdco, FS Holdco 2, FS Holdco 3 and FS Holdco 4 are not quoted in an active market. Accordingly, the investments have been fair valued using the Company's net asset value as reported at year end. In the Director's opinion, this represents the fair value of the investments at the valuation date as all available information is used in the valuation process.

FS Holdco, FS Holdco 2 and FS Holdco 4's current portfolio consists of non-market traded investments, the valuations of which are based on a discounted cash flow methodology (as set out in note 16). As at 31 December 2017, there had been no activities in FS Holdco 3. As FS Holdco, FS Holdco 2, FS Holdco 3 and FS Holdco 4's net asset values are not considered observable market data the investments in FS Holdco, FS Holdco 2, FS Holdco 3 and FS Holdco 4 have been classified as level 3.

**FORESIGHT SOLAR (UK HOLDCO) LIMITED**

**Notes to the Financial Statements (continued)**  
**For the year ended 31 December 2017**

**14. Investments at fair value through profit and loss (continued)**

As at 31 December 2016:

	Owner ship	Initial investment date	Equity £	Loan £	Cost as at 31 December 2015 £	Additions / (Disposals) £	Realised gain/(loss) at 31 March 2016 £	Book cost at 31 December 2016 £	Unrealised gain/(loss) as at 31 December 2015 £	Movement in unrealised gain/(loss) for the year £	Unrealised gain as at 31 December 2016 £	Fair value as at 31 December 2016 £
FS Holdco – Equity	100%	Jan 2016	-	-	-	75,439,130	-	75,439,130	-	12,003,083	12,003,083	87,442,213
FS Holdco – Loan	100%	Jan 2016	-	-	-	343,730,873	-	343,730,873	-	-	-	343,730,873
FS Holdco 2 - Equity	100%	Dec 2016	-	-	-	1	-	1	-	-	-	1
Wymeswold	100%	Nov 2013	12,850,553	31,396,456	44,247,009	(49,090,000)	4,842,991	-	4,816,957	(4,816,957)	-	-
Castle Eaton	100%	Jun 2014	1,995,028	20,512,830	22,507,858	(21,630,000)	(877,858)	-	(755,461)	755,461	-	-
Pitworthy	100%	Jun 2014	1,797,063	17,474,644	19,271,707	(18,210,000)	(1,061,707)	-	(733,555)	733,555	-	-
Highfields	100%	Jun 2014	1,235,674	14,167,639	15,403,313	(14,300,000)	(1,103,313)	-	(785,633)	785,633	-	-
High Penn	100%	Jun 2014	1,026,815	11,596,486	12,623,301	(11,310,000)	(1,313,301)	-	(1,105,562)	1,105,562	-	-
Hunter's Race	100%	Sep 2014	1,915,090	10,323,650	12,238,740	(13,160,000)	921,260	-	899,972	(899,972)	-	-
Spriggs	100%	Nov 2014	2,075,661	12,361,284	14,436,945	(14,580,000)	143,055	-	270,752	(270,752)	-	-
Bournemouth	100%	Dec 2014	6,674,543	41,236,378	47,910,921	(50,060,000)	2,149,079	-	1,681,893	(1,681,893)	-	-
Landmead	100%	Dec 2014	10,000	52,405,793	52,415,793	(51,580,000)	(835,793)	-	(64,820)	64,820	-	-
Kencot	100%	Mar 2015	19,121,280	29,321,042	48,442,322	(47,210,000)	(1,232,322)	-	(562,637)	562,637	-	-
Copley	100%	Jun 2015	10,374,879	22,305,057	32,679,936	(35,670,000)	2,990,064	-	2,955,780	(2,955,780)	-	-
Paddock Wood	100%	Jul 2015	458,931	5,876,392	6,335,323	(6,190,000)	(145,323)	-	(154,181)	154,181	-	-
Atherstone	100%	Jul 2015	7,834	12,587,495	12,595,329	(12,520,000)	(75,329)	-	156,309	(156,309)	-	-
Southam	100%	Jul 2015	6,960	7,695,169	7,702,129	(7,780,000)	77,871	-	107,776	(107,776)	-	-

**FORESIGHT SOLAR (UK HOLDCO) LIMITED**

**Notes to the Financial Statements (continued)**  
**For the year ended 31 December 2017**

**14. Investments at fair value through profit and loss (continued)**

As at 31 December 2016 (continued):

	Ownership	Initial investment date	Equity £	Loan £	Cost as at 31 December 2015 £	(Disposals) £	Realised gain/(loss) at 31 March 2016 £	Book cost at 31 December 2016 £	Unrealised gain/(loss) as at 31 December 2015 £	Movement in unrealised (loss)/gain for the year £	Unrealised gain as at 31 December 2016 £	Fair value as at 31 December 2016
Port Farm	100%	Aug 2015	7,258,869	37,242,731	44,501,600	(44,720,000)	218,400	-	267,548	(267,548)	-	-
Membury	100%	Sep 2015	4,443,944	17,227,073	21,671,017	(21,160,000)	(511,017)	-	(350,902)	350,902	-	-
			<b>71,253,122</b>	<b>343,730,119</b>	<b>414,983,243</b>	<b>4</b>	<b>4,186,757</b>	<b>419,170,004</b>	<b>6,644,236</b>	<b>5,358,847</b>	<b>12,003,083</b>	<b>431,173,087</b>

## FORESIGHT SOLAR (UK HOLDCO) LIMITED

### Notes to the Financial Statements (continued) For the year ended 31 December 2017

#### 14. Investments at fair value through profit and loss (continued)

##### (b) Liabilities

##### Current Liabilities – Forward currency contracts

	2017	2016
	£	£
Currency sold (AUD)	5,427,310	-
Currency bought (GBP)	3,054,325	-
Value in GBP at 31 December 2017	3,138,023	-
Investment liability	(83,698)	-

On 28 September 2017 the Company entered into forward exchange contracts with Hamilton Court FX in relation to the acquisition of Australian investments of FS Holdco 4.

##### (c) Net gains on investments at fair value through profit or loss recognised in the Statement of Comprehensive Income

	2017	2016
	£	£
Loss on fair value adjustment of Forward exchange contract at fair value through profit or loss	(83,698)	-
Realised gain for the period on investments held at fair value through profit or loss	-	4,186,757
Unrealised gain for the period on investments held at fair value through profit or loss	9,954,780	5,358,847
	<u>9,871,082</u>	<u>9,545,604</u>

##### (d) 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 hierarchy used to analyse the fair values of financial assets and liabilities is set out below:

- 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; and
- 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.

## FORESIGHT SOLAR (UK HOLDCO) LIMITED

### Notes to the Financial Statements (continued) For the year ended 31 December 2017

#### 14. Investments at fair value through profit and loss (continued)

As FS Holdco, FS Holdco 2, FS Holdco 3 and FS Holdco 4's net asset values are not considered observable market data the investments in FS Holdco, FS Holdco 2, FS Holdco 3 and FS Holdco 4 have been classified as level 3. There were no movements between levels during the year.

The forward currency contracts are considered to be Level 2 in the Fair Value Hierarchy. The following tables show the Company's financial assets and liabilities based on the hierarchy set out in set out in IFRS:

As at 31 December 2017:

	Level 1 £	Level 2 £	Level 3 £	Total £
<b>Financial assets at fair value through profit or loss</b>				
Unquoted investments	-	-	557,473,272	557,473,272
	-	-	557,473,272	557,473,272
<b>Financial liabilities at fair value through profit or loss</b>				
Forward currency contracts	-	83,698	-	83,699
	-	83,698	-	83,699

As at 31 December 2016:

	Level 1 £	Level 2 £	Level 3 £	Total £
<b>Financial assets at fair value through profit or loss</b>				
Unquoted investments	-	-	431,173,087	431,173,087
	-	-	431,173,087	431,173,087

#### (e) Sensitivity Analysis

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

## FORESIGHT SOLAR (UK HOLDCO) LIMITED

### Notes to the Financial Statements (continued) For the year ended 31 December 2017

#### 15. Subsidiaries

Name	Direct or indirect holding	Registered address	Principal activity	Proportion of shares and voting rights held
FS Holdco Limited ("FS Holdco")	Direct	The Shard, 32 London Bridge Street, London, SE1 9 SG	Subsidiary	100%
FS Holdco 2 Limited ("FS Holdco 2")	Direct	The Shard, 32 London Bridge Street, London, SE1 9 SG	Subsidiary	100%
FS Debtco Limited ("FS Debtco")	Indirect	The Shard, 32 London Bridge Street, London, SE1 9 SG	Subsidiary	100%
FS Holdco 3 Limited ("FS Holdco 3")	Direct	The Shard, 32 London Bridge Street, London, SE1 9 SG	Subsidiary	100%
FS Holdco 4 Limited ("FS Holdco 4")	Direct	The Shard, 32 London Bridge Street, London, SE1 9 SG	Subsidiary	100%
FS Wymeswold Limited	Indirect	The Shard, 32 London Bridge Street, London, SE1 9 SG	SPV Holding Company	100%
FS Castle Eaton Limited	Indirect	The Shard, 32 London Bridge Street, London, SE1 9 SG	SPV Holding Company	100%
FS Pitworthy Limited	Indirect	The Shard, 32 London Bridge Street, London, SE1 9 SG	SPV Holding Company	100%
FS Highfields Limited	Indirect	The Shard, 32 London Bridge Street, London, SE1 9 SG	SPV Holding Company	100%
FS High Penn Limited	Indirect	The Shard, 32 London Bridge Street, London, SE1 9 SG	SPV Holding Company	100%
FS Hunter's Race Limited	Indirect	The Shard, 32 London Bridge Street, London, SE1 9 SG	SPV Holding Company	100%
FS Spriggs Limited	Indirect	The Shard, 32 London Bridge Street, London, SE1 9 SG	SPV Holding Company	100%
FS Bournemouth Limited	Indirect	The Shard, 32 London Bridge Street, London, SE1 9 SG	SPV Holding Company	100%
FS Landmead Limited	Indirect	The Shard, 32 London Bridge Street, London, SE1 9 SG	SPV Holding Company	100%
FS Kencot Limited	Indirect	The Shard, 32 London Bridge Street, London, SE1 9 SG	SPV Holding Company	100%
FS Copley Limited	Indirect	The Shard, 32 London Bridge Street, London, SE1 9 SG	SPV Holding Company	100%
FS Port Farm Limited	Indirect	The Shard, 32 London Bridge Street, London, SE1 9 SG	SPV Holding Company	100%
FS Membury Limited	Indirect	The Shard, 32 London Bridge Street, London, SE1 9 SG	SPV Holding Company	100%
FS Southam Limited	Indirect	The Shard, 32 London Bridge Street, London, SE1 9 SG	SPV Holding Company	100%
FS Atherstone Limited	Indirect	The Shard, 32 London Bridge Street, London, SE1 9 SG	SPV Holding Company	100%
FS Paddock Wood Limited	Indirect	The Shard, 32 London Bridge Street, London, SE1 9 SG	SPV Holding Company	100%
Southam Holdco Limited	Indirect	The Shard, 32 London Bridge Street, London, SE1 9 SG	SPV Holding Company	100%
Atherstone Holdco Limited	Indirect	The Shard, 32 London Bridge Street, London, SE1 9 SG	SPV Holding Company	100%
Paddock Wood Holdco Limited	Indirect	The Shard, 32 London Bridge Street, London, SE1 9 SG	SPV Holding Company	100%
Acquisition Co 1 Limited	Indirect	The Shard, 32 London Bridge Street, London, SE1 9 SG	SPV Holding Company	100%
Acquisition Co 2 Limited	Indirect	The Shard, 32 London Bridge Street, London, SE1 9 SG	SPV Holding Company	100%
Acquisition Co 3 Limited	Indirect	The Shard, 32 London Bridge Street, London, SE1 9 SG	SPV Holding Company	100%
Foresight Bannerton Pty Limited	Indirect	Sydney, Australia	SPV Holding Company	48.50%
Wymeswold Solar Farm Limited ("Wymeswold")	Indirect	The Shard, 32 London Bridge Street, London, SE1 9 SG	Investment	100%
Castle Eaton Solar Farm Limited ("Castle Eaton")	Indirect	The Shard, 32 London Bridge Street, London, SE1 9 SG	Investment	100%

## FORESIGHT SOLAR (UK HOLDCO) LIMITED

### Notes to the Financial Statements (continued) For the year ended 31 December 2017

#### 15. Subsidiaries (continued)

Name	Direct or indirect holding	Registered address	Principal activity	Proportion of shares and voting rights held
Pitworthy Solar Farm Limited ("Pitworthy")	Indirect	The Shard, 32 London Bridge Street, London, SE1 9 SG	Investment	100%
Highfields Solar Farm Limited ("Highfields")	Indirect	The Shard, 32 London Bridge Street, London, SE1 9 SG	Investment	100%
High Penn Solar Farm Limited ("High Penn")	Indirect	The Shard, 32 London Bridge Street, London, SE1 9 SG	Investment	100%
Hunter's Race Solar Farm Limited ("Hunter's Race")	Indirect	The Shard, 32 London Bridge Street, London, SE1 9 SG	Investment	100%
Spriggs Solar Farm Limited ("Spriggs")	Indirect	The Shard, 32 London Bridge Street, London, SE1 9 SG	Investment	100%
Bournemouth Solar Farm Limited ("Bournemouth")	Indirect	The Shard, 32 London Bridge Street, London, SE1 9 SG	Investment	100%
Landmead Solar Farm Limited ("Landmead")	Indirect	The Shard, 32 London Bridge Street, London, SE1 9 SG	Investment	100%
Kencot Hill Solar Farm Limited ("Kencot")	Indirect	The Shard, 32 London Bridge Street, London, SE1 9 SG	Investment	100%
Copley Solar Limited ("Copley")	Indirect	The Shard, 32 London Bridge Street, London, SE1 9 SG	Investment	100%
Port Farms Solar Limited ("Port Farm")	Indirect	The Shard, 32 London Bridge Street, London, SE1 9 SG	Investment	100%
Membury Solar Limited ("Membury")	Indirect	The Shard, 32 London Bridge Street, London, SE1 9 SG	Investment	100%
Southam Solar Farm Limited ("Southam")	Indirect	The Shard, 32 London Bridge Street, London, SE1 9 SG	Investment	100%
Atherstone Solar Farm Limited ("Atherstone")	Indirect	The Shard, 32 London Bridge Street, London, SE1 9 SG	Investment	100%
Paddock Wood Solar Farm Limited ("Paddock Wood")	Indirect	The Shard, 32 London Bridge Street, London, SE1 9 SG	Investment	100%
Shotwick Solar Limited ("Shotwick")	Indirect	The Shard, 32 London Bridge Street, London, SE1 9 SG	Investment	100%
Sandridge Solar Power Limited ("Sandridge")	Indirect	The Shard, 32 London Bridge Street, London, SE1 9 SG	Investment	100%
SSR Wally Corner Limited ("SSR Wally")	Indirect	The Shard, 32 London Bridge Street, London, SE1 9 SG	Investment	100%
Foresight Solar Australia Pty Limited	Indirect	Sydney, Australia	Investment	100%
Longreach Asset Company Pty Limited	Indirect	Sydney, Australia	Investment	49%
Oakey 1 Asset Company Pty Limited	Indirect	Sydney, Australia	Investment	49%
RE Oakey Pty Limited	Indirect	Sydney, Australia	Investment	100%

The direct subsidiaries FS HoldCo, FS Holdco 2, FS Holdco 3 and FS Holdco 4 are included in these Financial Statements at fair value through profit and loss; the indirect subsidiaries are held at fair value through profit or loss in the Financial Statements of FS HoldCo, FS Holdco 2, FS Debtco, FS Holdco 3 and FS Holdco 4.

# **FORESIGHT SOLAR (UK HOLDCO) LIMITED**

## **Notes to the Financial Statements (continued)** **For the year ended 31 December 2017**

### **16. Investments in unconsolidated entities**

The following table represents the fair values of the investments held by FS Holdco as required by IFRS 12.

For the year ended 31 December 2017:

			Initial		Cost at 31	Loan	Cost as at 31	Unrealised	Movement	Unrealised	Fair value as
Ownership		Investment	date	Equity	December	(repayments)	December	gains as at 31	in unrealised	gain/(loss) as	at 31
				£	2016	/Additions	2017	December	gains for the	at 31	at 31
				£	£	£	£	2016	year	December	December
				£	£	£	£	£	£	2017	2017
Wymeswold	100%	Nov 2013	17,693,544	30,896,456	48,590,000	-	48,590,000	1,510,000	(2,356,019)	846,019	47,743,981
Castle Eaton	100%	Jun 2014	1,117,170	20,512,830	21,630,000	-	21,630,000	270,000	(1,352,442)	(1,082,442)	20,547,558
Pitworthy	100%	Jun 2014	735,356	17,474,644	18,210,000	-	18,210,000	90,000	(1,870,640)	(1,780,640)	16,429,360
Highfields	100%	Jun 2014	132,361	14,167,639	14,300,000	-	14,300,000	700,000	(1,587,086)	(887,086)	13,412,914
High Penn	100%	Jun 2014	(286,486)	11,596,486	11,310,000	-	11,310,000	690,000	(1,619,314)	(929,314)	10,380,686
Hunter's Race	100%	Sep 2014	2,836,350	10,323,650	13,160,000	-	13,160,000	340,000	(111,949)	228,051	13,388,051
Spriggs	100%	Nov 2014	2,217,966	12,362,034	14,580,000	-	14,580,000	220,000	(1,084,218)	(864,218)	13,715,782
Bournemouth	100%	Dec 2014	8,823,622	41,236,378	50,060,000	-	50,060,000	1,240,000	(1,472,776)	(232,776)	49,827,224
Landmead	100%	Dec 2014	(825,793)	52,405,793	51,580,000	-	51,580,000	2,520,000	(6,192,336)	(3,672,336)	47,907,664
Kencot	100%	Mar 2015	17,888,958	29,321,042	47,210,000	-	47,210,000	1,790,000	(4,477,469)	(2,687,469)	44,522,531
Copley	100%	Jun 2015	13,364,943	22,305,057	35,670,000	-	35,670,000	2,330,000	(1,380,615)	949,385	36,619,385
Paddock Wood	100%	Jul 2015	313,608	10,307,332	10,620,940	-	10,620,940	879,060	(458,712)	420,348	11,041,288
Atherstone	100%	Jul 2015	(67,495)	16,071,236	16,003,741	-	16,003,741	596,259	(1,103,296)	(507,037)	15,496,704
Southam	100%	Jul 2015	84,831	11,060,150	11,144,981	-	11,144,981	655,019	(673,684)	(18,665)	11,126,316
Port Farm	100%	Aug 2015	7,477,269	36,737,731	44,215,000	-	44,215,000	1,785,000	(2,220,241)	(435,241)	43,779,759
Membury	100%	Sep 2015	3,932,928	17,227,073	21,160,000	-	21,160,000	740,000	(1,446,518)	(706,518)	20,453,482
			<b>75,439,131</b>	<b>354,005,531</b>	<b>429,444,662</b>	<b>-</b>	<b>429,444,662</b>	<b>16,355,338</b>	<b>(29,407,315)</b>	<b>(13,051,977)</b>	<b>416,392,685</b>

# **FORESIGHT SOLAR (UK HOLDCO) LIMITED**

## **Notes to the Financial Statements (continued)** **For the year ended 31 December 2017**

### **16. Investments in unconsolidated entities (continued)**

The following table represents the fair values of the Investments held by FS Debtco (direct subsidiary of FS Holdco 2) as required by IFRS 12.

For the year ended 31 December 2017:

	Cost as at 2 December 2016 £	Additions £	Cost as at 31 December 2017 £	Unrealised gain/(loss) as at 2 December 2016 £	Unrealised gain for the period £	Unrealised gain as at 31 December 2017 £	Fair value as at 31 December 2017 £
Shotwick Solar Ltd	-	74,893,885	74,893,885	-	9,695,657	9,695,657	84,589,542
Sandridge Solar power Ltd	-	57,046,269	57,046,269	-	958,717	958,717	58,004,986
SSR Wally Corner Limited	-	5,717,508	5,717,508	-	41,666	41,666	5,759,174
	-	<b>137,657,662</b>	<b>137,657,662</b>	-	<b>10,696,040</b>	<b>10,696,040</b>	<b>148,353,702</b>

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

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

# **FORESIGHT SOLAR (UK HOLDCO) LIMITED**

## **Notes to the Financial Statements (continued)** **For the year ended 31 December 2017**

### **17. Investments in unconsolidated entities (continued)**

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

Year ended 31 December 2017

	Cost at 1 January 2017 £'000	Additions £'000	Cost as at 31 December 2017 £'000	Unrealised fx gain/(loss) as at 1 January 2017 £'000	Movement on unrealised fx gain £'000	Unrealised fx gain as at 31 December 2017 £'000	Fair value as at 31 December 2017 £'000
Bannerton Solar Farm	-	12,482,000	12,482,000	-	-	-	12,482,000
Canadian Solar	-	28,970,000	28,970,000	-	200,000	200,000	29,170,000
	-	41,452,000	41,452,000	-	200,000	200,000	41,652,000

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

**FORESIGHT SOLAR (UK HOLDCO) LIMITED**

**Notes to the Financial Statements (continued)**  
**For the year ended 31 December 2017**

**18. Investments in unconsolidated entities (continued)**

For the year ended 31 December 2016:

	Cost as at 31 March 2016 £	(Disposals) / Additions £	Cost as at 31 March 2016 £	Unrealised gain as at 31 March 2016 £	Unrealised gain for the period 1 April 2016 - 31 December 2016 £	Unrealised gain as at 31 December 2016 £	Fair value as at 31 December 2016 £
FS Debtco Limited	-	-	-	-	-	-	-
FS Holdco – Loan	49,090,000	(500,000)	48,590,000	-	1,510,000	1,510,000	50,100,000
Castle Eaton	21,630,000	-	21,630,000	-	270,000	270,000	21,900,000
Pitworthy	18,210,000	-	18,210,000	-	90,000	90,000	18,300,000
Highfields	14,300,000	-	14,300,000	-	700,000	700,000	15,000,000
High Penn	11,310,000	-	11,310,000	-	690,000	690,000	12,000,000
Hunter's Race	13,160,000	-	13,160,000	-	340,000	340,000	13,500,000
Spriggs	14,580,000	-	14,580,000	-	220,000	220,000	14,800,000
Bournemouth	50,060,000	-	50,060,000	-	1,240,000	1,240,000	51,300,000
Landmead	51,580,000	-	51,580,000	-	2,520,000	2,520,000	54,100,000
Kencot	47,210,000	-	47,210,000	-	1,790,000	1,790,000	49,000,000
Copley	35,670,000	-	35,670,000	-	2,330,000	2,330,000	38,000,000
Paddock Wood	6,190,000	4,430,940	10,620,940	-	879,060	879,060	11,500,000
Atherstone	12,520,000	3,483,741	16,003,741	-	596,259	596,259	16,600,000
Southam	7,780,000	3,364,981	11,144,981	-	655,019	655,019	11,800,000
Port Farm	44,720,000	(505,000)	44,215,000	-	1,785,000	1,785,000	46,000,000
Membury	21,160,000	-	21,160,000	-	740,000	740,000	21,900,000
	<b>419,170,000</b>	<b>10,274,662</b>	<b>429,444,662</b>	<b>-</b>	<b>16,355,338</b>	<b>16,355,338</b>	<b>445,800,000</b>

## FORESIGHT SOLAR (UK HOLDCO) LIMITED

### Notes to the Financial Statements (continued) For the year ended 31 December 2017

#### 16. Fair value of investments in unconsolidated entities

##### Valuation process

Valuations are the responsibility of the Board of Directors. The Investment Manager is responsible for submitting fair market valuations of Group assets to the Directors. The Directors review and approve these valuations following appropriate challenge and examination. Valuations are carried out quarterly. The current portfolio consists of non-market traded investments and valuations are based on a discounted cash flow methodology. The Investment manager's assessment of fair value of investments is determined in accordance with the International Private Equity and Venture Capital Valuation Guidelines ("IPEVC"), using levered and unlevered Discounted Cash Flow principles. The Investment Manager and Directors consider that the discounted cash flow methodology used in deriving a fair value is in accordance with the fair value requirements of IFRS 13. The investments held by FS Holdco 4 were valued at cost as at 31 December 2017 as these projects were not yet operational and therefore are not included in the sensitivity analysis.

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

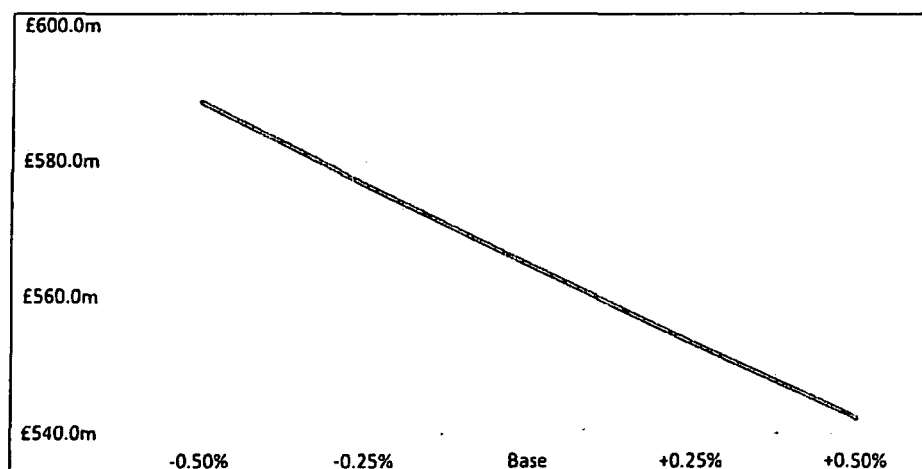
The Company's investments are valued with reference to the discounted value of future cash flows. The Directors consider the valuation methodology used, including the key assumptions and discount rate applied, to be appropriate. The Board review, at least annually, the valuation inputs and where possible, make use of observable market data to ensure valuations reflect the fair value of the investments. A broad range of assumptions are used in the valuation models. These assumptions are based on long-term forecasts and are not affected by short term fluctuations in inputs, be it economic or technical.

The Directors consider the following assumptions to be significant inputs to the DCF calculation.

##### Discount rate

The weighted average discount rate used is 7.75%. The Directors do not expect to see a significant change in the discount rates applied within the Solar Infrastructure sector. Therefore a variance of +/- 0.5% is considered reasonable.

	-0.50%	-0.25%	Base	+0.25%	+0.50%
Directors' valuation (£m)	588.8	576.6	564.7	553.3	542.3
NAV per share (pence)	112.3	109.6	107.0	104.5	102.0
Change vs Base Case (%)	4.2	2.1	0.0	(2.0)	(3.9)



## FORESIGHT SOLAR (UK HOLDCO) LIMITED

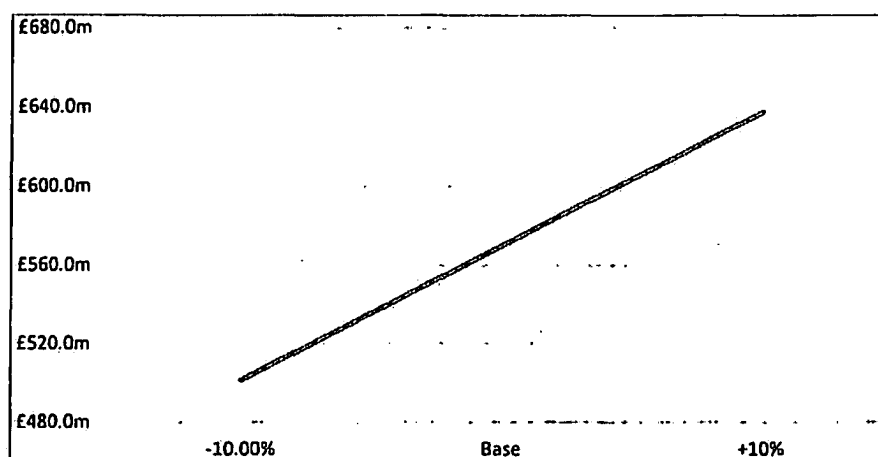
### Notes to the Financial Statements (continued) For the year ended 31 December 2017

#### 17. Fair value of the investments in unconsolidated entities (continued)

##### Production

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

	-10%	Base	+10%
Directors' valuation (£m)	496.4	564.7	632.4
NAV per share (pence)	91.8	107.0	122.0
Change vs Base Case (%)	(12.0)	-	12.0



##### Power Price

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

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

The power price forecasts are updated quarterly and based on power price forecasts from leading independent sources. The Investment Manager adjusts where more conservative assumptions are considered appropriate and applies expected PPA sales discounts. The forecast assumes an average annual increase in power prices in real terms of approximately 1.3%.

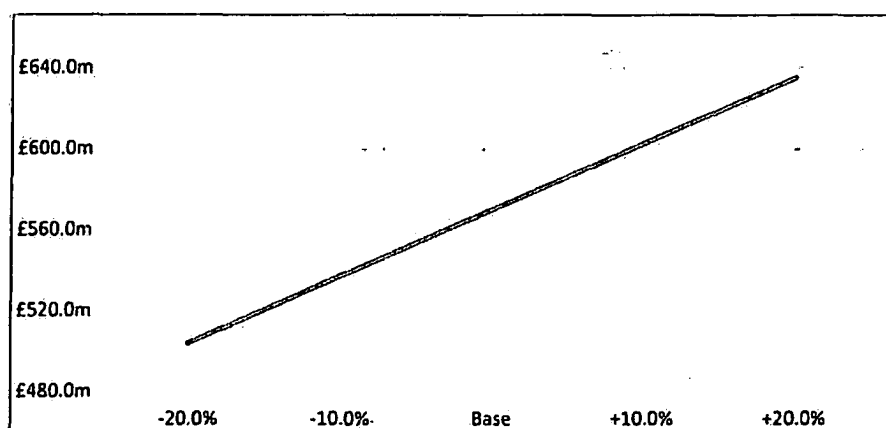
	-20.0%	-10.0%	Base	+10.0%	+20.0%
Directors' valuation (£m)	498.7	532.0	564.7	597.4	629.9
NAV per share (pence)	92.3	99.7	107.0	114.3	121.5
Change vs Base Case (%)	(12.0)	(6.0)	-	6.0	11.0

## FORESIGHT SOLAR (UK HOLDCO) LIMITED

### Notes to the Financial Statements (continued) For the year ended 31 December 2017

#### 17. Fair value of the investments in unconsolidated entities (continued)

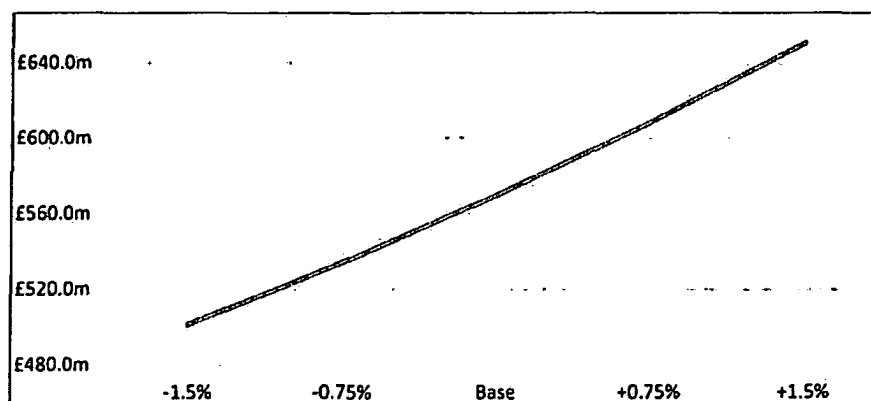
##### Power Price (continued)



##### Inflation

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

	-1.50%	-0.75%	Base	+0.75%	+1.50%
Directors' valuation (£m)	496.4	529.3	564.7	603.4	645.7
NAV per share (pence)	91.8	99.0	107.0	115.6	124.9
Change vs Base Case (%)	(12.0)	(6.0)	-	7.0	14.0



##### Operating costs (investment level)

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

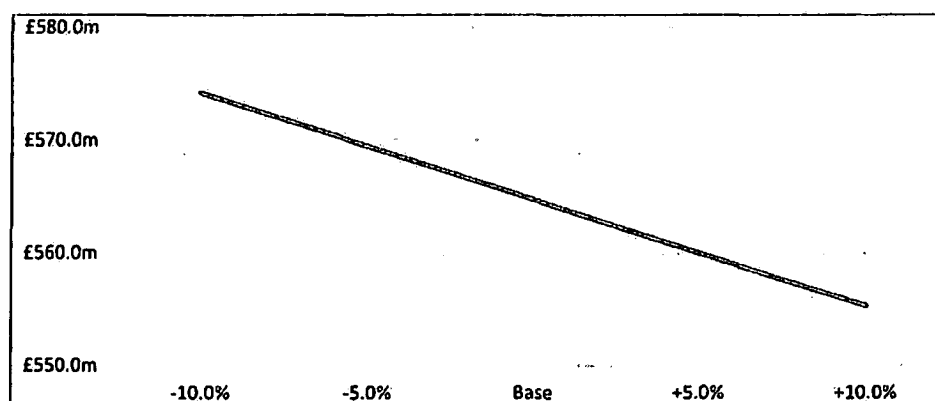
## FORESIGHT SOLAR (UK HOLDCO) LIMITED

### Notes to the Financial Statements (continued) For the year ended 31 December 2017

#### 17. Fair value of the investments in unconsolidated entities (continued)

##### Operating costs (investment level) (continued)

	-10.0%	-5.0%	Base	+5.0%	+10.0%
Directors' valuation (£m)	574.2	569.2	564.7	560.0	555.3
NAV per share (pence)	109.1	108.0	107.0	105.9	104.9
Change vs Base Case (%)	2.0	1.0	-	(1.0)	(2.0)



#### 17. Share capital

The share capital of the Company comprises 100 Ordinary Shares of £1 par value each. All Ordinary Shares are held by Foresight Solar Fund Limited. The Company can issue an unlimited number of Ordinary Shares.

	2017 Shares	2017 £	2016 Shares	2016 £
Ordinary shares	100	100	100	100

#### 18. Financial instruments and risk profile

The Company has receivables and payables that arise directly from its operations. The Company's investment activities expose it to various types of risk associated with solar power. The main risks arising from the Company's financial instruments are market risk, liquidity risk and credit risk. The Directors regularly review and agree policies for managing each of these risks and these are summarised below.

##### 19.1 Market risk

###### a) Foreign currency risk

Foreign currency risk, as defined in IFRS 7, arises as the values of recognised monetary assets and monetary liabilities denominated in other currencies fluctuate due to changes in foreign exchange rates. Transactions in foreign currency are translated at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated to pounds sterling at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in income.

## FORESIGHT SOLAR (UK HOLDCO) LIMITED

### Notes to the Financial Statements (continued) For the year ended 31 December 2017

#### 19. Financial instruments and risk profile (continued)

##### 19.1 Market risk (continued)

##### (a) Foreign currency risk (continued)

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 Australian dollar denominated assets. The group mitigates its exposure to fluctuations in foreign currency through the use of forward exchange contracts.

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

	31 December 2017 £'000	31 December 2016 £'000
AUD	41,652,000	-

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

##### b) Price risk

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

Price risk is the risk that the fair value or cash flows of a financial instrument will fluctuate due to changes in market prices. As at 31 December 2017, if the market prices of the investments had been 10% higher with all other variables held constant, the increase in net asset attributable to shareholders for the year would have been £55,747,327 (2016: £43,117,308) higher, arising due to the increase in the fair value of financial instruments.

##### c) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's exposure to the risk of changes in market interest rates relates primarily to the Company's long-term borrowing to its subsidiary. At year end the Company had no long-term borrowings with third parties (2016: £nil).

As at 31 December 2017:

	Total portfolio 2017	Weighted average interest rate 2017	Weighted average time for which rate is fixed 2017
Investment – FS Holdco*	343,730,873	8.00	365**
Investments – FS Holdco 2 & FS Holdco 4*	116,345,404	5.00	955
Cash	539,488	-	-
<b>Total exposed to interest rate risk</b>	<b>460,615,765</b>		

## FORESIGHT SOLAR (UK HOLDCO) LIMITED

### Notes to the Financial Statements (continued) For the year ended 31 December 2017

#### 19. Financial Instruments and risk profile (continued)

##### 19.1 Market risk (continued)

##### c) Interest rate risk (continued)

As at 31 December 2016:

	Total portfolio 2016	Weighted average interest rate 2016	Weighted average time for which rate is fixed 2016
Investments*	343,730,873	8.00	365**
Cash	44,934,984	-	-
<b>Total exposed to interest rate risk</b>	<b>388,665,857</b>		

\*The loan portion of the Investments are subject to interest rate risk

\*\*These loans do not have a repayment date and are repayable on demand. However, the directors do not intend to demand repayment in at least 12 months after year end.

##### 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.

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

As at 31 December 2017:

	Carrying amount £	Contractual Total £	Less than 6 months £	6 to 12 months £	Greater than 12 months £
<b>Financial Assets</b>					
Investments	535,515,409	535,515,409	-	-	535,515,409
Trade and other receivables	44,496,471	44,496,471	44,496,471	-	-
Loan to subsidiary	55,000,000	55,000,000	55,000,000	-	-
Cash and cash equivalents	539,488	539,488	539,488	-	-
<b>Total financial assets</b>	<b>635,551,368</b>	<b>635,551,368</b>	<b>100,035,959</b>	<b>-</b>	<b>535,515,409</b>

## FORESIGHT SOLAR (UK HOLDCO) LIMITED

### Notes to the Financial Statements (continued) For the year ended 31 December 2017

#### 19. Financial instruments and risk profile (continued)

##### 19.2 Liquidity risk (continued)

As at 31 December 2017:

	Carrying amount £	Contractual Total £	Less than 6 months £	6 to 12 months £	Greater than 12 months £
<b>Financial Liabilities</b>					
Investment liabilities	(83,698)	(83,698)	(83,698)	-	-
Trade and other payables	(5,693,311)	(5,693,311)	(5,693,311)	-	-
Loan with FS Holdco	(143,503,500)	(143,503,500)	-	-	(143,503,500)
Loan with FS Holdco2*	(42,139,178)	(42,139,178)	-	(42,139,178)	-
Shareholder loan*	(162,989,790)	(162,989,790)	-	(162,989,790)	-
Loan notes *	(298,745,683)	(298,745,683)	-	(48,745,683)	(250,000,000)
<b>Total financial liabilities</b>	<b>(653,155,160)</b>	<b>(653,155,160)</b>	<b>(5,677,009)</b>	<b>(253,874,651)</b>	<b>(393,503,500)</b>
<b>Net position</b>	<b>17,603,792</b>	<b>(17,603,792)</b>	<b>94,358,950</b>	<b>(253,874,651)</b>	<b>142,011,909</b>

The above contractual totals are calculated on the assumption that the loan notes are not repaid until the redemption date. The Directors do not expect this to be the case. The calculations are also based on the assumption that the overdue interest is repaid at the next Interest Payment Date.

As at 31 December 2016:

	Carrying amount £	Contractual Total £	Less than 6 months £	6 to 12 months £	Greater than 12 months £
<b>Financial Assets</b>					
Investments	343,730,874	343,730,874	-	-	343,730,874
Trade and other receivables	21,173,650	21,173,650	21,173,650	-	-
Cash and cash equivalents	44,934,984	44,934,984	44,934,984	-	-
<b>Total financial assets</b>	<b>409,839,508</b>	<b>409,839,508</b>	<b>66,108,634</b>	<b>-</b>	<b>343,730,874</b>
<b>Financial Liabilities</b>					
Trade and other payables	(7,122,493)	(7,122,493)	(7,122,493)	-	-
Loan with FS Holdco	(183,503,500)	(183,503,500)	-	-	(183,503,500)
Shareholder loan *	(29,639,549)	(29,639,549)	(29,639,549)	-	-
Loan notes *	(277,314,252)	(277,314,252)	(277,314,252)	-	-
<b>Total financial liabilities</b>	<b>(497,579,794)</b>	<b>(497,579,794)</b>	<b>(314,076,294)</b>	<b>-</b>	<b>(183,503,500)</b>
<b>Net position</b>	<b>(87,740,286)</b>	<b>(87,740,286)</b>	<b>(247,967,660)</b>	<b>-</b>	<b>(160,227,374)</b>

\*Includes interest

## FORESIGHT SOLAR (UK HOLDCO) LIMITED

### Notes to the Financial Statements (continued) For the year ended 31 December 2017

#### 19. Financial instruments and risk profile (continued)

##### 19.3 Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Company. The Company is exposed to credit risk in relation to cash and cash equivalents, trade and other receivables, investments in loans and interest receivable on loans.

The Company places cash with authorised deposit takers and is therefore potentially at risk from the failure of such institutions. 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 a relationship with the following financial institution:

	Moody's Credit Rating	2017 £	Moody's Credit Rating	2016 £
Cash in hand:				
Royal Bank of Scotland Plc	P2	<u>539,488</u>	P2	<u>44,934,984</u>
Total cash in hand		539,488		44,934,984
Total cash and cash equivalents		<u>539,488</u>		<u>44,934,984</u>

The Board has determined that the maximum exposure to credit risk in relation to trade and other receivables is £44,496,471, being the carrying amount in the statement of financial position at 31 December 2017 (2016: £21,175,880). The board has determined that the maximum exposure to credit risk in relation to investments is £535,515,409, being the portion of the investments that are made up of loans as at 31 December 2017 (2016: £343,730,873).

The Company is also exposed to Credit Risk arising from counterparties failure to make interest payments on the loan portion of investments. This risk is however not significant as these loans are only issued within the Group and is covered by the continued support of its parent company.

All investee companies within the Group are monitored by the Fund's Board on a quarterly basis, and therefore the above amounts are deemed to be of a sufficient credit quality, are neither past due nor impaired and are deemed to be fully recoverable.

##### 19.4 Other risks

###### Political and economic risk

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.

#### 20. Capital management

The Company's objectives when managing capital are to safeguard the Company'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.

## FORESIGHT SOLAR (UK HOLDCO) LIMITED

### Notes to the Financial Statements (continued) For the year ended 31 December 2017

#### 20. Capital management (continued)

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.

Consistent with others in the industry, the Company monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including 'current and non-current borrowings' as shown in the consolidated Statement of Financial Position) less cash and cash equivalents. Total capital is calculated as 'equity' as shown in the consolidated Statement of Financial Position plus net debt. The gearing ratio as at 31 December 2017 was as follows:

	2017 £	2016 £
Total borrowings	589,583,225	457,413,225
Less: cash and cash equivalents	<u>(539,488)</u>	<u>(44,934,984)</u>
Net debt	<u>589,043,737</u>	<u>412,478,241</u>
Total equity	<u>4,354,071</u>	<u>(295,843)</u>
Total capital	<u>593,397,808</u>	<u>412,182,398</u>
Gearing ratio	<u>99.27%</u>	<u>100.07%</u>

#### 21. Related party disclosures

##### *Transactions with the Fund*

Foresight Solar Fund Limited (the "Fund") is the immediate parent company of the Company and is therefore considered a related party.

During the year, the Company issued no further loan notes to the Fund (2016: £34,000,000), thus the total payable to the Fund remained at £250,000,000 (2016: £250,000,000), on which interest of £32,245,925 was payable for the year (2016: £27,314,252). As at the reporting date £48,745,683 was outstanding (2016: £27,314,252).

On 18 January 2017 the Fund issued an additional £35,200,000 shareholder loans, funded using equity proceeds raised during the prior year, to the Company (refer to *Transactions with FS Holdco 2* below). Additionally, cash proceeds from two placings during the year, £67,500,000 in March (refer to *Transactions with FS Holdco* and *Transactions with FS Debtco* below) and £27,500,000 in November (refer to *Transactions with FS Holdco* below) were transferred from the Fund to the Company.

As at the reporting date, the Company had increased its Shareholder loan payable to the Fund by £130,200,000 to £154,109,725 (2016: £23,909,725). Interest was previously payable at 9% per annum, decreasing to 2% per annum from 1 April 2017. Total interest of £3,150,240 was charged during the year (2016: £2,134,994). As at the reporting date £8,880,064 was outstanding (2016: £5,729,824).

Included in trade and other payables are interest free, unsecured amounts payable to the Fund of £1,116,371 (2016: £4,694,208).

## **FORESIGHT SOLAR (UK HOLDCO) LIMITED**

### **Notes to the Financial Statements (continued) For the year ended 31 December 2017**

#### **21. Related party disclosures (continued)**

##### ***Transactions with FS Holdco***

FS Holdco Limited ("FS Holdco") is a wholly owned subsidiary of the Company and is therefore considered a related party.

During the prior year, the Company issued a loan to FS Holdco totalling £343,730,843. As at the reporting date the loan remained unchanged (2016: £343,730,843). Total interest of £27,121,719 was payable for the year (2016: £20,511,723). Interest receivable £37,711,361 was outstanding as at the reporting date (2016: £20,511,723).

The Company transferred £12,500,000 of the £67,500,000 received from the Fund to FS Holdco to repay a portion of its Short Term Revolving Facility with Abbey National Treasury Services ("Santander"). Additionally, the entire £27,500,000 received from the Fund was also transferred to FS Holdco to repay its loan with Santander. These two transactions had decreased the Company's loan payable to FS Holdco by £40,000,000 to £143,503,500 (2016: £23,183,503,500). No interest is charged on this loan.

Included in trade and other receivables are interest free, unsecured amounts receivable from FS Holdco of £714,853 (2016: £661,927).

##### ***Transactions with FS Holdco 2***

FS Holdco 2 Limited ("FS Holdco 2") is a wholly owned subsidiary of the Company and is therefore considered a related party.

During the year the Company issued a shareholder loan of £74,893,885 to FS Holdco 2. Total interest of £3,221,463 was receivable for the year (2016: £nil), all of which was outstanding at year end (2016: £nil).

Two separate loans were extended by FS Holdco 2 to the Company during the year. £28,970,000 was transferred to fund the acquisition of FS Holdco 4's investment, Canadian Solar. The loan is interest bearing and accrues interest at a fixed rate of 5% per annum, effective from 1 January 2018. A further £13,000,000 was transferred to fund the acquisition of FS Holdco 4's investment, Bannerton Solar Farm. The loan is interest bearing and accrues interest at a fixed rate of 5% per annum. Both loans are repayable on demand and have thus been classified as current.

Included in trade and other receivables are interest free, unsecured amounts receivable from FS Holdco 2 of £3,734,018 (2016: £nil).

##### ***Transactions with FS Debtco***

FS Debtco Limited ("FS Debtco") is a wholly owned subsidiary of FS Holdco 2 and is therefore considered a related party.

The Company transferred £55,000,000 of the £67,500,000 received from the Fund to FS Debtco to fund the acquisition of Sandridge Solar Power Limited. As a result, FS Debtco has a loan payable to the Company of £55,000,000 at year end (2016: £55,000,000), on which interest of £2,019,178 was charged for the year (2016: £nil), all of which was outstanding at year end (2016: £nil).

##### ***Transactions with FS Holdco 4***

FS Holdco 4 Limited ("FS Holdco 4") is a wholly owned subsidiary of the Company and is therefore considered a related party.

During the year, two loan amounts totalling £41,451,519 were extended to FS Holdco 4, on which interest at a fixed rate of 5% per annum was charged. Total interest of £162,431 was receivable for the year (2016: £nil), all of which was outstanding at year end (2016: £nil).

## FORESIGHT SOLAR (UK HOLDCO) LIMITED

### Notes to the Financial Statements (continued) For the year ended 31 December 2017

#### 21. Related party disclosures (continued)

##### *Transactions with SPVs*

During the year transactions amounting to £130,000 commenced with the SPV's held by FS Debtco of which £130,000 is still outstanding at year end.

##### *Other*

No Director has an interest in any contract to which the Company is a party. The Directors have not received any remuneration for their services in the current and preceding year.

#### 22. Cash flow statement reconciliation

The following table discloses the effects of the amendments to IAS 7 Statement of Cash Flows that require additional disclosures about changes in an entity's financing liabilities arising from both cash flow and non-cash flow items.

	1 January 2017	Cash flows	Non-cash changes	Foreign exchange movements	Fair value changes	31 December 2017
	£	£	Acquisition £	£	£	£
<b>Non-current liabilities</b>						
Loan with subsidiary	183,503,500	(40,000,000)	-	-	-	143,503,500
Shareholder loan	250,000,000	-	-	-	-	250,000,000
<b>Current liabilities</b>						
Investment liability	-	-	-	83,698	-	83,698
Loans with subsidiaries	-	41,970,000	-	-	-	41,970,000
Shareholder loan	23,909,725	130,200,000	-	-	-	154,109,725
<b>Total</b>	<b>457,413,225</b>	<b>132,170,000</b>	<b>-</b>	<b>83,698</b>	<b>-</b>	<b>589,666,923</b>

#### 23. Commitments and contingent liabilities

As at 31 December 2017, the Company did not have any commitments or contingent liabilities (2016: none).

#### 24. Controlling party

Foresight Solar Fund Limited (the "Parent Company") is the immediate and ultimate parent company of Foresight Solar Fund (UK Holdco) Limited. The address of the registered office of the Parent Company is 28 Esplanade, St Heller, Jersey, JE2 3QA.

The financial statements of the Parent Company are available on the Foresight Group website [www.foresightgroup.eu](http://www.foresightgroup.eu).

#### 25. Post balance sheet events

Post year end, FS Holdco 3 has acquired 5 additional UK Solar farms from Belltown Power Limited with total cost of £36,123,744.