

27 June 2024

**SDCL Energy Efficiency Income Trust plc**

("SEEIT" or the "Company")

**Announcement of Annual Results for the year ended 31 March 2024**

SDCL Energy Efficiency Income Trust plc (LSE: SEIT) ("SEEIT" or the "Company") today announces its financial results for the year ended 31 March 2024.

There will be a virtual presentation for analysts and investors at 9.30am today. To register, please follow this link: <https://www.lsegissuerservices.com/spark/SDCLEnergyEfficiencyIncomeTrust/events/a77985b7-8564-410f-84cd-c852b0a128d1>.

The Company's full Annual Report and Audited Financial Statements for the year ended 31 March 2024 can be found on the Company's website: <https://www.seeitplc.com/>. This has also been submitted to the National Storage Mechanism and will be available shortly at: <https://data.fca.org.uk/#/nsm/nationalstoragemechanism>.

**Highlights**

- **Net Asset Value ("NAV") per share (APM)** of 90.5p as at 31 March 2024 (31 March 2023: 101.5p), which includes a reduction of 11p from 90bps increase in weighted average unlevered discount rate in the year. NAV fell by just 0.1p in second half of the period (30 September 2023: 90.6p)
- **Investment cash inflow from the portfolio (APM)** of £92 million as at 31 March 2024, up 8% on a portfolio basis (APM) (2023: £85 million)
- **Aggregate dividends (APM)** of 6.24p per share declared for the year ended 31 March 2024, in line with target (March 2023: 6.0p) and fully cash covered 1.1x
- **Target dividend** of 6.32p per share for the year to March 2025
- **Portfolio valuation (APM)** of £1,117 million as at 31 March 2024, up from £1,100 million at 31 March 2023
- **Loss before tax** of £56 million for year to 31 March 2024 (31 March 2023: loss of £18.6 million) includes unrealised loss of £118 million from discount rate increases
- **Investment** of c.£161 million mainly into existing investments during the financial year and a further c.£23 million invested since the year end
- **Post-year end sale** of its entire investment in UU Solar for approximately £90 million and at a 4.5% premium to the 30 September 2023 valuation, using the proceeds to reduce short-term gearing (APM)
- **Scope 4 emissions (savings)** of 971,828 tCO<sub>2</sub> from Company's portfolio

Alternative Performance Measure (APM): See Annual Report Glossary of Financial Alternative Performance Measures for further details on APMs used throughout this report.

**Tony Roper, Chair of SEEIT, said:**

"The macro-economic backdrop has created market uncertainty for a second consecutive year and, in this context, SEEIT's performance has remained resilient relative to the wider market.

As the world seeks to address the practical challenges of the energy transition and efforts to decarbonise, energy markets and their supply chains face scarcities and price volatility. Subsequently, investing in more efficient supply, demand and distribution of energy, which is SEEIT's focus, becomes increasingly important and valuable. As such, we believe that SEEIT remains well positioned to benefit from this opportunity."

**Jonathan Maxwell, CEO of SDCL, the Investment Manager said:**

"SEEIT delivers essential energy services to commercial industrial, public sector and retail clients that are low cost, low carbon and reliable. In a world where energy prices remain high and volatile, where carbon emissions continue to grow and where energy security is an imperative, the need for business and government to slash energy consumption by being more efficient is as pressing as ever.

Particularly where interest rates remain relatively high, we remain cautious with regards to portfolio construction and effective management of our balance sheet. The sale of UU Solar supported our asset valuations and reduced our short-term borrowing facilities. While we consider further selective disposals, we are also ensuring that returns on any new investments compare favourably with the alternatives of reducing gearing and buying back shares. As such, we remain focussed on adding value to our existing investments, and to providing sustainable returns for our investors".

## For Further Information

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## About SEEIT

SDCL Energy Efficiency Income Trust plc is a constituent of the FTSE 250 index. It was the first UK listed company of its kind to invest exclusively in the energy efficiency sector. Its projects are primarily located in North America, the UK and Europe and include, *inter alia*, a portfolio of cogeneration assets in Spain, a portfolio of commercial and industrial solar and storage projects in the United States, a regulated gas distribution network in Sweden and a district energy system providing essential and efficient utility services on one of the largest business parks in the United States.

The Company aims to deliver shareholders value through its investment in a diversified portfolio of energy efficiency projects which are driven by the opportunity to deliver lower cost, cleaner and more reliable energy solutions to end users of energy.

The Company is targeting an attractive total return for shareholders of 7.8 per cent. per annum (net of fees and expenses and by reference to the initial issue price of £1.00 per Ordinary Share), with a stable dividend income, capital preservation and the opportunity for capital growth. The Company is targeting a dividend of 6.24p per share in respect of the financial year to 31 March 2024. SEEIT's last published NAV was 90.6p per share as at 30 September 2023.

Past performance cannot be relied on as a guide to future performance.

Further information can be found on the Company's website at [www.seeitplc.com](http://www.seeitplc.com).

## Investment Manager

SEEIT's investment manager is Sustainable Development Capital LLP ("SDCL"), an investment firm established in 2007, with a proven track record of investment in energy efficiency and decentralised generation projects in the UK, Continental Europe, North America and Asia.

SDCL is headquartered in London and also operates worldwide from offices in New York, Dublin, Madrid, Hong Kong and Singapore. SDCL is authorised and regulated in the UK by the Financial Conduct Authority.

Further information can be found on at [www.sdclgroup.com](http://www.sdclgroup.com).

## CHAIR'S STATEMENT

**"On behalf of the Board, I am pleased to present the Annual Report and financial statements (the "Annual Report") for SDCL Energy Efficiency Income Trust plc ("SEEIT" or the "Company") for the year ended 31 March 2024."**

**Tony Roper**  
Chair

I would like to thank shareholders for their support over what is now the second consecutive financial year characterised by turbulent global market conditions. I am pleased that in this context SEEIT's performance has been resilient relative to the wider market.

During the year, SEEIT's portfolio has delivered an aggregated EBITDA <sup>APM</sup> in line with budget and a fully cash-covered dividend. We have seen positive results from the steps taken by the Investment Manager to improve asset values and to progress selective disposals, proving previous asset values and strengthening SEEIT's balance sheet. Further details can be found in the Investment Manager's Report.

SEEIT's focus on energy efficiency is differentiated from the other alternative income investment trusts focused on infrastructure or clean energy and, in this respect, it is the only large-scale investment trust or FTSE 250 company of its kind benefiting from a diversified portfolio of investments.

## Capital Markets

The last year has been characterised by continued relatively high inflation and interest rates. This has put downward pressure on valuations of income streams and asset values in the infrastructure sector.

Signs of lowering inflation and hopes for one or more interest rate cuts by central banks during 2024 collided with

stubborn inflation numbers in the last quarter of the Company's financial year, limiting the opportunity to reduce discount rates in the short term. Market uncertainty was accompanied by geopolitical instability as the wider ramifications of the Israel-Hamas and the Russia-Ukraine conflicts continued to impact supply chains and global capital markets.

At the same time, areas of the capital markets, particularly in the UK investment trust market, have been under pressure. March 2024 represented the 34th straight month of net redemptions from multi-asset funds that are traditional long-term shareholders, creating a background of net selling and overhang in the investment trust sector as a whole, and in the alternative income markets in which SEEIT operates.

This has contributed to a significant reduction in SEEIT's share price during the year. However, the value that this represents has also been identified by institutional investors and analysts, and as a result, SEEIT has welcomed several new shareholders to its register and looks forward to continuing to deliver value and ensure that the best shareholder outcomes can be achieved.

#### **Governance and Engagement with Shareholders**

We thank shareholders for a strong vote in favour of SEEIT's continuation in the vote at the 2023 AGM, when all resolutions were passed. Our 2024 AGM will be held in September and the notice will be published in July. Emma Griffin has notified the board of her intention to stand down at this AGM and so will not be seeking re-election. I wish to take this opportunity to thank Emma for her valuable contribution and insight, and we will seek to recruit a replacement as part of our succession planning.

The Board and the Investment Manager have engaged with shareholders throughout the year and listened to feedback. This has resulted, amongst other things, in an increase in the level of disclosure that the Company provides in its annual and semi-annual reporting, providing investors with more information related to the performance of individual investments as well as the wider portfolio.

Also during the year, the Investment Manager has been engaging with new prospective shareholders to support the liquidity and marketability of the Company's shares. This has resulted in new investments made by some predominantly US-based institutional investors and a change in composition of our shareholder register.

#### **Addressing the Share Price Discount to Net Asset Value APM**

During the year the Company bought back £20 million worth of its own shares. The Board and Investment Manager will continue to assess further buybacks if deemed in the best interests of shareholders.

In our Interim Results, we set out a plan to help to reduce the discount to net asset value at which the Company's shares have been trading. This plan included a series of measures that the Company is well advanced on implementing, including:

- continuing to add value to the portfolio through active asset management;
- achieving selective disposals to help to reduce short-term gearing <sup>APM</sup>, to prove net asset value <sup>APM</sup> and to recycle proceeds into opportunities for increased total return. Following the year end, the sale in May 2024 of UU Solar ("UU") to UK Power Network services is an example (see Portfolio Summary for further details);
- increasing marketability and liquidity of the Company's shares by attracting new institutional investors to the shareholder register, as well as improving the profile of the Company;
- applying its Capital Allocations Policy to focus on those organic investments that exceed the minimum return hurdles, being mainly further investment into RED-Rochester, Onyx and EVN; and
- planning actions based on feedback from investors, leading to regular meetings with analysts and major shareholders.

We are also considering further steps we could take to narrow the discount, including:

- additional disclosures to improve investor confidence in investments and their support for the cash cover of the Company's dividend;
- managing borrowing levels overall, and in particular the level of short-term borrowings through the Company's RCF;
- marketing of the Company's shares to wider audience of potential investors, for example in the United States, as well as the traditional market for UK investment trusts; and
- subject to an improvement in share price, acquisition of other smaller investment trusts to improve scale and diversification.

Despite some improvements in the last quarter of the financial year, we remain strongly of the view that the Company's share price does not reflect the value of its investments, nor the cashflows derived from them that allow the Company to pay the current level of dividends with progressive growth.

This represents a significant challenge, as well as a substantial opportunity for new shareholders, who are able to acquire SEEIT's shares in the market well below net asset value <sup>APM</sup> and with an attractive dividend yield.

#### **Portfolio and Financial Performance**

The portfolio generated earnings in line with expectations and cash flows that were more than sufficient to cover the Company's target dividends.

SEEIT's NAV <sup>APM</sup> per share at 31 March 2024 was 90.5 pence (101.5 pence at 31 March 2023), a decrease of 11% in the year. The NAV is in line with the 30 September 2023 NAV <sup>APM</sup> of 90.6 pence when the Company reported a reduction of NAV <sup>APM</sup>, driven largely by an increase in discount rates reflecting a "higher for longer" inflation and interest rate environment.

The second half of the Company's financial year saw improvements in performance and projections from significant investments such as Primary Energy and Onyx, which have faced delays and provisions in prior periods, as well as from Oliva and Värtan that had been the subject of regulatory uncertainty. The Investment Manager's Report expands further on these matters.

#### **Balance Sheet**

As at 31 March total gearing <sup>APM</sup> was £485 million. Since the year end, the Company has sold an investment, enabling it to reduce its short-term portfolio gearing <sup>APM</sup>. Total gearing <sup>APM</sup> has since been reduced by 11% to approximately £430 million as at 31 May 2024.

This reduction in gearing <sup>APM</sup> was achieved through a repayment of the revolving credit facility ("RCF") in May 2024, which was funded through the c. £90 million proceeds of the sale of the Company's investment in UU Solar after the year end. The drawn RCF is £98 million (as at 31 May 2024), substantially lower than the £155 million drawn at 31 March 2024 after also accounting for new investments in Onyx since 31 March 2024. Further details can be found in the Finance and Valuation Update.

Under the agreed Capital Allocation Policy, new investments during the period were limited almost entirely to "organic investments" to support existing portfolios and platforms and where returns exceeded minimum hurdles. Only one new investment was added to the Company's portfolio of corporate investments, which is limited to up to 3% of its portfolio in aggregate. This was £2.4 million invested in Rondo, a thermal storage business in the United States. The Company invested alongside a number of large corporate strategic investors, including Microsoft, Saudi Aramco and Rio Tinto, in a technology solution aiming to help decarbonise industrial heat, one of the highest value and hardest to abate sectors.

While current market conditions and a prudent approach to gearing create limitations in SEEIT's appetite to fund attractive development and construction opportunities, it is seeking co-investment from third-party investors on certain assets. This is key to SEEIT's ability to deliver ongoing value and growth.

#### **Dividends**

In line with previous guidance, in June 2024 the Company announced its fourth interim dividend for the year ended 31 March 2024 of 1.56 pence per share. This provided an aggregate dividend of 6.24 pence per share declared for the year ended 31 March 2024, which was fully covered 1.1 times by cash flow from the portfolio.

Based on our assessment of current cash flow projections, the Company is announcing new dividend guidance of 6.32 pence per share for the year to 31 March 2025, an increase of c.1%, and as before is targeting progressive dividend growth thereafter. The dividend guidance balances growing the dividend with the ability to generate higher levels of surplus cash available for repayment of debt and reinvestment in investment opportunities.

#### **Outlook**

The Board and the Investment Manager are committed to delivering value to, and positive outcomes for, shareholders.

SEEIT is a unique investment company, fully focusing on energy efficiency. It is investing in solutions to an increasingly carbon-constrained world, with an investment approach that is consistently cash generative.

The majority of SEEIT's investment cash flows are contracted with high-quality client counterparties, to which SEEIT is providing essential energy services. This tends to make SEEIT as important to its clients as they are to it. SEEIT's clients are typically essential providers of products and services to their economies, including, for example, steel manufacturers, hospitals, universities, agricultural facilities, utilities, hospitals and data centres. The average remaining life of its contracts with clients is over 14 years.

In addition to SEEIT's cash flows generated from its operational assets, the Company's portfolio offers the opportunity for capital growth, for example through its exposure to assets at the development and construction phase. The Investment Manager and management teams of portfolio companies benefit from deep experience and leadership. As such, the Company is well positioned to achieve attractive levels of total return for shareholders, underpinned by income.

The Board remains cognisant of shareholder feedback regarding capital efficiency, recognising that capital is currently scarce. This means the Investment Manager is being selective over new investment, focusing on organic opportunities from the existing portfolio and passing on a number of opportunities over the last year.

The Investment Manager estimates the scale of organic investments in the financial year ending 31 March 2025 to be between £75-125m, which will be funded by a combination of utilisations from the Company's RCF (if appropriate), debt utilisation at investment level and from selective disposals.

The target is to keep the RCF at moderate levels. Overall, gearing is well inside the total gearing limit of 65% of NAV, with a current headroom of approximately £200m.

In the year ahead, our focus will be on supporting our existing portfolio with selective capital for organic investment, and on working actively with our portfolio companies, as well as strategic and selective capital partners, to support growth and to achieve strong returns.

As the world seeks to address the practical challenges of the energy transition and efforts to decarbonise, energy markets and their supply chains face scarcities and price volatility. In this context, investing in more efficient supply, demand and distribution of energy, which is SEEIT's focus, becomes increasingly important and valuable. We believe that SEEIT remains well positioned to benefit from this opportunity.

**Tony Roper**  
**Chair**

## **STRATEGY | INVESTMENT MANAGER: MARKETS AND OUTLOOK**

#### **Macroeconomic Context and Outlook for SEEIT**

Energy efficiency in the supply of and demand for energy is fundamentally about reducing cost and improving energy productivity. By reducing losses traditionally associated with the supply of and demand for energy, it is also a major source of greenhouse gas emission reductions, energy security and resilience.

It is important to understand that SEEIT is not a merchant energy investor. Instead, it seeks to invest in primarily long-term contracted income streams with high-quality credit counterparties. As such, it has limited exposure to energy prices in its revenue streams and, wherever it does, it seeks to mitigate these with contracted arrangements for fuel supply or offtake contracts for energy services. It is also not a highly leveraged investment company with short-term refinancing challenges. As such, it has limited exposure to short-term interest rate movements and availability of project finance. It is also not a grid-connected, utility scale renewable energy project investor. While it seeks to deploy renewable energy technologies, it is not subject to the same competitive dynamics or regulatory uncertainties.

What SEEIT does do is concentrate on investing in efficient energy services, generated or applied close to or at the point of use. SEEIT's investments in decentralised energy generation, as opposed to centralised or grid focused energy generation, are designed to meet the needs of large end users of energy, predominantly in the commercial, industrial, public sector and transport markets. Its projects seek to deliver energy services in the form of power, heating and cooling where they are needed at the highest practicable levels of combined electrical and thermal efficiency.

As such, the majority of SEEIT's projects deliver energy services that are cheaper, cleaner and more reliable than the grid. This is what makes SEEIT's decentralised energy generation projects efficient and provides them with an enduring competitive advantage and value even beyond their initial contracted lives.

SEEIT also invests in projects that help to reduce the amount of energy needed by end users to produce the same level of work or economic output. Most energy losses happen in the supply of energy, mainly as heat losses at the point of centralised generation, for example in gas-fired power plants designed to create electricity for the grid. However, large amounts of energy is lost at the point of use, for example because of sub optimal mechanical and electrical infrastructure such as lighting, heating, air conditioning and controls. As such, SEEIT's projects seek to invest in the replacement or upgrading of this infrastructure to reduce energy demand and cut costs. Associated with demand reduction, more efficient distribution of energy services, such as district energy and electric vehicle charging infrastructure, also creates competitive advantages.

The combination of Efficient and Decentralised Generation of Energy helps to define SEEIT's approach to energy investing and its competitive advantage. We summarise this strategy and approach with the acronym "EDGE".

The macroeconomic context for energy efficiency is important, both because of the contribution that it can make to addressing systemic energy related challenges, and because of the impact that the wider market conditions have on the performance and value of SEEIT's investment portfolio.

Higher energy prices increase the advantage and relative value of SEEIT's energy services to its clients and can help to extend project lives. Extensions of major contracts within Primary Energy and Oliva during the financial year are good examples. Higher energy prices also tend to support the business case for development and construction of new energy efficiency projects and, together with a pass-through of higher costs of capital in a higher interest rate environment, can improve returns on investment. Higher rates of inflation can also help to increase those contracted revenues in SEEIT's portfolio that are indexed to inflation.

Higher energy prices also feed into the price of almost all goods and services in the economy, thereby driving inflation and, ultimately, interest rates. Energy prices have remained relatively high and volatile, even after falling from recent peaks in the aftermath of Russia's invasion of Ukraine. Tensions and conflict in the Middle East have added to supply and price uncertainty. Increasing supplies and exports of oil and gas from the United States, which on their own would have reduced energy prices, have been offset by the production cuts made by other major energy producers and exporters, thus inflating overall energy prices. Energy prices in turn affect the prices of most goods and services, including food (from fertilisers to production and shipping), manufacturing and transport. Increasing energy prices is therefore inflationary. Central banks tend to raise interest rates to combat inflation.

As the Chair notes in his statement, because interest rates and inflation fell from their peaks in 2022 and 2023, there were hopes in the market of further falls during the first quarter of 2024. The United States Federal Reserve indicated the potential for three interest rate cuts in 2024, which helped to set positive market expectations.

However, higher-than-expected inflation numbers in the first months of the calendar year curbed expectations and reversed much of the reduction in longer-term yields. For instance, the yield on ten-year US Treasuries reduced from around 5% in October 2023 to around 3.8% in January 2024, only to increase again to around 4.3% by the end of March 2024. Inflation proved stubborn, underpinned by energy prices, production, and shipping costs and growing levels of government debt, while the ramifications of the conflicts in Ukraine and the Middle East continued to impact supply chains and global capital markets.

These macroeconomic challenges tend to increase costs, making energy efficiency projects that reduce costs more attractive, urgent and valuable. However, the financial implications on SEEIT during the year translated into higher discount rates applied to the cash flows associated with SEEIT's investments, which have affected valuations. As such, we have been focusing on what actions can be taken to improve net asset value <sup>APM</sup> for shareholders irrespective of broader macroeconomic conditions and what steps can be taken to reduce the discount at which the Company, like its peer group in the UK investment trust market, is trading.

### Adapting to Market Conditions

Under prevailing market conditions, our approach to investment, portfolio construction and management of the balance sheet has changed. This reflects an environment in which the Company has not issued new equity since September 2022 and is unlikely to do so for some time.

As a result, working closely with the Board as Investment Manager, we have taken several actions.

First, we are progressing **selective disposals** of assets, which can be sold to create cash for reinvestment at more attractive rates of return or to repay short-term borrowings. Disposals can also help to prove valuations in support of the Company's net asset value <sup>APM</sup>. A notable disposal was the sale of UU Solar, completed shortly after the end of the financial year, which was achieved at a premium to the last reported valuation.

Second, the Company's **short-term borrowing facilities have been reduced** from £155 million, since 31 March 2024, to £98 million at 31 May 2024 using cash proceeds from the disposal of UU Solar and accounting for further investment into Onyx. Further repayments of shorter-term borrowing facilities are planned.

Third, we have agreed a **Capital Allocations Policy** with the Board in 2023 that is aimed at ensuring that returns on any new investment compare favourably with any alternative opportunity; for example, to buy back shares in the market at a discount to net asset value <sup>APM</sup>, or to reduce short-term borrowing facilities. The Company benefits from a pipeline of projects arising from its existing portfolio. During the year, we have supported investments that exceed return thresholds, for example at RED-Rochester, Onyx and EVN that supports the Company's attractive investment return strategy over the medium and long term.

Fourth, we have sought to increase the **positive correlation** between the revenues from SEEIT's portfolio of investments and **inflation**. Examples include the addition of inflation indexation, and reduction of exposure to labour costs, at the same time Primary Energy extended its major contract with Cleveland-Cliffs in its Cokenergy project for a further twelve years. An outcome of SEEIT's disposal of UU Solar has also been an increase in the overall correlation of its portfolio to inflation.

Fifth, we have sought to **position the Company's portfolio for growth**. Examples include:

- Onyx, where the rate of new contract signings has tripled to over 75 megawatts (MW) per annum;
- EVN, where, for example, the largest fast charging hub in the UK was opened by the Chancellor during the year and where rates of deployment have grown several times; and
- RED-Rochester, where a substantial growth in capacity is under construction to serve over 115 existing customers, as well as new ones.

Overall, some 14% of SEEIT's portfolio is invested in projects at the development or construction phase of their project investment lifecycle, which provides opportunity for capital growth in addition to the income generated by

operational assets. Within its 10% allocation to development-stage assets, SEEIT has private equity investments in growth companies, which offer the potential to generate gains as well as proprietary pipeline.

Sixth, we have been engaging with new prospective shareholders to **support the liquidity and marketability of the Company's shares**. This has resulted in significant new investments made by a number of predominantly US-based institutional investors and a change in composition of our shareholder register.

In the short term, we are also seeking to differentiate the Company by:

- promoting its shares, which trade at a discount, to UK and international investors;
- increasing the Company's profile in the media; and
- distinguishing the Company from renewable energy investment companies, which have other market and trading characteristics.

We are also exploring other potential actions, including progressing on additional selective investment disposals or equity joint ventures to create liquidity, strengthen the balance sheet, improve the opportunity for total returns, reduce gearing <sup>APM</sup> and to provide the opportunity to return capital to shareholders, for example via share buybacks or tender offers.

We expect that our investment activity in the near and medium term will remain somewhat limited and focused on the identified opportunities within the existing portfolio. For some of these opportunities we expect to utilise the RCF, but at the same time remain cognisant of the agreed Capital Allocations Policy and the necessity to ensure that investments remain accretive to the Company's objective. Through capital recycling we are aiming to substantially repay the current RCF balance over the medium term, notwithstanding the possibility that in the near term the balance may increase.

#### PERFORMANCE | COMPANY KEY PERFORMANCE INDICATORS

In the section below, the Company sets out its financial and operational key performance indicators ("KPIs") used to track the performance of the Company over time against its objectives.

The Board believes that the KPIs detailed below provide shareholders with sufficient information to assess how effectively the Company is meeting its objectives.

##### Financial KPIs

Definition	31 March 2024	31 March 2023	Commentary
<b>Net Asset Value ("NAV") per share <sup>APM</sup> (pence)</b> NAV <sup>APM</sup> divided by number of shares outstanding as at 31 March	90.5p	101.5p	NAV <sup>APM</sup> has decreased compared with the prior year due to global increases in risk-free rates pushing discount rates up materially from March 2023 - see Financial Review and Valuation Update.
<b>Share price (pence)</b> Closing share price as at 31 March	59.1p	84.0p	The share price has decreased predominantly due to market volatility and the thematic adverse impact on alternative investments focused UK investment trusts.
<b>Dividends per share (pence)</b> Aggregate dividends declared per share in respect of the financial year	6.24p	6.0p	The dividend increased year on year due to predictability of near-term cash generation from portfolio, plus new investments made previously. The Company met its stated dividend targets for the years ended 31 March 2023 and 31 March 2024.
<b>Dividend cash cover (x)</b> Operational cash flow divided by dividends paid to shareholders during the year	1.1x	1.2x	The target was for net operational cash inflow to fully cover dividends paid. The Company met its target for the years ended 31 March 2023 and 31 March 2024.
<b>Total return on NAV basis <sup>APM</sup> in the year (%)</b> NAV growth and dividends paid per share in the year	(4.7)%	(0.9)%	The payment of interim dividends contributed to NAV <sup>APM</sup> return in the year, although offset by significantly higher discount rates, resulting in a material decrease in return in both years.
<b>Ongoing charges ratio (%)</b> Annualised ongoing charges (i.e. excluding investment costs and other irregular costs) divided by the average published undiluted NAV <sup>APM</sup> in the period, calculated in accordance with AIC guidelines	1.02%	1.02%	Remained consistent year on year. See Financial Review and Valuation Update.

##### Operational KPIs

Definition	31 March 2024	31 March 2023	Commentary
<b>Weighted average contracted investment life (years)</b> Weighted average number of years of contracted revenue remaining in investment contracts (excludes all recontracting assumptions)	16.4	15.9	Increase was in line with expectations and mainly due to one material contract successfully renewed during the year.
<b>Largest five investments as a % of gross asset value ("GAV <sup>APM</sup>") (%)</b> Total value of five largest individual investments divided by the sum of all investments held in the portfolio plus	52%	54%	Target is to maintain good portfolio diversification, achieved in both financial years

**PERFORMANCE | FINANCIAL REVIEW AND VALUATION UPDATE****Financial Performance**

The Company's investment strategy and the Investment Manager's focus on asset management has helped manage downside risks and target value-accretive opportunities during the year, notwithstanding market volatility.

**Financing**

The Investment Manager seeks to maintain a conservative level of total gearing <sup>APM</sup> consistent with the Company's tolerance for financial risk. Total gearing <sup>APM</sup> is measured on a look through basis by including debt at Company level through to the investment portfolio level. The Company's investment policy provides for a target medium term gearing <sup>APM</sup> of 35% of NAV <sup>APM</sup> ("structural gearing" <sup>APM</sup>) and a consolidated borrowing limit of 65%, which includes the longer-term structural gearing <sup>APM</sup> and acquisition financing facilities used to finance the Company's investments over a shorter term, both calculated at the time of borrowing.

Refinancing risk at the portfolio level is managed through low gearing <sup>APM</sup>, staggered debt tenors and maintaining low absolute levels of refinancing requirements over the medium term.

**Consolidated Gearing Position**

The structural gearing <sup>APM</sup> target is measured across the portfolio, enabling the Company to optimise for efficiency and risk, utilise debt where it can be most efficiently sourced and enable a significant part of the portfolio (41 out of 54 investments) to operate on an unlevered basis. A large portion of the structural gearing <sup>APM</sup> amortises from free cash flow generated by the relevant investment and although the absolute exposure to portfolio-level gearing <sup>APM</sup> in GBP terms has reduced, as a percentage it has increased due to the reduction in the Company's NAV <sup>APM</sup>.

There is no refinancing requirement at a portfolio level until at least 2025, although the Investment Manager may look to optimise through opportunistic project-level refinancing. For example, the Cokenergy re-contracting substantially improves the finance capacity and risk from the perspective of a lender, from which the Investment Manager anticipates improvement of terms in the Primary Energy financing whilst retaining benefit from the long-term interest rate swaps currently in place.

The Company, via Holdco, also has a £180 million RCF in place until June 2026, having recently extended/refinanced the expiry date by twelve months. The Company intends for this to be a temporary finance, repayable through surplus distributions from the portfolio, refinancing proceeds at investment level and investment disposals which the Investment Manager is currently pursuing.

As at 31 March 2024, the Holdco RCF had been drawn by £155 million to fund investments. At 31 May 2024, the drawing had reduced to £98 million after a partial repayment following the disposal of UU Solar in May 2024. Based on investment outlook, the RCF could be £110-£130 million drawn at 30 September 2024 (before any proceeds from a disposal or portfolio-level refinancing), subject to returns from proposed investments meeting the Capital Allocation Policy criteria. The estimated drawings are predominantly based on projected capital requirements for Onyx and EVN.

	% of GAV <sup>APM</sup> 1	Debt at 31 Mar 24	Debt as a % of EV <sup>2</sup>	Debt as a % of NAV <sup>APM</sup>
<b>Primary Energy (USA)</b>	17%	£126m	40%	
<b>RED-Rochester (USA)</b>	17%	£59m	24%	
<b>Onyx (USA)</b>	17%	£81m	30%	N/A
<b>Vartan Gas (Sweden)</b>	6%	£51m	46%	
<b>Capshare (Portugal)</b>	1%	£14m	30%	
<b>Citi Riverdale (UK)</b>	<1%	£1m	34%	
<b>Structural gearing</b> (medium-term target = 35% NAV <sup>APM</sup> )		£330m	21%	34% (32% at March 2023)
<b>Aggregate gearing including RCF</b> (cap = 65% NAV <sup>APM</sup> )		£485m	30%	49% (32% at March 2023)

1. Percentage of investment as a percentage of gross asset value ("GAV") as at 31 March 2024, consisting of Portfolio Valuation and other assets.
2. Enterprise value ("EV") equals the Investment value included in the Portfolio Valuation plus debt at investment level.

**Gearing summary as at 31 March 2024****Investments geared****12<sup>1</sup>/54 investments**

2023: 14/55

**Weighted average interest rate of portfolio debt****6.0%**

2023: 5.8%

**Interest rate exposure of portfolio debt****80% is fixed<sup>2</sup>**

2023: 80%

**Portfolio-level debt by geography****USA: 80%****Europe: 19%****UK: <1%**

2023: USA: 79%, Europe: 20%, UK: <1%

#### Weighted average life remaining on debt

**3.7 years**

2023: 4.0 years

#### Portfolio debt repaid in the year<sup>3</sup>

**£26m**

2023: £18m

#### Inflation

Inflation correlation is derived from a combination of explicit linkage to revenues, through contract or regulatory mechanisms, and de facto linkage applied on recontracting events or through discretionary annual tariff increases. Inflation correlation is a relevant metric when evaluating new investment opportunities and when recontracting on existing projects within the portfolio. The Company's projects are in a number of different geographic regions, which diversifies and mitigates the impact of inflation volatility for the portfolio.

Positive inflation correlation on investment returns has increased since 31 March 2023 as a result of increased contractual inflation linkage related to new contracts and renewals.

#### Contracted Revenue over time

The Company derives its return on its investments primarily through receipt of contracted cash flows through the operational life of the investments in the portfolio. These are often calculated upfront and can be based on a variety of factors, including, but not limited to: heat and electricity availability, output of heat and electricity, opportunity for energy savings or other energy-related services. Cash flows may however be variable or fluctuating for certain investments, if they rely on a host counterparty's demand for energy or can be impacted by volatility in the energy market. The valuation of certain investments also assumes that cash flows will continue beyond the current contractual period.

Once operational, investments provide attractive levels of cash distributions, and are designed to achieve relatively high, contracted and reasonably predictable cash flows. The quality of these cash flows is supported through investments with strong delivery partners, where the risks involved in implementation, operation and the associated revenues can be identified and mitigated.

Based on the model of projected future cash flows over the next 15 years, the Investment Manager believes that the Company will generate sufficient cash to fully cover dividends over the medium to long term, with excess cash flows after dividend payments expected to be reinvested to grow the Company's NAV<sup>APM</sup> in line with its target returns<sup>1</sup>.

The visibility of revenues derived from the contracts at the operational phase provides support for an attractive and growing yield to be returned to investors.

	Contracted	Uncontracted
<b>Existing</b>	<ul style="list-style-type: none"><li>– Long-term contracts</li><li>– Rolling annual contracts (e.g. in Vartan Gas where majority of customers have contracts that are rolled over automatically on an annual basis)</li><li>– Short-term contracts prior to their expiry (e.g. spill electricity, RECs, etc.)</li></ul>	<ul style="list-style-type: none"><li>– Ancillary revenues that are considered side products of primary revenues in certain projects (e.g. olive oil sales at Oliva Spanish Cogeneration)</li><li>– Contract life extensions where the customer can be considered to have a viable alternative source of energy at the end of the existing contract (e.g. Onyx where it is assumed that the customer will seek an extension for a few years instead of decommissioning)</li></ul>
<b>Growth</b>	<ul style="list-style-type: none"><li>– Contracts due to be recontracted in the future, where there is a clear history of recontracting and the customer does not have another viable or contractual source of energy (e.g. extension of existing contracts in RED-Rochester and Primary Energy)</li></ul>	<ul style="list-style-type: none"><li>– Growth assumptions based on existing contracts (e.g. RED-Rochester where revenue growth is assumed from successful delivery of value accretive capital expansion and addition of new customers)</li><li>– Expansion of developer platforms (e.g. future C&amp;I solar portfolios developed by Onyx)</li></ul>

Based on the above characteristics, as at 31 March 2024, 75% (March 2023: 79%) of the Portfolio Valuation<sup>APM</sup> by value is considered to be contracted and 25% (March 2023: 21%) is considered to be uncontracted.

#### Dividends

The Company paid a total of £67 million in dividends to shareholders during the year. This included the last quarterly interim dividend for the year ended 31 March 2023 and the first three quarterly interim dividends for the year ended 31 March 2024. The Company has declared the fourth quarterly interim dividend for the year ended 31 March 2024. This is payable at the end of June 2024, delivering the target of a 6.24 pence per share total dividend related to the year ended March 2024.

Based on the projected investment cash flows from the current portfolio prepared by the Investment Manager, the Company has announced new dividend guidance of 6.32 pence per share for the year to 31 March 2025 and, as before, will target progressive dividend growth thereafter. The Company has increased its annual dividend each year since its IPO in 2018. The Company intends to continue to pay interim dividends on a quarterly basis through four broadly equal instalments (in pence per share).

The Company paid a stub dividend of 1 pence per share for the four-month period between its IPO and March 2019. Thereafter, dividends reflect the full-year dividends declared in relation to each financial year to March 2024 and targeted thereafter.

#### Analysis of Movement in NAV<sup>APM</sup>

As of 31 March 2024, the NAV per share<sup>APM</sup> was 90.5 pence, a decrease of 11.0 pence from 101.5 pence at 31 March 2023. After taking into account dividend paid (6.2p), this decrease reflects the impact of increased discount rates (negative 10.8 pence per share) offset primarily by an uplift in portfolio performance of 6.1 pence. These are further described below in the Portfolio Valuation section.

Revisions to medium-term inflation assumptions had a small negative impact on NAV<sup>APM</sup> of 0.3 pence. The adverse impact of FX movements was limited to 0.1 pence, in line with expectations of using foreign currency hedging to limit

volatility in NAV <sup>APM</sup> from fluctuations in the valuations of non-GBP investments.

### **Portfolio Valuation**

#### **Approach**

The Investment Manager is responsible for carrying out the fair market valuation of SEEIT's portfolio of investments (the "Portfolio Valuation" <sup>APM</sup>), which is presented to the Directors for their consideration and approval. A Portfolio Valuation <sup>APM</sup> is carried out on a six-monthly basis, at 31 March and 30 September each year. The Portfolio Valuation <sup>APM</sup> is the key component in determining the Company's NAV <sup>APM</sup>.

The Company has a single investment in a directly and wholly owned holding company, SEEIT Holdco. It recognises this investment at fair value. To derive the fair value of SEEIT Holdco, the Company determines the fair value of investments held directly or indirectly by Holdco (the Portfolio Valuation <sup>APM</sup>) and adjusted for any other assets and liabilities. The valuation methodology applied by Holdco to determine the fair value of its investments is materially unchanged from the Company's IPO and has been applied consistently in each subsequent valuation.

For the Portfolio Valuation <sup>APM</sup> at 31 March 2024, the Directors commissioned a report from a third party valuation expert to provide their assessment of the appropriate discount rate range for each investment (excluding small investments with an aggregate value of less than 2% of the Portfolio Valuation <sup>APM</sup> at 31 March 2024) in order to benchmark the valuation prepared by the Investment Manager. The discount rate applied to each investment by the Investment Manager was within the ranges advised by the third party valuation expert, (with the exception of a few instances where the Investment Manager selected higher discount rates to compensate for risk within the underlying cashflows).

In addition, for the Portfolio Valuation <sup>APM</sup> at 31 March 2024, the Company benefited from full scope third-party valuation reports on Onyx (comprising its operational, construction and development components), EVN's development component and four corporate investments in the portfolio (Tumtide, Rondo, ON Energy and Iceotope). The Investment Manager used the outputs of these reports as their basis for the purpose of valuing these investments in the Portfolio Valuation <sup>APM</sup> at 31 March 2024.

#### **Movements in Portfolio Valuation**

The Portfolio Valuation <sup>APM</sup> as at 31 March 2024 was £1,117 million, an increase of 2% compared with £1,100 million as at 31 March 2023.

After allowing for investments made of £161 million and cash receipts from investments of £92 million, the Rebased Portfolio Valuation <sup>APM</sup> is £1,169 million. Adjusting for changes in macroeconomic assumptions, foreign exchange movements (excluding the effect of hedging) and changes in discount rates, this resulted in a portfolio return of £93 million, equating to an 8.0% return in the period. The return takes into account a number of project-specific valuation movements described under Balance of Portfolio Return below.

The weighted average remaining life of investments as at 31 March 2024 is 16.4 years (31 March 2023: 15.9 years), when calculated purely on when current contracts end. When based on the 31 March 2024 Portfolio Valuation <sup>APM</sup>, which includes assumptions for recontracting and contract life extensions, the weighted average remaining life is 26.4 years (March 2023: 28.0 years).

#### **Valuation Movements**

A breakdown of the movement in the Portfolio Valuation <sup>APM</sup> in the year is illustrated below.

#### **Valuation movements during the year to**

**31 March 2024 (£'m)**

**Portfolio Valuation - 31 March**

**2023**

New investments

**161**

Cash from investments

**(92)**

**69**

<b>Rebased Portfolio Valuation (<sup>APM</sup>)</b>	<b>1,169</b>	<b>% on Rebased</b>
Changes in macroeconomic assumptions	(3)	-0.2%
Changes in foreign exchange	(24)	-2.0%
Changes in discount rates	(118)	-10.1%
Balance of portfolio return	<u>93</u>	7.8%
	(52)	

**Portfolio Valuation(<sup>APM</sup>) - 31 March 2024** **1,117**

#### **Return from the Portfolio of the Rebased Portfolio Valuation <sup>APM</sup>**

Each movement between the Rebased Portfolio Valuation <sup>APM</sup> of £1,169 million and the 31 March 2024 valuation of £1,117 million is considered in turn below.

**i) Changes in macroeconomic assumptions - impact of £3 million:**

- *Inflation assumptions:* consistent with March 2023, the approach in all jurisdictions is to apply a three-year near-term bridge to the relevant long-term inflation assumption. Given the persistently high global inflation since March 2023, this has resulted in an uplift in the valuation due to higher than previously assumed near-term inflation, compared with the assumptions applied for the March 2023 valuation. The long-term inflation assumptions remain the same as applied to the March 2023 valuation.
- *Tax rate assumptions:* there were no changes to corporation tax rate assumptions during the year.

**ii) Changes in foreign exchange rates - impact of £23.5 million (before hedging):**

- The investment portfolio decreased £23 million during the year from movements in foreign exchange rates, driven

by the movement of GBP against the US dollar, euro, Singapore dollar and Swedish krona since 31 March 2023 or since new investments were made in the year.

- However, it is important to note that this only reflects the movement in underlying investment values, and it does not take into account the offsetting effect of foreign exchange hedging that SEEIT Holdco applies outside of the Portfolio Valuation APM.
- SEEIT Holdco experienced an aggregate gain of £24 million due to foreign exchange hedging.
- Therefore, the overall foreign exchange movements did not have a significant impact on NAV APM during the year, resulting in a net gain of less than £1 million from foreign exchange movement.

**iii) Changes in valuation discount rates - impact of £(118) million:**

- The discount rate used for valuing each investment represents an assessment of the rate of return at which infrastructure investments, with similar cash flow assumptions and risk profiles, would trade on the open market.
- During the year, there were further significant increases in interest rates globally, including in key geographical areas of SEEIT's portfolio, thus continuing a trend from the last 18 to 24 months. This has stemmed from geopolitical uncertainties and a high inflationary environment due, in part, to high energy costs.
- The Investment Manager considered it necessary to apply a significant increase to discount rates and, having assessed geographical areas as a whole and each project individually, has applied discount rate increases that increased the weighted average discount rate by approximately 90 bps to 8.6% on an unlevered basis (March 2023: 7.7%). On a levered basis, which assumes existing portfolio-level debt is refinanced at current market rates, incorporating existing interest rate swaps into the interest cost assumption, the weighted average discount rate has increased to 9.4% (March 2023: 8.5% and September 2023: 9.4%).
- This has led to an increase in discount rates across the whole investment portfolio in this period that in aggregate resulted in a decrease in the Portfolio Valuation APM of c.£117 million.
- Of this adverse movement in discount rates, c.£31 million relates to adjustments made to asset specific risk premiums. This includes:
  - an adjustment of c.£26 million to reflect the uncertainty over Li-Cycle's future energy demand in light of their construction delays factored into the valuation of RED-Rochester; and
  - an adjustment of c.£5 million to reflect a risk of the value for which RECs can be sold for in the USA after 2026.
- Since March 2023, there has been limited market activity to help set benchmarks for appropriate discount rates for the investments in the Portfolio Valuation APM.

*Weighted average discount rate at 31 March 2024*

Levered/unlevered	UK	US	Europe/Asia	Combined
<b>Levered</b>				
2024	<b>8.1%</b>	<b>9.6%</b>	<b>9.1%</b>	<b>9.4%</b>
2023	7.1%	8.9%	8.4%	8.5%
<b>Unlevered</b>				
2024	<b>8.1%</b>	<b>8.8%</b>	<b>8.2%</b>	<b>8.6%</b>
2023	7.1%	7.9%	7.4%	7.7%

*Discount rate ranges (unlevered) at 31 March 2024*

	UK	US	Europe/Asia	Combined
2024	<b>6.10%</b> 10.30%	<b>7.60%</b> 11.25%	<b>5.15%</b> 11.40%	<b>5.15%</b> 11.40%
2023	4.75%- 8.75%	6.50%- 9.00%	4.75%- 10.25%	4.75%- 10.25%

*Breakdown of discount rate (unlevered) at 31 March 2024*

	UK	US	Europe/Asia	Combined
<b>Weighted average risk-free rate</b>				
2024	<b>4.4%</b>	<b>4.3%</b>	<b>3.0%</b>	<b>4.0%</b>
2023	3.7%	3.7%	3.0%	3.6%
<b>Risk premium</b>				
2024	<b>4.4%</b>	<b>3.8%</b>	<b>5.2%</b>	<b>4.6%</b>
2023	4.1%	3.5%	4.3%	4.1%
<b>Weighted average discount rate (unlevered)</b>				
2024	<b>8.8%</b>	<b>8.1%</b>	<b>8.2%</b>	<b>8.6%</b>
2023	7.9%	7.2%	7.3%	7.7%

The Investment Manager reviews movements in discount rates for each individual asset at each valuation date. The key approach to the overall discount rate can be summarised as:

- risk-free rate of each individual asset is assessed against relevant government bonds, taking into account length of cash flows and geography; and
- risk premium taking into account asset-specific premiums, considering *inter alia* country risk, market risk, construction risk, counterparty risk and credit risk.
  - Credit risk is determined by deducting the risk-free rate applied to each asset from the most relevant corporate bond yield curve, accounting for the credit rating and maturity of each asset. Where the counterparty is not rated, it may require some judgement to determine the appropriate credit rating.

**iv) Balance of portfolio return - impact of £93 million:**

- This refers to the balance of valuation movements in the period, excluding (i) to (iii) above, which provided an uplift of £93 million. The balance of portfolio return reflects the net present value of the cash flows unwinding over the period at the average prevailing portfolio discount rate, and various additional valuation adjustments described below. The portfolio delivered a return of 8.0% in the year with details on key movements described below.
- The Portfolio Valuation APM as at 31 March 2024, and by implication the return achieved over the period, includes a number of key estimates and judgements of future cash flows expected from different investments. In addition, specific adjustments to future cash flows were required for events during the period that affected the actual outcome from certain investments.
- The key factors that have had a material impact on the 31 March 2024 Portfolio Valuation APM listed out below, have had a value impact of 1% or higher on the Company's NAV APM.
- *RED-Rochester*
  - Prior to preparing the Portfolio Valuation APM as at 30 September 2023, the Investment Manager and the RED-

Rochester management team conducted an additional in-depth review of actual results and how certain long-term assumptions were applied in the project financial model. Several revenue and cost estimates were revised, up and down, with a material net adverse impact on the overall valuation of c.£26 million. No further changes were made to the Portfolio Valuation APM as at 31 March 2024.

- The Portfolio Valuation APM as at 30 September 2023 reflected a combination of updates to projected loads, business development assumptions, operating costs, labour costs and timing of new efficiency projects, which caused a reduction in the overall valuation of c.£17 million. Positive movements in the second half of the year in relation to new efficiency projects broadly offset a reduction in value from a downwards revision of expected revenue from Li-Cycle (also referred to in discount rates updates above).
- After adjusting for new investment into RED-Rochester and distributions received during the second half of the financial year, the valuation of RED-Rochester at 31 March 2024 is in line with the valuation at 30 September 2023.
- **Oliva Spanish Cogeneration**
  - The Spanish Government published regulatory updates in the period to the RoRi, an incentive scheme to provide a return on operations and investments, that allows for a substantial reduction in uncertainty and therefore greater ability to plan financial optimisation of the plants in the near to medium term. The overall positive impact on the valuation of Oliva was c.£30 million, after netting off by a reduction of value from standard updates to commodity pricing that form part of the regulatory updates. The majority of the positive impact was reflected in the September 2023 valuation of Oliva, with the valuation of Oliva at 31 March 2024 in line with the valuation at 30 September 2023.
- **Värtan Gas**
  - The periodic regulatory update in late 2022 relevant to Värtan Gas changed both the WACC and RAB used in calculating the value of the regulated investment, causing an adverse impact on the 31 March 2023 valuation. Värtan Gas has since successfully appealed against the update, resulting in a c.£14 million positive impact (already reflected in the September 2023 valuation) and thus substantially reversing the adverse impact on the previous valuation.
  - Further positive changes to the WACC and RAB added incremental value of c. £10 million in the second half of the financial year.
- **Onyx**
  - As referred to above, for the valuation of the entire Onyx business at 31 March 2024, an independent valuation expert provided a valuation range from which the Investment Manager derived its valuation. The valuation included for the first time a recognition of a pipeline of future investment opportunities in community solar projects. The valuation applied by the Investment Manager was towards the conservative end of the range provided and after adjusting for new investments and distributions during the year, resulted in a positive impact on the valuation of Onyx of c. £35 million.

### Financial Information

The Company meets the conditions of being an investment entity in accordance with IFRS 10. This report is prepared on a consistent basis to previous reports whereby the IFRS 10 investment entity exemption is applied to the financial statements.

To provide shareholders with more transparency into the Company's capacity for investment, ability to make distributions, operating costs and gearing APM levels, results have been reported in the pro forma tables below on a non-statutory "portfolio basis" APM, as it has been done in previous years, to include the impact if SEEIT Holdco were to be consolidated by the Company on a line-by-line basis.

The Directors consider the non-statutory portfolio basis APM to be a more helpful basis for users of the accounts to understand the performance and position of the Company. This is because key balances such as cash and debt balances carried in Holdco and all expenses incurred in Holdco, including debt financing costs, are shown in full rather than being netted off.

The impact of including Holdco is shown in the Holdco reallocation column in the income statement and balance sheet, which reconciles back to the statutory financial statements (IFRS) and constitutes a reallocation between line items rather than affecting NAV APM and earnings. In the cash flow statement, the Holdco reallocation column simply represents the net difference between the portfolio basis APM and IFRS for movements that may occur only in Holdco or only in the Company.

NAV per share APM and earnings per share are the same under the portfolio basis APM and the IFRS basis.

### Summary Financial Statements

#### Portfolio basis summary income statement

£'million	Year to 31 March 2024			Year to 31 March 2023		
	Portfolio basis reallocation	Holdco	IFRS (Company)	Portfolio basis reallocation	Holdco	IFRS (Company)
Total (loss)	(33.0)	(11.7)	(44.7)	(1.8)	(4.8)	(6.6)
Expenses and finance costs	(22.7)	11.1	(11.6)	(16.7)	4.7	(12.0)
(Loss) before tax	<b>(55.7)</b>	<b>(0.5)</b>	<b>(56.3)</b>	<b>(18.5)</b>	<b>(0.1)</b>	<b>(18.6)</b>
Tax	(0.5)	0.5	-	(0.1)	0.1	-
(Loss)/earnings	<b>(56.3)</b>	-	<b>(56.3)</b>	<b>(18.6)</b>	-	<b>(18.6)</b>
(Loss)/earnings per share (pence)	<b>(5.2)</b>	-	<b>(5.2)</b>	<b>(1.8)</b>	-	<b>(1.8)</b>

#### Portfolio basis balance sheet

£'million	Year to 31 March 2024			Year to 31 March 2023		
	Portfolio basis reallocation	Holdco	IFRS (Company)	Portfolio basis reallocation	Holdco	IFRS (Company)
Investments at fair value	1,117.4	(133.6)	983.86	1,099.6	28.3	1,127.8
Working capital	15.5	(17.9)	(2.4)	(39.9)	37.2	(2.7)
Debt	<b>(155.0)</b>	<b>155.0</b>	-	-	-	-
Net cash	3.9	(3.4)	0.5	65.7	(65.4)	0.3
<b>Net assets attributable to ordinary shares</b>	<b>981.9</b>	-	<b>981.9</b>	<b>1,125.4</b>	-	<b>1,125.4</b>
<b>NAV per share APM (pence)</b>	<b>90.5</b>	-	<b>90.5</b>	<b>101.5</b>	-	<b>101.5</b>

- Total income: Income at the Company level is the income it receives from Holdco which contrasts to portfolio basis APM where the income is received from the portfolio assets.
- Expenses and finance costs: Investment transaction costs are incurred at Holdco only and therefore not included in the Company income statement.
- Investment at fair value: Company valuation excludes Holdco's other net assets.

## Treasury Management

### Cash cover APM for dividends paid

The financial year saw cash inflow from investments (on a portfolio basis APM) of £92 million, an increase of c.10% from the previous year's £84 million. After allowing for Fund-level costs of £20 million (March 2023: £13.5 million), this enabled the Company to cover its cash dividends of £67 million by 1.1x, maintaining a similar level as the previous year (March 2023: 1.2x).

The main factor affecting the increase in Fund-level costs compared to the previous year is interest payable on drawn amounts on the RCF. In turn, this caused the cash cover to be marginally lower than last year.

Maintaining positive levels of cash cover APM has resulted in cumulative excess cash cover APM of c.£34 million since IPO, demonstrating the consistent nature of the income from the underlying assets in the portfolio, as well as the ability of the portfolio to generate excess cash that can be reinvested for an accretive return.

## Hedging Strategy

### FX hedging

The Company's hedging strategy is executed at the level of SEEIT Holdco, so the Company itself is only indirectly exposed to foreign exchange movements. The objective of the Company's hedging strategy is to protect the value of both near-term income and capital elements of the portfolio from a material impact on NAV APM arising from movements in foreign exchange rates.

This is achieved on an income basis by hedging forecast investment income from non-sterling investments for up to 24 months through foreign exchange forward sales. On a capital basis, it is achieved by hedging a significant portion of the portfolio value through rolling foreign exchange forward sales. The Investment Manager also seeks to utilise corporate debt facilities in the local currency to reduce foreign exchange exposure.

As part of the Company's hedging strategy, the Investment Manager regularly reviews the non sterling exposure in the portfolio and adjusts the hedging levels accordingly while considering the cost benefit of the hedging activity. The hedging strategy also involves ensuring regular calculation of sufficient cash headroom, so as to meet potential liquidity requirements imposed by hedging counterparties during periods of volatility that may adversely affect the Company.

As demonstrated below, the portfolio has a substantial exposure to non-GBP assets. In the execution of hedging strategy, the Investment Manager has chosen to retain high levels of hedging during the year, typically ranging between 75-90% of the value of the underlying non-GBP investments.

The hedging strategy effectively mitigated the decrease in portfolio value attributed to foreign exchange of £23.5 million, resulting in a marginal foreign exchange loss after taking into account hedging gains of £24 million.

Consequently, the impact on the NAV APM due to currency movements in the year was limited to 0.1 pence per share loss, which equates to less than 1% of NAV APM.

## Interest Rate Hedging

During the year the Investment Manager assessed hedging options to mitigate the risk of unfavourable interest rate movements associated with the RCF floating rate. This resulted in the Company, via Holdco, successfully executing an interest rate cap ("IR cap") against RCF drawdowns, limiting the total interest rate exposure to c.7.0%. The IR cap remains in place at the time of this report, adjusted for RCF movements since 31 March 2024, and continues to protect against adverse interest rate movements.

## Revolving Credit Facility

The Investment Manager periodically considers refinancing options aligned to the pipeline of new and existing investments. At 31 March 2024, the RCF was drawn at £155 million. Following the year end, the drawn amount has reduced to £98 million<sup>1</sup>, the net decrease coming from applying disposal proceeds from UU Solar to the RCF balance.

## Ongoing Charges

The portfolio's ongoing charges ratio APM remained in line with previous years at 1.02% (March 2023: 1.02%). Ongoing charges, in accordance with AIC guidance, are defined as annualised ongoing charges (i.e. excluding acquisition costs and other non-recurring items) divided by the average published undiluted net asset value APM in the year). Ongoing charges percentage has been calculated on the portfolio basis APM to take into consideration the expenses of the Company and Holdco.

## Portfolio Basis Cash Flow Statement

£'million	31 March 2024			31 March 2023		
	Portfolio basis	Holdco	IFRS (Company)	Portfolio basis	Holdco	IFRS (Company)
Cash from investments	92.5	44.9	137.4	85.1	(0.3)	84.8
Operating and finance costs outflow	(20.0)	(2.8)	(17.2)	(13.1)	3.1	10.0
<b>Net cash inflow before capital movements</b>	<b>72.5</b>	<b>47.7</b>	<b>120.2</b>	<b>72.0</b>	<b>2.8</b>	<b>74.8</b>
Cost of new investments including acquisition costs	(163.7)	131.0	(32.7)	(240.2)	(52.2)	(292.4)
Share capital raised/(share buybacks) net of costs	(20.1)	-	(20.1)	132.6	-	132.6
Movement in borrowings	120.8	(120.8)	-	29.6	(29.6)	-
Movement in capitalised debt costs and FX hedging	(4.1)	4.1	-	(37.3)	38.5	1.2
Dividends paid	(67.2)	-	(67.2)	(62.0)	-	(62.0)
Movement in the period	(61.8)	62.0	0.2	(105.3)	(40.5)	145.8
<b>Net cash at start of the period</b>	<b>65.6</b>	<b>(65.3)</b>	<b>0.3</b>	<b>170.9</b>	<b>(24.9)</b>	<b>146.1</b>

<b>Net cash at end of the period</b>	<b>3.9</b>	<b>(3.3)</b>	<b>0.5</b>	<b>65.6</b>	<b>(65.3)</b>	<b>0.3</b>
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#### **Going Concern**

The Directors believe that the Group has adequate resources to continue in operational existence for the foreseeable future. Therefore, they continue to adopt the going concern basis of accounting in preparing the financial statements.

#### **Directors' Responsibility Statement**

The 2024 Annual Report which will be published as noted above contains a responsibility statement in compliance with DTR 4.1.12. This states that on 26 June 2024, the date of the approval of the Annual Report, the Directors confirm that to the best of their knowledge:

- the Company financial statements, which have been prepared in accordance with UK-adopted international accounting standards, give a true and fair view of the assets, liabilities, financial position and profit of the Company; and
- the Strategic Report: Portfolio Review includes a fair review of the development and performance of the business and the position of the Company, together with a description of the principal risks and uncertainties that it faces.

Tony Roper  
Chair

#### **STATEMENT OF COMPREHENSIVE INCOME**

For the year ended 31 March 2024

	<b>For the year ended 31 March 2024</b>	<b>For the year ended 31 March 2023</b>
	<b>£'millions</b>	<b>£'millions</b>
Investment loss	(44.7)	(7.8)
<b>Total operating loss</b>	<b>(44.7)</b>	<b>(7.8)</b>
Finance income	0.2	1.2
Fund expenses	(11.8)	(12.0)
<b>Loss for the year before tax</b>	<b>(56.3)</b>	<b>(18.6)</b>
Tax on loss on ordinary activities	-	-
<b>Loss for the year</b>	<b>(56.3)</b>	<b>(18.6)</b>
<b>Total comprehensive loss for the year</b>	<b>(56.3)</b>	<b>(18.6)</b>
<b>Attributable to:</b>		
<b>Equity holders of the Company</b>	<b>(56.3)</b>	<b>(18.6)</b>
Loss per ordinary share (pence)	(5.2)	(1.8)

All items in the above Statement derive from continuing operations.

#### **STATEMENT OF FINANCIAL POSITION**

As at 31 March 2024

	<b>31 March 2024</b>	<b>31 March 2023</b>
	<b>£'millions</b>	<b>£'millions</b>
<b>Non-current assets</b>		
Investment at fair value through profit or loss	983.8	1,127.8
	983.8	1,127.8
<b>Current assets</b>		
Trade and other receivables	0.2	0.6
Cash and cash equivalents	0.5	0.3
	0.7	0.9
<b>Current liabilities</b>		
Trade and other payables	(2.6)	(3.3)
<b>Net current liabilities</b>	<b>(1.9)</b>	<b>(2.4)</b>
<b>Net assets</b>	<b>981.9</b>	<b>1,125.4</b>
<b>Capital and reserves</b>		
Share capital	11.1	11.1
Share premium	756.8	1,056.8
Other distributable reserves	339.3	39.3
(Accumulated losses)/retained earnings	(125.3)	18.2
<b>Total equity</b>	<b>981.9</b>	<b>1,125.4</b>
<b>Net assets per share APM (pence)</b>	<b>90.5</b>	<b>101.5</b>

#### **STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY**

For the year ended 31 March 2024

	<b>Share capital £'millions</b>	<b>Share premium £'millions</b>	<b>Other reserves £'millions</b>	<b>Retained earnings (accumulated losses) £'millions</b>	<b>Total equity £'millions</b>
<b>Balance at 1 April 2023</b>	11.1	1,056.8	39.3	18.2	1,125.4
Share buyback	-	-	-	(20.0)	(20.0)
Share transaction costs	-	-	-	(0.1)	(0.1)
Cancellation of share premium account	(300.0)		300.0	-	-
Dividends paid	-	-	-	(67.1)	(67.1)
Total comprehensive loss for the year	-	-	-	(56.3)	(56.3)

<b>Balance at 31 March 2024</b>	<b>11.1</b>	<b>756.8</b>	<b>339.3</b>	<b>(125.3)</b>	<b>981.9</b>
	Share capital £'millions	Share premium £'millions	Other reserves £'millions	Retained earnings (accumulated losses) £'millions	Total equity £'millions
<b>Balance at 1 April 2022</b>	<b>9.9</b>	<b>925.1</b>	<b>39.3</b>	<b>98.8</b>	<b>1,073.1</b>
Shares issued	1.2	133.8	-	-	135.0
Share issue costs	-	(2.1)	-	-	(2.1)
Dividends paid	-	-	-	(62.0)	(62.0)
Total comprehensive income for the year	-	-	-	(18.6)	(18.6)
<b>Balance at 31 March 2023</b>	<b>11.1</b>	<b>1,056.8</b>	<b>39.3</b>	<b>18.2</b>	<b>1,125.4</b>

## STATEMENT OF CASH FLOWS

For the year ended 31 March 2024

	For the year ended 31 March 2024 £'millions	For the year ended 31 March 2023 £'millions
<b>Cash flows from operating activities</b>		
Total comprehensive loss for the year before tax	(56.3)	(18.6)
Adjustments for:		
Loss on investment at fair value through profit or loss	116.2	74.3
Loan interest income	(6.5)	(9.0)
<b>Operating cash flows before movements in working capital</b>	<b>53.4</b>	<b>46.7</b>
<b>Changes in working capital</b>		
Decrease/(increase) in trade and other receivables	0.4	(0.3)
(Decrease)/increase in trade and other payables	(0.7)	1.8
<b>Net cash generated from operating activities</b>	<b>53.1</b>	<b>48.2</b>
<b>Cash flows from investing activities</b>		
Additional investment in Holdco	(38.4)	(292.4)
Loan principal repayment received	66.2	18.5
Loan interest income received	6.5	9.0
<b>Net cash generated from/(used in) investing activities</b>	<b>34.3</b>	<b>(264.9)</b>
<b>Cash flows from financing activities</b>		
Proceeds from the issue of shares	-	135.0
Share buyback payments	(20.0)	-
Payment of shares issue/buyback costs	(0.1)	(2.1)
Dividends paid	(67.1)	(62.0)
<b>Net cash (used in)/generated from financing activities</b>	<b>(87.2)</b>	<b>70.9</b>
Net movement during the year	0.2	(145.8)
Cash and cash equivalents at the beginning of the year	0.3	146.1
<b>Cash and cash equivalents at the end of the year</b>	<b>0.5</b>	<b>0.3</b>

The financial information set out above does not constitute the Company's statutory financial statements for the years ended 31 March 2024 or 2023 but is derived from those financial statements. Statutory financial statements for 2023 have been delivered to the registrar of companies, and those for 2024 will be delivered in due course. The auditors have reported on those financial statements; their reports were (i) unqualified, (ii) did not include a reference to any matters to which the auditors drew attention by way of emphasis without qualifying their report and (iii) did not contain a statement under section 498 (2) or (3) of the Companies Act 2006.

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