

# **SDCL Energy Efficiency Income Trust plc**

## **Interim Report**

For the six months ended  
30 September 2023



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# 1. Highlights and Overview

## 1.1 Summary of the six-month period to 30 September 2023

### INVESTING IN ENERGY EFFICIENCY

Recognising that most energy is lost in the energy system, SEEIT invests in energy efficiency investments that reduce wastage in the supply, demand and distribution of energy. In turn, these solutions reduce carbon emissions and costs and can strengthen energy security, the grid and the energy market as a whole.

SEEIT's project investments provide a range of essential energy services, focused on contracts with essential industries in the North America, Europe, the UK and Asia.

#### Summary Financial Results for 6 months to 30 September 2023

### 90.6p

**Net Asset Value ("NAV") per share<sup>(APM)</sup>1**

(31 March 2023: 101.5p)

### £1,066m

**Portfolio valuation<sup>(APM)</sup>**

down from £1,100 million at 31 March 2023

### £93m

**Investment**

of £93 million predominantly in organic investments and existing commitments during the period. (30 September 2022: £170m)

### £47m

**Investment cash inflow from the portfolio<sup>(APM)</sup>**

In line with expectations

(30 September 2022: £43 million)

### £89m loss

**Loss before tax<sup>2</sup>**

(30 September 2022: £1.5 million loss)

### 44% of NAV

**Total Gearing<sup>(APM)</sup>**

(31 March 2023: 32%)

(Total Gearing<sup>(APM)</sup> is on a look through basis and consists of Fund Level Gearing<sup>(APM)</sup> and Portfolio Gearing<sup>(APM)</sup>)

### 3.12p

**Aggregate dividends<sup>(APM)</sup>**

of 3.12p per share declared for the six month period to 30 September 2023

In line with FY 24 target

(30 September 2022: 3.0p)

### 6.24p

**Target aggregate dividend<sup>(APM)</sup> for FY24**

on track (FY23 target 6p)

### 1.1X cash cover

**Dividend cash cover<sup>(APM)</sup>**

1.1x for dividends paid in the six month period to 30 September 2023

(31 March 2023: 1.2x)

<sup>1</sup> APM Alternative Performance Measure: See Glossary Of Financial Alternative Performance Measures for further details for APM's used throughout this report.

<sup>2</sup> Loss is after £129 million of unrealised valuation losses from discount rate increase.



# About



Pictured: Capshare site

## **SDCL Energy Efficiency Income Trust Plc ("Company" or "SEEIT")**

SDCL Energy Efficiency Income Trust plc is the first listed company in the UK to invest exclusively in the energy efficiency sector.

The Company's objective is to generate an attractive total return for investors comprising stable dividend income and capital preservation, with the opportunity for capital growth. It does so through its investment in a diversified portfolio of energy efficiency projects that deliver lower cost, cleaner and more reliable energy solutions to end users of energy. Projects that SEEIT invests in either provide decentralised on-site generation of power and heat, reduce energy demand or contribute to green energy distribution.

The Company's current portfolio comprises investments across the UK, Europe, North America and Asia.

The Company's appointed Investment Manager is Sustainable Development Capital LLP.

SEEIT is a closed-ended investment company incorporated in England and Wales. It was admitted to the Official List and to trading on the London Stock Exchange's Main Market on 11 December 2018 and has since grown through share issuance to become a constituent of the FTSE 250 index.

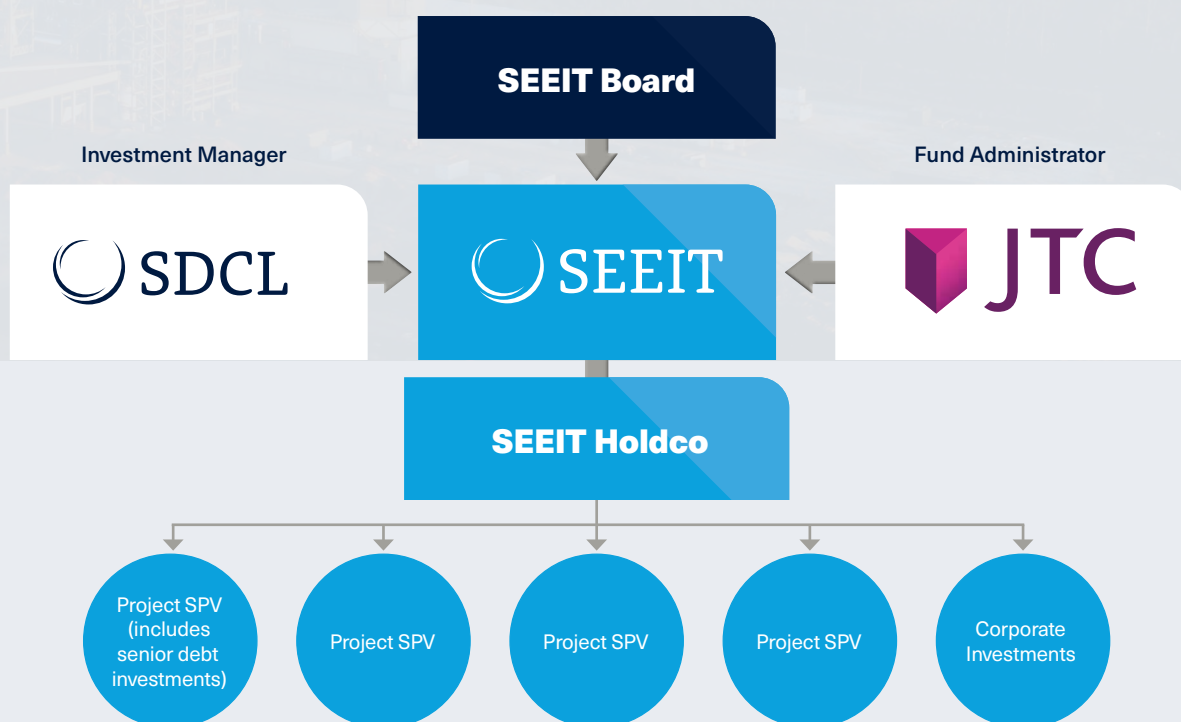
## **Sustainable Development Capital LLP ("SDCL" or "Investment Manager")**

SDCL is a London-based investment firm with a proven track record of investment in energy efficiency and decentralised generation projects in the UK, Europe, North America and Asia.

SDCL was established in 2007 and has a team of over 50 across offices in London, Dublin, New York and Singapore.

With 15+ years sector experience in energy efficiency, SDCL has specialist origination, project development, execution, asset management and portfolio management teams with support from in-house finance, compliance and risk functions.

Since 2012, the group has raised over £2 billion capital commitments including seven investment vehicles exclusively focused on energy efficiency.



## Company Structure

The Company has been established in the UK as an investment trust to provide an efficient means by which shareholders can access investment into energy efficiency infrastructure investments.

The Company has an independent Board of Directors, and has appointed SDCL to manage the investment portfolio on its behalf. The fund administration and company secretarial services are provided to the Company by JTC (UK) Limited ("JTC"), a global professional services business with expertise in fund client services. JTC was appointed to take over from the previous administrator in October 2023 following a review of service levels and requirements.

The Company makes its investments via its sole direct subsidiary and main investment vehicle, SEEIT Holdco Limited ("SEEIT Holdco" or "Holdco").

The Investment Manager controls the actions of Holdco and its direct and indirect subsidiaries manage the existing investments that Holdco has directly or indirectly, invested in. Holdco typically invests in project special purpose vehicles ("SPVs"), which provide energy efficiency solutions to counterparties through long-term contracts with a fixed lifespan. An SPV – and by implication the portfolio of investments as a whole – therefore normally has a limited lifetime over which it provides target returns to Holdco and ultimately the Company. These SPVs are structured so that they can be sold in an active secondary market for energy efficiency assets, although each of the investments will also have been assessed individually to ensure appropriate alternative exit strategies are in place.

**More information is available at [www.seeitplc.com](http://www.seeitplc.com).**



## 1.2 Chair's Interim Statement



**Tony Roper**  
Chair of SEEIT

**On behalf of the Board, I present the interim report and financial statements (the “Interim Report”) for SDCL Energy Efficiency Income Trust plc (“SEEIT” or “the Company”) for the six months ended 30 September 2023 (the “Period”).**

The economic and political climate has been particularly challenging during the last two reporting periods. The war in Ukraine, volatile energy prices, high inflation and sharp rises in interest rates and, more recently, conflict in the Middle East have all increased levels of uncertainty in financial markets and the cost of capital. This has resulted in a risk to the health of the economies in which many of the SEEIT's investments' end-customers have exposure.

While the defensive characteristics within SEEIT's portfolio, such as contractual structures and the credit quality of counterparties, provide some mitigation, slowing economic growth has increased the risk to demand for energy and other services from some of these customers. There is also downside risk to cash flows from increased interest costs, although this is materially contained by the prudent levels of gearing<sup>(APM)</sup>

throughout the portfolio and the proportion of fixed interest rates on the portfolio-level debt which is high in the near term. Higher risk-free rates have contributed to a reduction in valuation of our operational assets during the Period.

In addition to the valuation implications of the above, rising fixed income yields and lacklustre performance by volatile equity markets have led to a reassessment and rebalancing of portfolios by many investors who have sought to de-risk, including in the income focused investment trust market in the UK. Consequently, investment trust share prices are generally trading at substantial discounts to net asset values.

Nonetheless, the outlook for elevated energy costs and continued energy security concerns reinforces the economic benefits of energy efficiency solutions provided by SEEIT to its

customers, delivering them lower cost, cleaner and more reliable energy solutions.

### **Addressing the share price discount to net asset value<sup>(APM)</sup>**

The Board was grateful for the high level of support shown by shareholders voting to approve the continuation vote of the Company at September's AGM and we are committed to ensuring that we deliver the best outcome for shareholders. We are acutely aware of the impact that the share price has on its shareholders' returns and were disappointed to see the share price fall to a 34% discount to NAV<sup>(APM)</sup> at the end of the Period, and subsequently fall further. In the Board's opinion, the share price has not entirely reflected the portfolio's value or potential and is partly a function of wider market dynamics. Regardless of market



Pictured: EVN site

sentiment, protecting shareholders' interests remains the priority and defines the Board's decision-making. Both the Board and the Investment Manager are listening carefully to shareholders and analysts and planning actions accordingly.

The Investment Manager continues to manage the portfolio to keep borrowings at relatively moderate levels. It is also actively pursuing options to realise liquidity for the Company through selective asset disposals.

The Company's Capital Allocation Policy has been updated to reflect the current share price and market, and the Board is now actively involved in agreeing any uses of capital with the Investment Manager (which retains the delegated authority for all investment decisions). These discussions recognise the scarcity of

capital and that any new investment and the associated returns must be judged and justified against returning capital to shareholders.

As well as continued focus on driving operational performance of the existing assets, other steps include enhanced disclosure and communication, and supporting the marketability and liquidity of the shares through active engagement with existing and new potential shareholders.

During the Period the Company bought back £20 million worth of its own shares, supporting liquidity and demonstrating the Board's willingness to take action. The Company will buy back further shares in due course if it is deemed to be in the best interests of shareholders.

## Portfolio and financial performance

The Company's NAV<sup>(APM)</sup> has declined by 10.9 pence per share during the period. The most significant factor was the use of higher discount rates to value the portfolio of investments, reflecting both the higher interest rate environment and increases to the asset specific risk premium applied to certain US assets. The combined impact was a 1.0% increase in the weighted average unlevered discount rate to 8.7% (9.4% levered), contributing a £129 million reduction to the reported net asset value.

Investment related valuation adjustments included uplifts made in Oliva and Värtan Gas (as a result of favourable regulatory outcomes), but also downward revisions to forecasts at RED-Rochester and delays in projects brought into operations in Onyx. After removing the impact of

investment into the portfolio and cash inflows from the portfolio and incorporating portfolio performance which includes the £129 million reduction due to discount rates, the Portfolio Valuation <sup>(APM)</sup> reduced by £80 million.

During the Period, the aggregate cash flow from investments was in line with our expectations. For the year ending March 2024, the Company is on track to deliver an aggregate dividend of 6.24 pence per share covered by net operational cash received from investments.

The Investment Manager takes an active approach to managing issues that may arise from operational activities or construction phases and there were no material events to report during the Period. Since setting out value growth opportunities in our March 2023 annual results, the Company has made measurable progress advancing opportunities which create an uplift in NAV<sup>(APM)</sup>, pointing to the potential in the portfolio beyond that implied by the weighted average valuation discount rate. See section 3.2 for further detail.

The Investment Manager's Report expands further on these matters.

### Balance sheet

The Company continues to pursue a prudent approach to debt with a medium term target total gearing<sup>(APM)</sup> ratio at project level of 35% of the Company's NAV<sup>(APM)</sup>. During the Period, portfolio-level debt balances reduced in aggregate and the SEEIT Holdco's revolving credit facility was drawn by £100 million for investments, most of which were in support of existing projects, which resulted in a

total gearing<sup>(APM)</sup> ratio of 44%, of which 34% was at project level. It is the intention that the total gearing<sup>(APM)</sup> ratio be brought back into line with target through a combination of scheduled amortisation of project level facilities from free cash flow, application of surplus portfolio cash flows to repay the revolving credit facility and proceeds from asset disposals.

As I have already noted, making further investments at the current time will be limited to those that meet the agreed Capital Allocation Policy and where both the Board and the Investment Manager agree that the forecast returns meet or exceed other options for that capital. This means only 'organic' investments are likely to be considered. Examples of 'organic' investments include platforms, such as EVN and Onyx, where the management platforms benefit from scale and could present the opportunity to realise gains in the medium term. Accordingly, as a result of scaling back of investment plans, the drawn revolving credit facility is not expected to exceed £140 million at 31 March 2024.

### Outlook

Since listing 5 years ago, the Company has assembled the only listed energy efficiency portfolio of scale, offering diversification and solid dividend yield having increased its expected dividend by 25% from the initial dividend yield target for its first full financial year.

Looking ahead, energy efficiency is expected to play an even greater role in mitigating the climate impact of energy consumption and aligning with decarbonisation goals. The

Company's investments are forecast to deliver growing cash flow cover of dividends, are positively correlated to inflation and are expected to continue to offer opportunity for incremental upside.

The Board and Investment Manager are committed to doing what we can to deliver an improved outcome for the Company's shareholders and will explore every option in our efforts to improve both the returns from the investment portfolio and to narrow the share price discount currently prevailing.

**Tony Roper**

Chair

4 December 2023

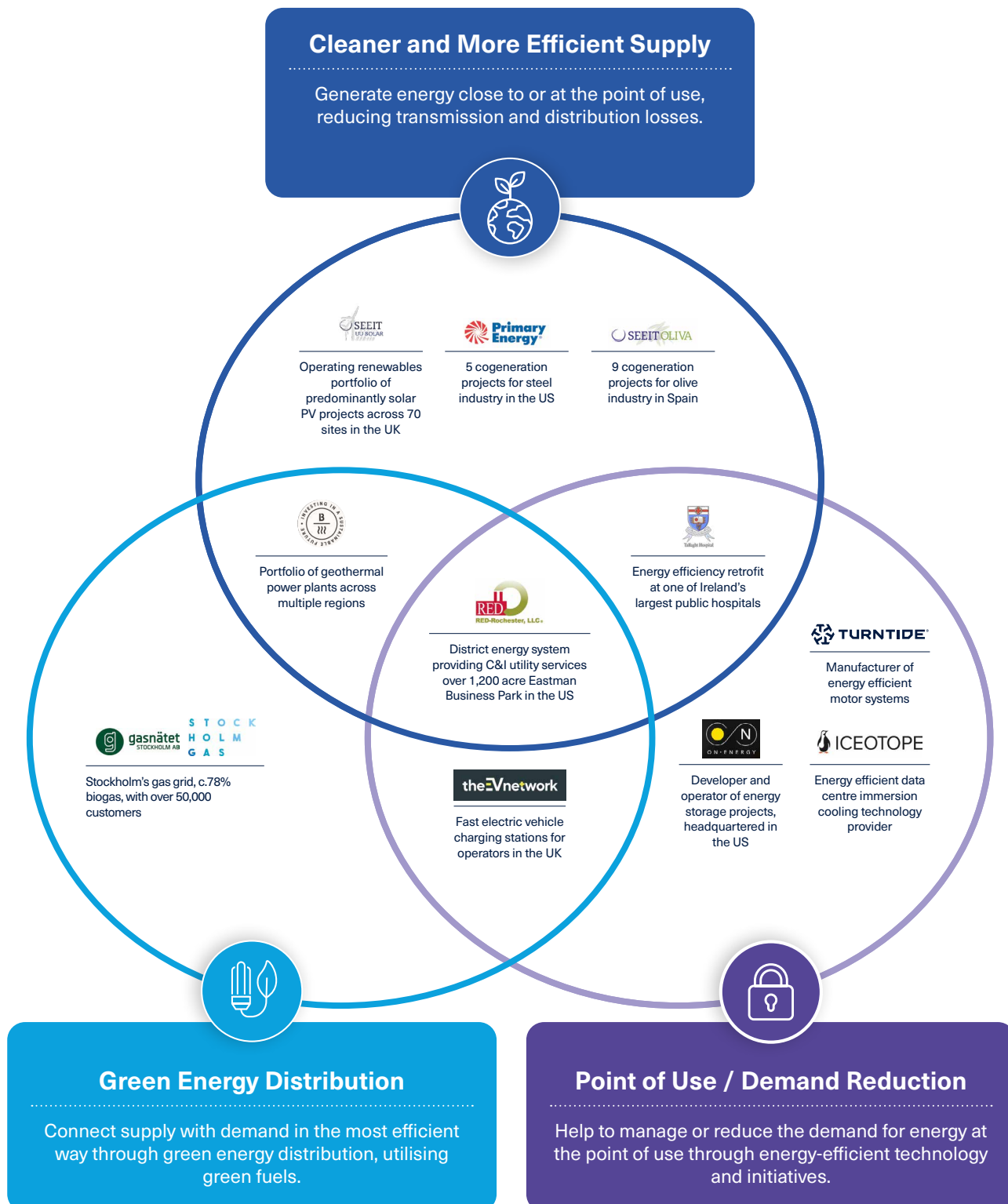


# 1.3 Investment Proposition



<sup>3</sup> Cashflows are derived from a combination of existing contracts, future growth assumed from existing contracts and extended or new contracts in the future.

## SEEIT's investments are directed at 3 objectives:



## 2. PORTFOLIO OVERVIEW



Pictured: FES Lighting site

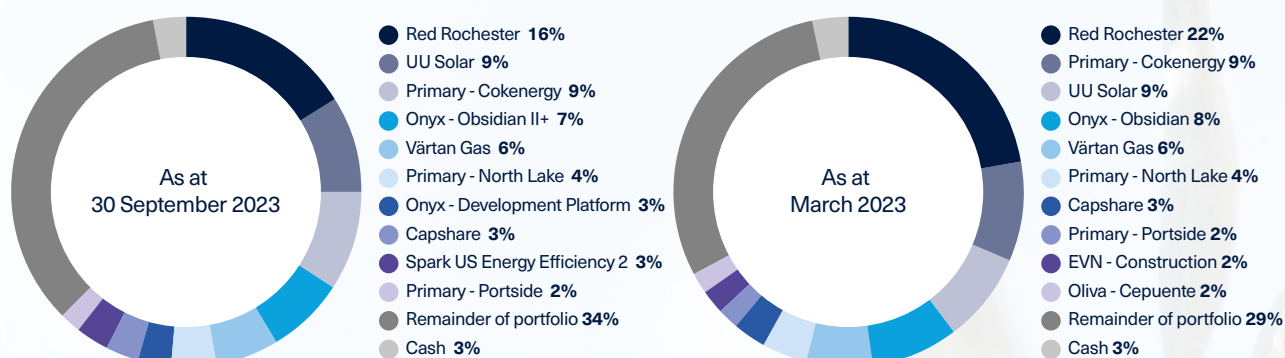


## 2. Portfolio Overview

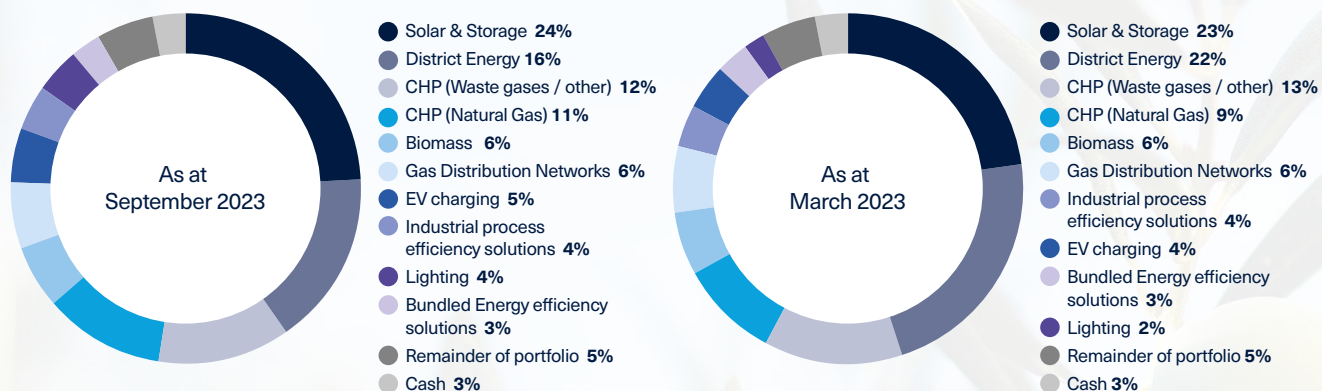
### 2.1 Portfolio Summary

The information presented below summarises the portfolio of the Company across different metrics using the Company's Gross Asset Value<sup>(APM)</sup> as at 30 September 2023 (and using 31 March 2023 for comparison)

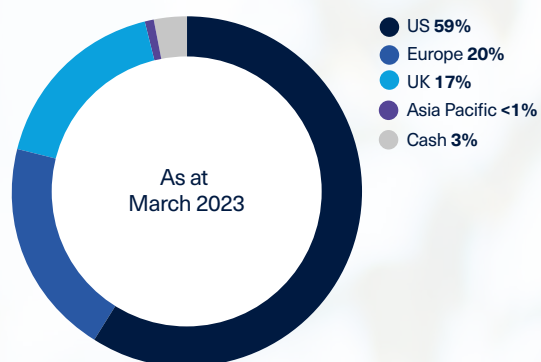
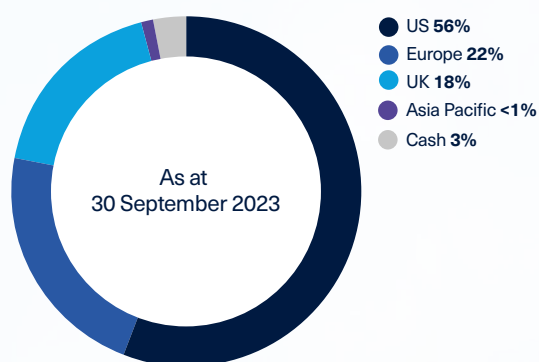
#### Portfolio by Project



#### Portfolio by Technology



### Portfolio by Geography



### Portfolio by Investment Stage





# 3. INVESTMENT MANAGER'S REPORT



Pictured: Capshare site



## 3.1 Macro-Economic Factors and the Impact on the Company

During the Period, global market expectations of a 'higher for longer' interest rate environment set in more firmly and while many measures of inflation have fallen from their peaks, energy, food and labour prices resulted in higher inflation than historical levels. In addition, following the disruptions associated with the Russia-Ukraine war, and while demand has been rebounding in the period after the Covid-19 pandemic, increases in the cost of materials for construction and supply chain constraints have been apparent in both the United States and Europe.

The main impact of this for SEEIT's portfolio so far has been on the valuation. The unlevered weighted average discount rate applied to portfolio company cash flows has increased by approximately 100bps, driven in large part by the higher interest rate environment. In combination with some adverse factors (on a net basis) related to certain forward-looking cashflow assumptions in the portfolio, this has resulted in a significant reduction in the valuation of SEEIT's portfolio investments dominating the financial result for the Period. Detail on the valuation movements is set out in the Financial Review and Valuation Update section.

Elevated interest rates are less impactful on cash flow than they are on valuation owing to prudent gearing<sup>(APM)</sup> levels and fixed interest rates associated with the portfolio level gearing<sup>(APM)</sup>. In addition, the Company will continue to benefit from the portfolio's positive correlation with inflation.

The Company's portfolio is also defensively positioned with respect to a potential slowdown in the economy, with the majority of the portfolio's value having revenues that are contracted with managed exposure to demand risk, mitigating the impact on the portfolio of unexpected reductions to RED-Rochester volumes during the Period. Over 60%<sup>4</sup> of revenues are associated with investment-grade or equivalent counterparties.

However, rising interest rates have had a material bearing on reducing demand for income-based investment vehicles, as equity income strategies have become less competitive in the face of the high yield available on sovereign and corporate debt. The consequence of this being that a general rebalancing of investment portfolios is underway, causing a substantial loss of demand across the income trust sector. However, the Company's shares have recently been trading at a discount larger than the average of the renewables and infrastructure sectors. The Investment Manager does not believe the current share price to be representative of the true value in the portfolio and is committed to taking action to address the situation including:

- progressing selective disposals to bolster the balance sheet;
- maintaining a prudent capital structure;
- improving the frequency and detail of communication with existing and prospective shareholders, supporting the marketability and liquidity of the shares;

- focusing on delivering accretive projects and other upsides to drive growth in Net Asset Value<sup>(APM)</sup>;
- considering buying further shares if it is in the interests of shareholders, following the £20 million of shares bought in the Period (at market value); and
- subject to sufficient available capital, selective accretive investment from the Company's organic pipeline, where returns meet the requirements set out in the Capital Allocation Policy.

The Investment Manager is committed to maintaining regular, open and meaningful channels of communication and engagement with shareholders. Since the release of the March 2023 annual results in June, between the Board and the Investment Manager meetings were held with investors representing over 60% of the shareholder register. The March 2023 Annual Report gave greater disclosure on the portfolio investments including detailed presentation of the six largest investments, enabling a better view of the dynamics and risk mitigation associated with its portfolio.

<sup>4</sup> By value of SEEIT's investment portfolio at 30 September 2023.

### **The outlook for energy efficiency:**

Energy efficiency projects are typically aimed at solving problems for large end users of energy. These problems are usually associated with either cost, carbon or security. Relatively high energy prices means that energy efficiency becomes more valuable as a cost mitigation technique.

Government or corporate carbon emission reduction targets increasingly require energy efficiency to be placed at the top of the agenda as it scores highly on the potential for speed, scale and cost-effectiveness.

Energy security concerns, related to the availability of supply and subject to disruption from external factors such as climate and conflict, increase the pressure on end users to prioritise using less energy to achieve the same output.

These three challenges of cost, carbon and security continue to loom large for government and corporate clients.

As such, demand for the solutions delivered by SEEIT's portfolio companies remains strong. This is demonstrated in the ability to re-contract projects to continue to provide essential services to essential industrial clients and remedy policies put in place by regulators to address unintended outcomes in the application of market incentives, for instance in Spain and Sweden, which affected the Company's performance in prior periods.

## 3.2 Portfolio Update for the Period

### 3.2.1 Portfolio activity

This section provides an update on the performance of the Company's six largest investments within its Portfolio<sup>(APM)</sup>, or group of investments, making up c. 75% of the Company's portfolio valuation<sup>(APM)</sup> as at 30 September 2023. These investments report on a calendar year basis and the narrative reflects budgets and actuals accordingly. Excluding Onyx where EBITDA is not a reported KPI, the aggregate EBITDA of these large investments, is expected to exceed the aggregate budget. Excluding Värtan Gas, where volumes are not a reported KPI, the aggregate volumes delivered/produced from these large assets expected to be below the aggregate budget. Section 3.5 Financial Review and Valuation Update also provides further details on material movements affecting the valuation in these investments during the Period.





# RED-Rochester (“RED”)

One of the largest commercial district energy systems in North America

## £180 million

**Project Equity Value<sup>5</sup> as at 30 Sep 2023**

(March 2023: £254 million)

**RED-Rochester is the exclusive provider of select utility services to customers within the Eastman Business Park (“EBP”) in the US, for which it has contractual and regulated utility-status franchise rights. New leadership in the RED-Rochester team brings continuing focus on reliable utility services operations as well as growth initiatives supporting more than 110 customers.**

Customer loads in the first half of 2023 were below budget due to the unusually mild weather conditions and revisions to business plans of a few EBP tenants. The full-year EBITDA impact of the lower loads will be partially mitigated through operational costs savings. The expected loads and EBITDA for the full year are expected to be below budget, despite expected year on year growth of EBITDA.

The management team continues its proactive approach to attract new customers to EBP to secure future revenue, working closely with landowners and regional business development entities, and has more than doubled the number of potential new customers in this pipeline over the Period, notwithstanding also removing certain customers from the pipeline which adversely affected the valuation during this period.

Previously approved efficiency improvement projects are moving forward on time and within budget, including the c. £70 million investment in a cogeneration power plant which is estimated to potentially add £5 - £10 million to NAV<sup>APM</sup> (additional to the c. £70 million) if delivered in

accordance with plan. During the Period, c.£16 million was invested in these projects, with a further £10 million invested since 30 September 2023 and approximately £5 million future equity investment is required to complete the projects. The balance will be funded from RED-Rochester’s internal resources, including project-level debt secured with the existing lenders in October 2023.

Since the period end, Li-Cycle which is one of the larger customers in the business park, has announced a pause to construction of its own facilities pending conclusion of a strategic review, adding uncertainty to the timing and quantum of Li-Cycle’s projected demand for energy services. The current expectation is that Li-Cycle will continue the construction work however the uncertainty has been reflected in the valuation through an increase to the asset specific discount rate applied to future cash flows. Note 2 to the Condensed Interim Financial Statements sets out the impacts of further downsides related to the Li-Cycle project.

During the period, the Investment Manager and the RED 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 have since been revised, up and down, with a material net adverse impact on the overall valuation. The assumptions made for the March 2023 valuation that allowed for an extension of life were, however, not amended.

### Project KPIs outlook for the full year

<b>MMBTUs delivered to customers</b>	Customer demand for the full year is expected to be below target
<b>EBITDA</b>	Estimated EBITDA for the full year 2023 is below budget

<sup>5</sup> In this section, Project Equity Value represents the value as included in the 30 September 2023 Portfolio Valuation<sup>(APM)</sup>.

# Primary Energy – Aggregate

Portfolio of on-site waste recycling cogeneration units, servicing the largest steel blast furnace in the USA

## £178 million

**Projects Equity Value as at 30 Sep 2023**

(March 2023: £195 million)



**Primary Energy is a 298MW portfolio comprising three energy recycling projects, one natural gas-fired CHP project and a 50% interest in an industrial process efficiency project. Aggregate production and EBITDA across the whole portfolio remain in line with the full year budget.**

Management has focused on negotiating renewal of the Cokenergy services contract with Cleveland Cliffs, the offtaker at four of the five assets at Primary Energy. The terms which have been agreed in principle, align with expectations in the March 2023 valuation as well as de-risking certain elements of the contract by passing through costs. The new terms introduce improved correlation of revenues with inflation. The revised agreement is expected to be signed in the coming weeks and the new terms increase the attractiveness of potential add-on opportunities to further improve plant reliability and efficiency which the Investment Manager is reviewing.

The renewal of the Cokenergy services contract will provide the Investment Manager with an opportunity to launch a process to refinance Primary Energy's project-level debt, which is expected to benefit from better terms and contribute positively to increasing cash inflows to SEEIT.

Adjusting for FX, minor movements in operating costs, re-contracting updates and increases in discount rates, the valuation remained broadly flat.

### Project KPIs outlook for the full year

#### Average Net Production

Net production for the full year is expected to be in line with budget

#### EBITDA

The project remains on track to deliver the full year budgeted EBITDA



# Onyx Renewables Partners (“Onyx”)

## C&I Solar and Storage Platform in the USA

# £161 million

**Project Equity Value as at 30 Sep 2023**

(March 2023: £161 million)

**Onyx Renewable Partners is a large and established C&I solar and storage platform, with over 200 commercial and industrial customers across its operational, construction and development stage assets.**

New leaders in Onyx’s development and operations teams, together with the focus on pipeline development, have positioned the business to achieve significant growth in 2024 and beyond. Onyx achieved a five-year high of 48MW in signed power purchase agreements “PPAs” from January to September 2023 and is on track to deliver a total of 75MW of signed PPAs in 2023, meeting budget and securing a substantial part of the 2024 pipeline. In addition to investment by SEEIT, the capital to build out the pipeline is expected to come from third party debt, tax equity financing and disposals.

In the short term, bottlenecks related to permitting that were reported in the March 2023 Annual Report have persisted, resulted in delays between mechanical completion and project commissioning, and continue to adversely affect the number of projects becoming operational in the short term. As a result, the MW capacity of projects expected to reach commercial operations date “COD” in the year is expected to be 22 MW, less than the 32MW assumption used for the March 2023 valuation, with delayed projects being pushed to next year. Permitting issues are being experienced across the industry and do not impact the pipeline development,

however the slowdown delays the point at which SEEIT can generate revenues and recognise value from newly constructed sites.

Onyx’s operational projects have performed slightly below expectations as a result of one-off factors and performance ratio, and MWh production outturn result is accordingly below budget.

Increases in discount rate and asset specific risk premium related to future pipeline have resulted in the overall value remaining broadly constant when netted off against investment into Onyx during the period. The increase to asset specific risk premium has adopted a view that permitting delays currently being experienced endure throughout 2024. Note 2 to the Condensed Interim Financial Statements sets out the impacts of downsides to the pipeline delivery assumption.

The Investment Manager is working with leadership at Onyx Renewable Partners to grow the development pipeline, resolve permitting related delays in fully constructed projects becoming operational and focus on accelerating project progression between contract signing and construction. The opportunity to cross sell Onyx services into other SEEIT investments such as Primary Energy, RED-Rochester and FES is being examined.

### Project KPIs outlook for the full year

<b>New projects reaching COD/PTO<sup>6</sup></b>	More than half of MWs budgeted to reach commercial operations in the current year are expected to be delayed until 2024.
<b>Performance ratio<sup>7</sup></b>	The performance ratio is forecast below budget for the full year.
<b>MWh produced (operational projects only)</b>	Production is forecast to be below budget for the full year.

<sup>6</sup> Commercial Operations Date/Permission To Operate

<sup>7</sup> MWh actual / MWh expected based on budget and available irradiance



# Oliva Spanish Cogeneration ("Oliva") - Aggregate

Portfolio of on-site waste recycling, on-site generation and process efficiency supporting the olive oil industry in Spain

## £128 million

Projects Equity Value as at 30 Sep 2023

(March 2023: £114 million)



**Oliva Spanish Cogeneration, located in southern Spain, comprises nine operating projects, of which five are efficient, natural gas cogeneration (CHP) plants with a combined capacity of 100MW, two are olive waste biomass plants with a combined capacity of 25MW, and two are olive pomace processing plants.**

In the prior year, operations had been deliberately paused to protect profitability threatened by the combination of gas price volatility and delays in the Spanish Government's provision of Ro/Ri guidance (an incentive scheme to provide a return on operations and investments). The pauses were temporary pending implementation of updates to the Ro/Ri scheme, which were published in the period as expected. These updates provided a favourable outlook compared to the year's budget and further improved short-term visibility over cash flows, resulting in much-improved project forecasts compared to 2022. The management team continues to engage with the Spanish energy industry and government stakeholders to push for greater predictability from the regulation to mitigate the risk of the experience in 2022 repeating itself.

During the period, the only notable performance issue was the Cepunte site going offline for several months due to damage to the export cable caused by the offtaker. This has now been rectified and recovery of losses from the insurer and the offtaker are being negotiated. The incident reduced the total energy production across the sites, but the forecast for the full year remains in line with budgets.

In addition to the above, Oliva's gas procurement team performed ahead of budget during the period, despite adverse commodity pricing impacts.

The combination of these factors has resulted in expectations for strong outperformance in terms of EBITDA and cash flow for the full year.

During the period end, the management team has made good progress in agreeing an expected extension of the thermal offtake contracts at the Celvi site.

The valuation increase in the period was mainly driven by the Ro/Ri updates, updating a cautious position taken in the March 2023 valuation. The referenced outperformance to budget EBITDA expected for the full year also positively contributed to valuation, with reducing electricity price forecasts partially working against these gains.

### Project KPIs outlook for the full year

#### EBITDA

Oliva is on track to exceed its full year budget.

#### MWh produced

Forecast aggregate production of the portfolio's 9 sites is in line with budgets for the full year despite the outage at Cepunte.

# UU Solar

Portfolio of 70 operational on-site renewable projects across the UK

## £86 million

**Project Equity Value as at 30 Sep 2023**

(March 2023: £96 million)



**UU Solar's portfolio provides renewable energy generated on-site directly to the end user, United Utilities Water Limited ("UUW"). UUW is the regulated water and wastewater business of United Utilities Group PLC, the largest listed water and wastewater company in the UK.**

Although technical performance, and hence electrical production, has been lower than expected owing to a variety of technical issues and delays in the related supply chain, favourable market rates for the sales of electricity not used by UUW have mitigated the impact on revenues. The Investment Manager has worked with Green Nation (the asset manager) to resolve these issues through initiatives such as installation of monitoring software across the portfolio and repowering of equipment to increase availability. This has resulted in performance that

is generally improving through the period, and although the outturn production for the full year is expected to be below budget, the expected outturn EBTIDA remains in line with budget.

The Investment Manager and the customer, UUW, are continuing to assess an opportunity to provide battery energy storage systems on existing UU Solar sites. The concept could provide valuable resilience services to UUW which SEEIT is uniquely positioned to offer, presenting an interesting option to bring additional revenue streams into the portfolio.

The reduction in the valuation has predominantly resulted from distributions paid out in the period and discount rate increases.

### Project KPIs outlook for the full year

<b>Availability</b>	Availability for the full year is expected to be below budget
<b>Average Net Production</b>	Net production for the full year is expected to be below budget
<b>EBITDA</b>	On track to meet full year budget

# £69 million

**Project Equity Value as at 30 Sep 2023**

(March 2023: £65 million)



**Värtan Gas owns and operates the regulated gas grid in Stockholm, Sweden. The investment was fully operational from the point of acquisition, with strong long-term yield metrics and inflation correlation.**

The periodic regulatory update in late 2022 relevant to Värtan Gas changed both the WACC and Regulated Asset Base ("RAB") used in calculating the value of the regulated investment, causing an adverse impact on the March 2023 valuation. Värtan Gas's subsequent appeal against the Energy Markets Inspectorate's regulatory determination has been successful with respect to the calculation of the RAB, with the resulting reversal of the adverse impacts reflected in the March 2023 valuation as set out in section 3.5, Financial Review and Valuation Update.

Värtan Gas has outperformed targets in relation to the biogas content of the grid, and customer churn has been better than budgeted. During the period, c.90% of the gas distributed in the grid was locally produced renewable biogas, sourced primarily from the city's wastewater facilities. To offset some of this positive performance, management has observed some changes in customer behaviours, for example restaurants being more diligent with gas consumption to lower their operating costs, which has been reflected in the valuation.

However, overall forecast EBITDA remains in line with budget for the full year. After a new CEO was appointed at the start of the year, the long-term strategy of Värtan Gas has been reviewed and further developed with plans for the creation of new income streams.

In addition to the successful regulatory appeal, significant contributions to the movements in valuation over the period relates to discount rate increases.

### Project KPIs outlook for the full year

#### EBITDA

Värtan Gas is on track to meet its full year budget.

#### % of Green Gas

Värtan Gas is expected to outperform its targeted share of biogas delivered for the full year.



### 3.2 Portfolio Update for the Period continued

Outside of the six largest investments (consolidated where there are multiple underlying projects), the portfolio operated in aggregate materially in line with budget.



#### **The EV Network ("EVN")**

In September 2023, The EV Network hosted an opening ceremony attended by the UK's Chancellor of the Exchequer for the UK's largest Electric Vehicle ("EV") charging hub on the NEC Campus in Birmingham, capable of charging 180 EVs simultaneously.



#### **Huntsman Project**

During the period the Huntsman Project also successfully completed commissioning and became operational.

## 3.3 Investment Activity

The March 2023 Annual Report identified the following areas of investments focus:

- Efficiency improvement projects at RED-Rochester, which contribute directly to increasing the project company's profit margin;
- Further scaling of EVN as it continues to establish itself as one of the UK's largest EV charging developers; and
- Continued rollout of solar and storage projects through the Onyx platform, whose remaining 50% was acquired from Blackstone in June 2023.

Of a total £93 million investment in the 6 months to 30 September 2023, c.£55 million was invested in these and other follow on investments. Portfolio investment activity also included c. £35 million of contracted operational investments from the pipeline. £25 million was invested in a portfolio of loan facilities secured against an operational portfolio of LED lighting projects in the USA held by Future Energy Solutions Lighting Holdings ("FES"). The investment, which was made directly from SEEIT and held independently from FES not only offered double-digit returns and attractive cash yields on a standalone basis, but also brought the potential to realise further upside from

operating and financial efficiencies across the FES portfolio. Note 10 to the Condensed Interim Financial Statements sets out an analysis of investments by project made in the period.

Since 31 March 2023, the investment focus became increasingly selective with the Investment Manager declining more investments into its organic pipeline as higher returns were targeted. Looking forward the Board and the Investment Manager have updated the Capital Allocations Policy with higher investment hurdle rates to reflect current market conditions. This has led to a scaling back of potential new investments and carefully focuses resources where returns are most compelling. This includes completion of construction of efficiency projects already committed to in RED-Rochester and the organic platform investments, such as EVN and Onyx, where the management platforms benefit from scale and could present the opportunity to realise gains in the medium term.

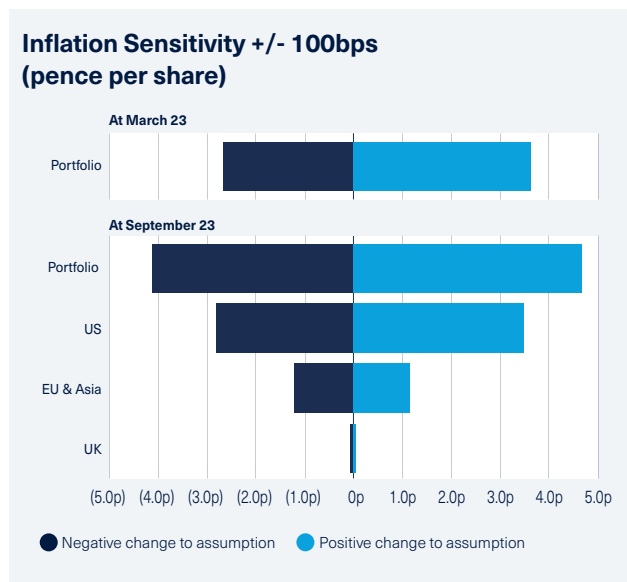
Since 30 September 2023, the Company has invested £33 million, and, subject to working capital and Capital Allocations Policy considerations, could invest up to a further £7 million.

## 3.4 Financial Management Overview

### Inflation

Inflation correlation is derived from a combination of explicit linkage to revenues, through contract or regulatory mechanisms, and de facto linkage applied on re-contracting events or through discretionary annual tariff increases. Inflation correlation is a relevant metric when evaluating new investment opportunities and when re-contracting 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.

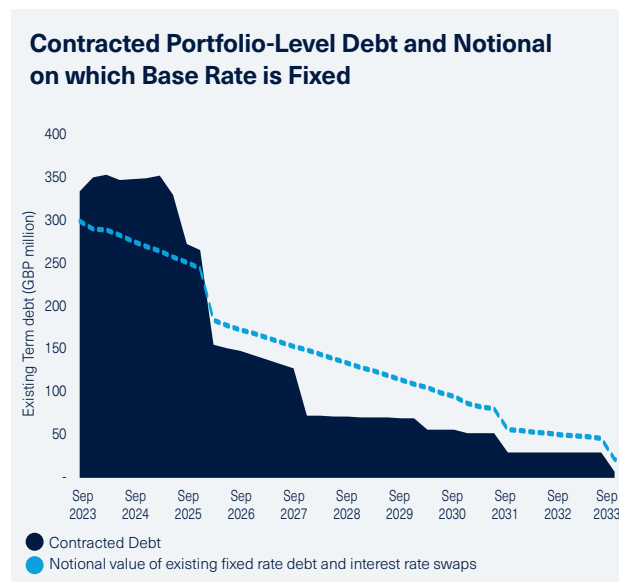
Positive inflation correlation on investment returns has increased since 31 March 2023 as a result of increased contractual inflation linkage related to new contracts and renewals.



### Financing

The Investment Manager seeks to maintain a conservative level of total gearing<sup>(APM)</sup> consistent with its tolerance for financial risk. Total gearing<sup>(APM)</sup> is measured on a look-through basis by including debt at Company level through to 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 structural gearing<sup>(APM)</sup> and acquisition financing facilities used to finance the Company's investments, 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.





### Analysis of consolidated debt exposure at 30 September 2023

**44%**

**Total gearing<sup>(APM)</sup> (% of NAV<sup>(APM)</sup>)**

March 2023: 32%

**10% via RCF**

**Fund level gearing<sup>(APM)</sup>  
(% of NAV<sup>(APM)</sup>)**

March 2023: 0%

**34%**

**Portfolio level gearing<sup>(APM)</sup>  
(% of NAV<sup>(APM)</sup>)**

March 2023: 32%

**13**

**Investments geared  
(out of 57 investments)**

March 2023: 14 (out of 55)

**5.7%**

**Weighted average interest rate  
of portfolio debt**

March 2023: 5.8%

**85% is fixed**

**Interest rate exposure  
of portfolio debt**

March 2023: 80%

**80% in USA**

**19% in Europe**

**<1% in UK**

**Portfolio level debt by geography**

March 2023:  
79% in USA  
20% in Europe  
<1% in UK

**4.0 years**

**Weighted average life  
remaining on debt**

March 2023: 4.0 years

**£12m**

**Portfolio debt repaid  
in six month period<sup>8</sup>**

September 2022: £18 million

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 (44 out of 57 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>.

Changes to debt facilities at RED-Rochester have been agreed, providing a capex facility and extending the term such that there is no refinancing requirement at investment level until at least 2025. However, 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 whilst retaining benefit from the long term interest rate swaps currently in place.

<sup>8</sup> Represents amortisation of debt at portfolio level out of free cash flow and excludes debt principal repaid by SEEIT in the FES Lighting investment.

### 3.4 Financial Management Overview

continued

The Company (via Holdco) also has a £180 million revolving credit facility ("RCF") in place until June 2025, having recently extended the expiry date by 12 months. The Company intends this to be temporary finance, repayable through surplus distributions from the portfolio, refinancing proceeds at investment level and investment disposals, which the Investment Manager is currently pursuing.

Since the start of the period, the Holdco RCF has been drawn by £100 million to fund investments, and based on investment outlook could be £135 million - £140 million drawn at 31 March 2024, absent proceeds from a disposal in the period.

#### Hedging Update

The Company's hedging strategy is executed at the level of 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<sup>(APM)</sup> arising from movements in foreign exchange rates, and the approach to achieving this objective remains unchanged from previous periods.

In line with the disclosure in the March 2023 Annual Report, the Investment Manager is targeting hedging levels of around 75% to 90% of its non-GBP investments, down from 90%-100% previously, to balance the management of liquidity risk with the impact of foreign exchange volatility on NAV<sup>(APM)</sup>. In the period, the Investment Manager has gradually reduced hedging levels to around 85%.

#### Ongoing Charges<sup>(APM)</sup>

The Portfolio's ongoing charges ratio<sup>(APM)</sup> increased to 1.07% (September 2022: 0.93%), with the increase stemming predominantly from the impact of increased discount rates and the associated adverse impact on NAV<sup>(APM)</sup> as described elsewhere in this section, whilst costs have remained in line with expectation.

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 in the period/year. The ongoing charges percentage has been calculated on a portfolio basis<sup>(APM)</sup> to take into consideration the expenses of the Company and Holdco.

#### Dividend distributions

In June 2023, the Company paid a fourth quarterly interim dividend of 1.5 pence per share in respect of the year ended 31 March 2023. This brought the aggregate dividends paid to 6.00 pence per share for the year ended 31 March 2023, meeting the target guidance issued by the Company for that financial year.

A first quarterly interim dividend of 1.56 pence per share in respect of the year ending 31 March 2024 was paid in September 2023 and in November 2023 the Company declared a second quarterly interim dividend of 1.56 pence per share.

#### Cash cover<sup>(APM)</sup> for dividends paid

The financial period saw cash inflow from investments (on a portfolio basis<sup>(APM)</sup>) of £47.4 million, an increase of c. 9% from the comparative period (September 2022: £43.3 million). After allowing for fund level costs of £10.4 million (September 2022: £7.4 million), this enabled the Company to cover its cash dividends paid in the six-month period of £33.3 million by 1.1x. The Company remains on track to deliver a fully cash covered target aggregate dividend of 6.24 pence per share for the year ending March 2024 and the Investment Manager is targeting to grow the near to medium-term cash cover levels to above the historic average of around 1.2x.

#### Principal risks and uncertainties

The principal risks and uncertainties faced by the Company (and its underlying investment via Holdco) are largely unchanged from those described in the March 2023 Annual Report, although the likelihood of certain risks crystallising has moved since the Annual Report. The Investment Manager continues to employ suitable mitigants to manage the principal risks and remains alert to the uncertainties created by current markets, geopolitical events and other macroeconomic issues.

The Board and the Investment Manager consider risks on a regular basis and conduct reviews to evaluate the risks and mitigants available to the Company, including assessment of potential impacts through targeted stress testing.

Although some risks may be faced directly by the Company, most of the risks are faced indirectly through the project investments in the portfolio. The Investment Manager's risk assessments therefore review the impact at the underlying investment level and assess how they may influence the

stated objective of the Company. These assessments are both quantitative and qualitative and may, for example, include financial performance risk, reputational risk, climate risk and market risk.

The key risk faced by the Company during the period is the continuing discount to NAV<sup>(APM)</sup> of its share price. The Investment Manager has set out its mitigating strategies in section 3.1

The key changes in portfolio risks since publishing the March 2023 Annual Report are summarised below.

### Counterparty Credit Risk

The key credit risks arising within the portfolio relate to respective offtake counterparties. Generally, the Investment Manager seeks to ensure that the majority of revenues from projects that the Company invests in (via Holdco) are associated with investment-grade or equivalent counterparties. The proportion of revenues that are such counterparties has remained at around 60% (March 2023: 60%). The slowdown in economic growth and increases in financing costs have been negative for counterparty risk generally. However, there are no material credit events or impairments to highlight in this respect for the period and there have been no significant credit events or impairments since the Company's IPO in December 2018. The Investment Manager notes that, should a prolonged recession be experienced in Europe and/or North America, this could result in a deterioration of credit quality of some counterparties and increase risk of a credit event.

### Market Regulatory Risk

Market regulatory risks remain as described in the March 2023 annual report, however, the regulatory outlooks relevant to Värtan Gas and Oliva have stabilised with a consequent reduction in risk to their near-term performance and valuation.

### Investment Risks

**Re-contracting:** Agreement has been reached on renewal terms at Cokenergy which, once signed, is expected to remove the largest re-contracting risk which had been facing the portfolio. Macro-economic factors could work in either direction for future renewals, either deferring new investment by extending the life of an asset or reducing the economic case for continued use of the asset altogether.

**Construction:** Construction risk incorporates cost overruns and delays which could result in financial under performance. As reported in section 3.2.1, Onyx has experienced delays to permitting, outside of its control, which affect the start of operations date. There is a risk these delays persist with consequences for the rate of delivery of future pipeline. To reflect the increased risk, the value of the pipeline has been reduced and the Investment Manager is supporting the management team in planning for the range of outcomes.

**Demand risk:** The risk to volumes has increased as a result of a slowing economy and weakening of balance sheets, as illustrated by the experience at RED-Rochester in the period where a downturn in demand for a customer's product resulted in a reduction in demand for energy supplied by SEEIT. Efforts continue to grow and diversify the demand base of RED-Rochester's site and the valuation has been adjusted downwards in reflection of the increased risk.

### Macroeconomic Risks

Macroeconomic instability has had an impact on the Company's portfolio during the period through interest rates and inflation across the jurisdictions in which SEEIT operates as well as factors affecting demand and counterparty credit discussed above.

**Interest rate:** Market indicators show the risk of interest rates rising or remaining at elevated levels for longer with consequent impact on valuations through discount rate and financing costs. Sensitivities to discount rates have been reported in Note 3 to the financial statements. Investment focus on the organic pipeline has been tightened and return hurdles have been increased. The Company will continue to manage its facilities at the investment level on a longer-term basis and its revolving acquisition facility as interim funding, as set out under Financing within this section 3.4.

**Inflation:** The risk of inflation remaining elevated for longer has increased. The portfolio has a positive correlation with inflation, as illustrated in the sensitivity analysis (see Note 3 to the financial statements).



### 3.4 Financial Management Overview

continued

## ESG

SEEIT's commitment to investing in low-carbon, energy efficient energy solutions has ensured that the Company's focus on Environmental, Social and Governance ("ESG") factors is integrated into its operations. SEEIT's ESG Focus Areas organise its ESG considerations into four categories, each of which are then expanded upon in its Responsible Investment Policy ("RIP") and ESG Principles. Both documents are located on SEEIT's website.

The Company's RIP and ESG Principles together lay out the ESG considerations that are integrated into the Investment Manager's investment due diligence and asset management processes. These policies apply to all of SEEIT's investments and are overseen on a day-to-day basis by the Investment Manager.

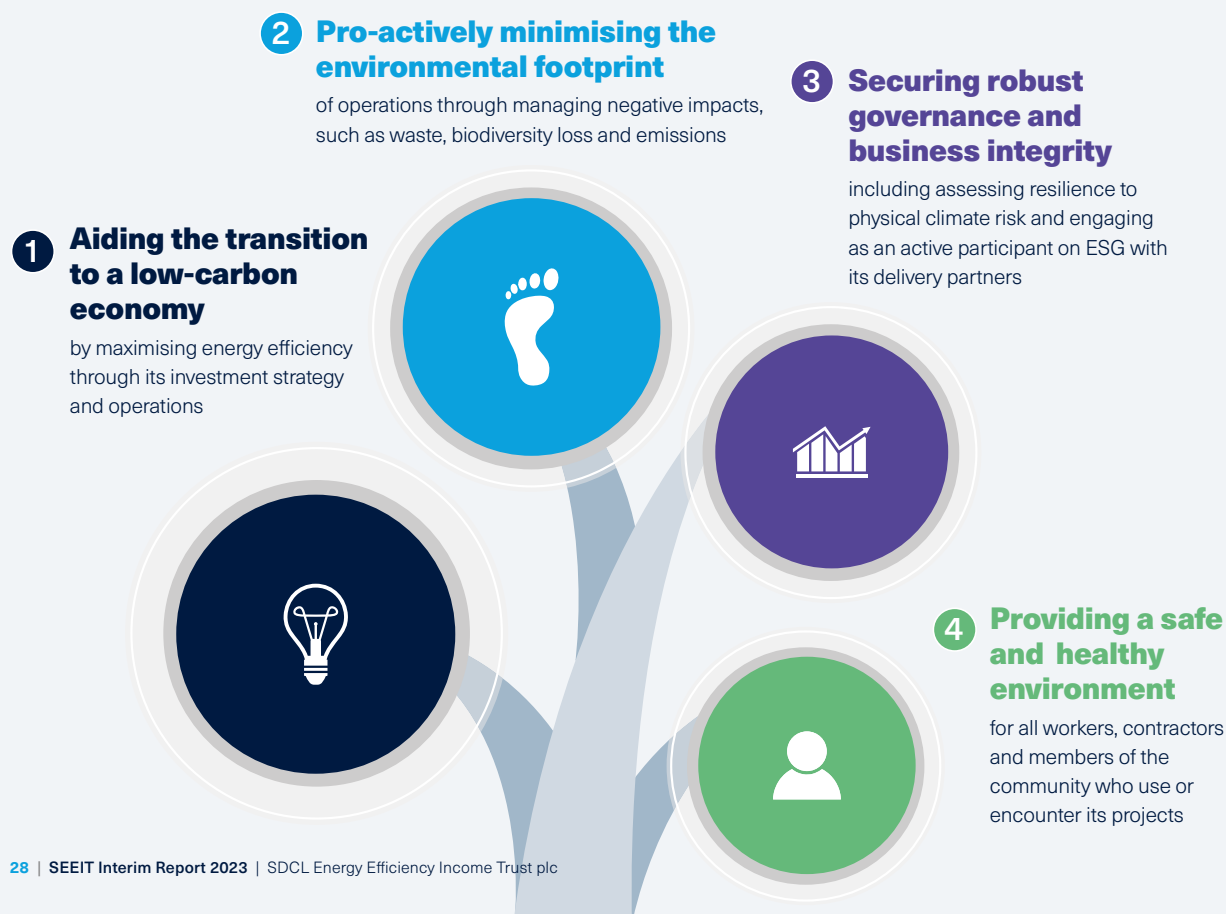
As the Company is an Article 9 Fund under the EU's Sustainable Finance Disclosure Regulation ("SFDR") and a voluntary supporter of the guidelines set out by the Task Force on Climate-related Financial Disclosures ("TCFD"), the Investment Manager has been reviewing SEEIT's policies and processes relating to these mandatory and voluntary

standards during the period. The Investment Manager has undertaken several workstreams to update and refine the Company's ESG-related disclosures, policies and procedures to ensure it has best practice ESG management.

The Investment Manager has also worked to ensure that it fulfils its own commitments to voluntary organisations such as the Glasgow Financial Alliance for Net Zero ("GFANZ") and the United Nations Principles for Responsible Investment ("UNPRI"), and that those commitments are properly reflected in the operations of the Company. This work has further supported the Company to attain its sustainable objective of climate change mitigation through reduction of greenhouse gas emissions as well as strengthened its social and governance policies and standards.

SEEIT remains dedicated to further enhancing its ESG practices in alignment with emerging standards, regulations and best practices. To that end, the Investment Manager has been taking a detailed look at the Company's existing ESG strategy and focus areas, and plans to update both in due course to ensure SEEIT continues to be a leader in sustainability.

### SEEIT's ESG Focus Areas



## 3.5 Financial Review and Valuation Update

### Key information as at 30 September 2023

**£47m**

**Investment cash inflow from portfolio<sup>(APM)</sup>**

Up 9% on a portfolio basis<sup>(APM)</sup>

(2022: £43 million)

**£1,066m**

**Portfolio Valuation<sup>(APM)</sup>**

Down from £1,100 million at March 2023

**£89m**

**Loss before tax**

Reflects the unrealised loss of £129 million from increased discount rates (September 2022: £1.5 million loss).

**90.6p**

**NAV per share<sup>(APM)</sup>**

Down from 101.5p at March 2023

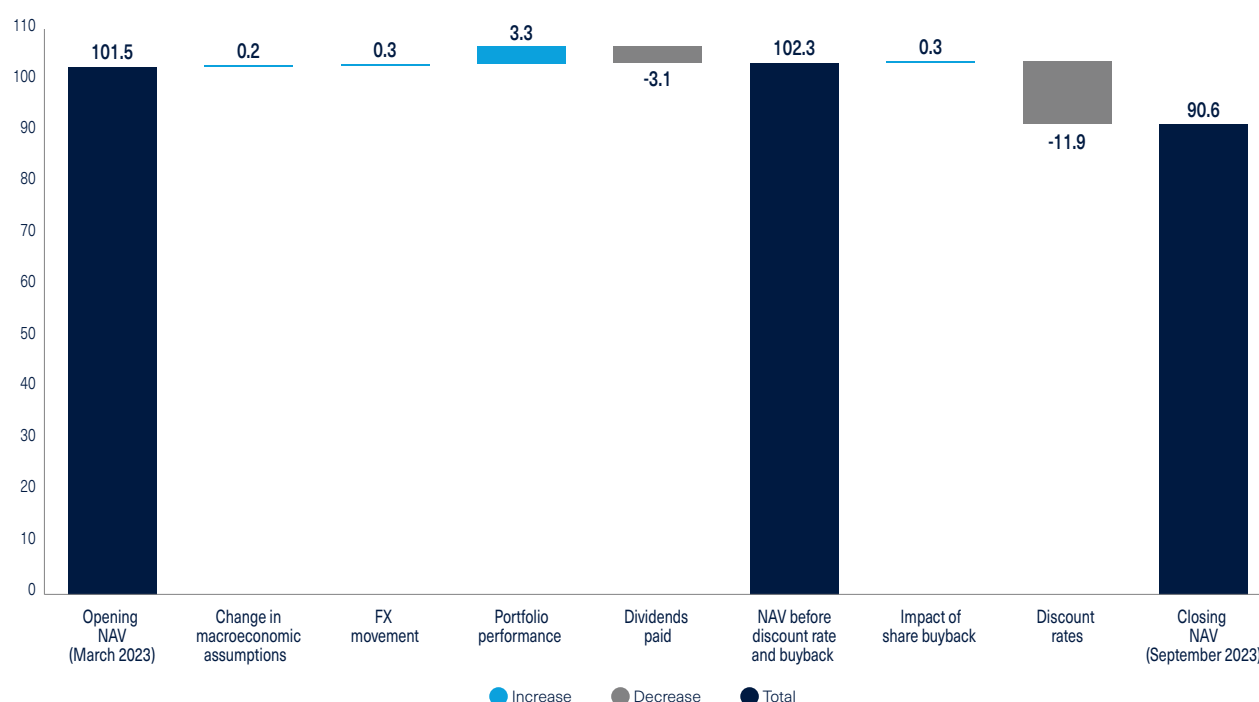
### Analysis of Movement in NAV<sup>APM</sup>

As of 30 September 2023, the NAV per share<sup>(APM)</sup> is 90.6p, a decrease of 10.9p from 101.5p at 31 March 2023. This decrease reflects the impact of:

- increase in portfolio discount rates (negative 11.9p);
- changes to macroeconomic assumptions relating to inflation of 0.2p;
- FX movements (net of portfolio and hedging movements) of 0.3p; and
- portfolio performance of 3.3p.

Each of these movements is described in more detail further below.

### Movement in NAV in the six-month period to September 2023 (pence per share)



### 3.5 Financial Review and Valuation Update continued

#### Portfolio Valuation<sup>(APM)</sup>

##### 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 valuation is carried out on a six-monthly basis, as at 31 March and 30 September each year. The Portfolio Valuation<sup>(APM)</sup> is the key component in determining the Company's NAV.

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. See Note 3 of the Company's March 2023 Annual Report for further details on the valuation methodology and approach. A reconciliation between the Portfolio Valuation<sup>(APM)</sup> at 30 September 2023 and investment at fair value shown in the financial statements is given in Note 10.

##### Movements in Portfolio Valuation

The Portfolio Valuation<sup>(APM)</sup> as at 30 September 2023 was £1,066 million, a decrease of 3% compared with £1,100 million as at 31 March 2023.

After allowing for investments of £93 million and cash receipts from investments of £47 million, the Rebased Portfolio Valuation<sup>(APM)</sup> is £1,146 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 £42 million, equating to a 3.7% return in the period. The return takes into account a number of project specific valuation movements described under Balance of Portfolio Return below.

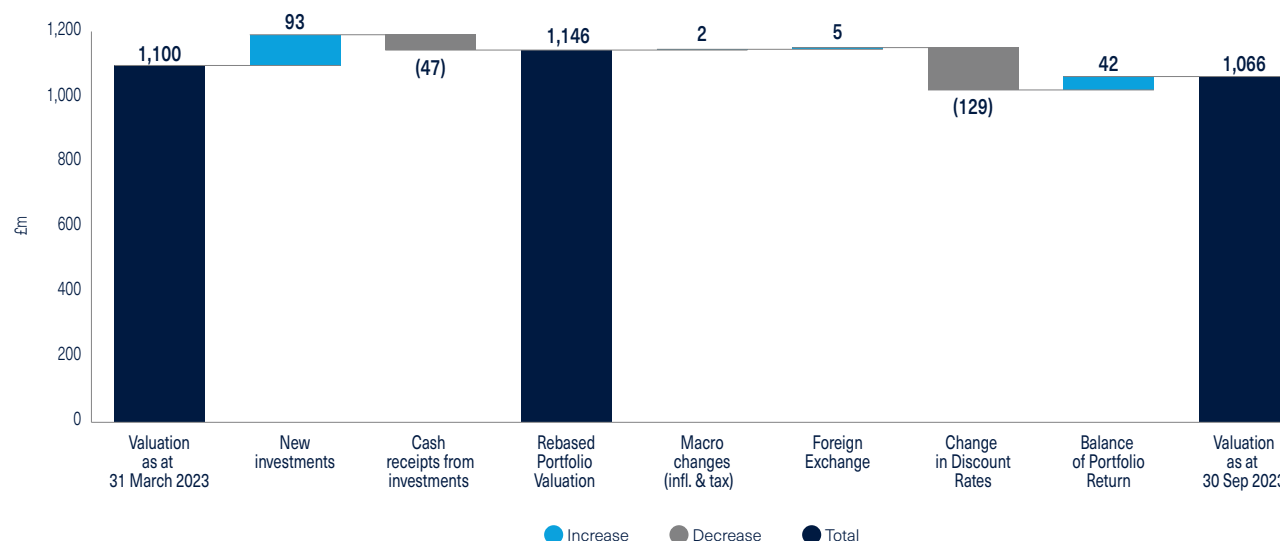
The weighted average remaining life of investments as at 30 September 2023 is 16.2 years<sup>9</sup> (March 2023: 15.9 years), when calculated purely on when current contracts end. When based on the September 2023 Portfolio Valuation<sup>(APM)</sup>, which includes assumptions for re-contracting and contract life extensions, the weighted average remaining life is 26.4 years (March 2023: 28.0 years).

Further information on key investments and potential future valuation movements can be found in Note 2.

##### Valuation Movements

A breakdown of the movement in the Portfolio Valuation<sup>(APM)</sup> in the year is illustrated in the chart and set out in the table below.

#### Six-month Valuation Bridge – March 2023 to September 2023



<sup>9</sup> Includes the new agreed terms for Cokenergy to be signed shortly.



### 3.5 Financial Review and Valuation Update continued

Valuation movements during the period to 30 September 2023 (£'m)		£'m	£'m
<b>Portfolio Valuation – 31 March 2023</b>			1,100
New investments		93	
Cash from investments		(47)	
			46
<b>Rebased Portfolio Valuation<sup>(APM)</sup></b>		<b>1,146</b>	<b>% on Rebased</b>
Changes in macroeconomic assumptions	2		0.2%
Changes in foreign exchange	5		0.4%
Changes in discount rates	(129)		(11.3%)
Balance of portfolio return	42		3.7%
			(80)
<b>Portfolio Valuation<sup>(APM)</sup> – 30 September 2023</b>		<b>1,066</b>	

#### Return from the Portfolio off the Rebased Portfolio Valuation<sup>(APM)</sup>

Each movement between the Rebased Portfolio Valuation<sup>(APM)</sup> of £1,146 million and the 30 September 2023 valuation of £1,066 million is considered in turn below:

##### i) Changes in Macroeconomic Assumptions of £2 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.
- **Tax rate assumptions:** there were no changes to corporation tax rate assumptions during the period.

##### ii) Changes in Foreign Exchange Rates of £5 million (before hedging):

- The investment portfolio gained £5 million during the period 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 period.
- 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<sup>(APM)</sup>.
- SEEIT Holdco experienced an aggregate loss of £2 million due to foreign exchange hedging.
- Therefore, the overall foreign exchange movements did not have a significant impact on NAV during the period, resulting in a net gain of £3 million from foreign exchange movement.

##### iii) Changes in Valuation Discount Rates of £(129) 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 period, 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 12 to 18 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 100bps to 8.7% 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%).

### 3.5 Financial Review and Valuation Update

#### continued

- 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<sup>(APM)</sup> of c. £129 million.
- Of this adverse movement in discount rates, c. £29 million relates to adjustments made to asset specific risk premiums. This includes, as further described in Section 3.2:
  - an adjustment of c. £11 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
  - an adjustment of c. £12 million to reflect the risks associated with achieving the targeted pipeline in Onyx, and
  - an adjustment of c. £5 million to reflect a risk of the value for which Renewable Energy Certificates ("REC's") can be sold for in the USA after 2026.
- Since March 2023, there has been very little market activity to help set benchmarks for appropriate discount rates for the investments in the Portfolio Valuation<sup>(APM)</sup>.

#### Weighted average discount rate at September 2023 (compared to March 2023 in brackets)

Levered/Unlevered	UK	US	Europe/Asia	Combined
Levered	7.8% (7.1%)	10.0% (8.9%)	9.1% (8.4%)	9.4% (8.5%)
Unlevered	7.8% (7.1%)	9.4% (7.9%)	7.7% (7.4%)	8.7% (7.7%)

#### Discount rate ranges (unlevered) at September 2023 (compared to March 2023 in brackets)

UK	US	Europe/Asia	Combined
5.55% - 9.30%	7.35% - 10.70%	5.15% - 10.25%	5.15% - 10.70% <sup>10</sup>
(4.75% - 8.75%)	(6.50% - 9.00%)	(4.75% - 10.25%)	(4.75% - 10.25%)

#### Breakdown of Discount rate (unlevered) at September 2023 (compared to March 2023 in brackets)

	UK	US	Europe/Asia	Combined
Weighted Average Risk-Free Rate	4.8% (3.7%)	4.8% (3.7%)	3.6% (3.0%)	4.5% (3.6%)
Risk Premium	3.0% (3.4%)	4.6% (4.2%)	4.1% (4.4%)	4.2% (4.1%)
Weighted Average Discount Rate (unlevered)	7.8% (7.1%)	9.4% (7.9%)	7.7% (7.4%)	8.7% (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 takes 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 counterparty is not rated, it may require some judgement to determine the appropriate credit rating.

<sup>10</sup> Excludes discount rates for development assets at significantly higher ranges appropriate for valuing future execution of pipeline.

### 3.5 Financial Review and Valuation Update

#### continued

#### iv) Balance of Portfolio Return of £42 million:

This refers to the balance of valuation movements in the period (excluding (i) to (iii) above), which provided an uplift of £42 million. The balance of portfolio return reflects the net present value of the cashflows unwinding over the period at the average prevailing portfolio discount rate, and various additional valuation adjustments described below. The portfolio delivered a return of 3.7% in the period, lower than expected with details on key movements described below.

The Portfolio Valuation<sup>(APM)</sup> as at 30 September 2023, 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 September 2023 Portfolio Valuation<sup>(APM)</sup> listed out below, have had a value impact of 1% or higher on the Company's NAV:

#### RED-Rochester

- During the period, the Investment Manager and the RED 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 have since been revised, up and down, with a material net adverse impact on the overall valuation of c. £26 million.
- A combination of updates to projected loads, business development assumptions, operating costs, labour costs and timing of new efficiency projects, caused a reduction in the overall valuation of c. £17 million.

#### Oliva Spanish Cogeneration

- The Spanish Government published regulatory updates to the RoRi (an incentive scheme to provide a return on operations and investments) in the period 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 September 2023 valuation was c. £30 million, which takes into account outperformance of actuals in the first half of the year, upwardly revised expectations for the second half of the year and a higher than previously forecasted medium term outlook based on the latest regulatory updates, netted off by a reduction of value from standard updates to commodity pricing that form part of the regulatory updates.

#### 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 March 2023 valuation. Värtan Gas has since successfully appealed against the update, resulting in a c. £14 million positive impact on the September 2023 valuation and thus substantially reversing the adverse impact on the previous valuation.

Additional information and sensitivities are disclosed in the critical estimates and judgements section of Note 2.



### 3.5 Financial Review and Valuation Update continued

## Summary Financial Statements

As described in detail in Note 2 of the March 2023 Annual Report, 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<sup>(APM)</sup> levels, results have been reported in the pro forma tables below on a non-statutory "portfolio basis"<sup>(APM)</sup>, as 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<sup>(APM)</sup> 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 carried in Holdco, such as cash and debt balances 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 the statutory financial statements prepared under UK adopted IFRS "(IFRS)" as disclosed in note 1, and constitutes a reallocation between line items rather than affecting NAV and Earnings. In the Cashflow statement, the Holdco reallocation column simply represents the net difference between the portfolio basis<sup>(APM)</sup> and IFRS for movements that may occur only in Holdco or only in the Company.

NAV per share<sup>(APM)</sup> and Earnings per share are the same under the portfolio basis<sup>(APM)</sup> and the IFRS basis.

## Portfolio Basis Summary Income Statement

£'million	6 Month period to 30 September 2023			6 Month period to 30 September 2022		
	Portfolio Basis	Holdco reallocation	IFRS (Company)	Portfolio Basis	Holdco reallocation	IFRS (Company)
Total income/(loss)	(79.5)	(3.5)	(83.0)	6.0	(1.9)	4.1
Expenses & Finance Costs	(9.6)	3.5	(6.1)	(7.5)	1.9	(5.7)
<b>Profit/(loss) before Tax</b>	<b>(89.1)</b>	<b>-</b>	<b>(89.1)</b>	<b>(1.5)</b>		<b>(1.5)</b>
<b>(Loss)</b>	<b>(89.1)</b>	<b>-</b>	<b>(89.1)</b>	<b>(1.5)</b>	<b>-</b>	<b>(1.5)</b>
<b>(Loss) per share (pence)</b>	<b>(8.1)</b>	<b>-</b>	<b>(8.1)</b>	<b>(0.2)</b>	<b>-</b>	<b>(0.2)</b>

## Portfolio Basis Balance Sheet

£'million	30 September 2023			31 March 2023		
	Portfolio Basis	Holdco reallocation	IFRS (Company)	Portfolio Basis	Holdco reallocation	IFRS (Company)
Investments at fair value	1,065.5	(89.6)	975.9	1,099.6	28.3	1,127.8
Working capital	(3.3)	2.4	(0.9)	(39.9)	37.2	(2.7)
Debt	(100.0)	100.0	-	-	-	-
Net cash	20.7	(12.8)	7.9	65.7	(65.4)	0.3
<b>Net assets attributable to Ordinary Shares</b>	<b>982.9</b>	<b>-</b>	<b>982.9</b>	<b>1,125.4</b>	<b>-</b>	<b>1,125.4</b>
<b>NAV per share<sup>(APM)</sup> (pence)</b>	<b>90.6</b>	<b>-</b>	<b>90.6</b>	<b>101.5</b>	<b>-</b>	<b>101.5</b>

### 3.5 Financial Review and Valuation Update

continued

- Total income: Income at the Company level is the income it receives from Holdco, which contrasts to Portfolio Basis<sup>(APM)</sup> where the income is received from the portfolio assets.
- Expenses & finance costs: Investment transaction costs are incurred at Holdco only and therefore included in the Company Income Statement as a movement in investment fair value.
- Investment at fair value: Company valuation excludes Holdco's other net assets (see Note 10 for detailed reconciliation).

#### Portfolio Basis Cashflow Statement

£'million	6 months to 30 September 2023			6 months to 30 September 2022		
	Portfolio Basis	Holdco	IFRS (Company)	Portfolio Basis	Holdco	IFRS (Company)
Cash from investments	47.4	54.3	101.7	43.3	(7.8)	35.5
Operating and finance costs outflow	(10.3)	2.3	(8.1)	(7.4)	1.8	(5.6)
<b>Net cash inflow before capital movements</b>	<b>37.0</b>	<b>56.6</b>	<b>93.7</b>	<b>35.9</b>	<b>(6.0)</b>	<b>29.9</b>
Cost of new investments including acquisition costs	(93.6)	61.0	(32.6)	(172.3)	(54.7)	(227.3)
Share capital raised net of costs	-	-	-	132.9	-	132.9
Share buybacks and costs	(20.1)	-	(20.1)			
Movement in borrowings and working capital	65.2	(65.2)	-	2.0	(2.0)	-
Movement in capitalised debt costs and FX hedging	(0.1)	0.1	-	(81.1)	81.1	-
Dividends paid	(33.3)	-	(33.3)	(28.8)	-	(28.8)
Movement in the period	(44.9)	52.5	7.5	(111.7)	18.7	(93.0)
Net cash at start of the period	65.6	(65.3)	0.3	170.9	(24.8)	146.1
<b>Net cash at end of the period</b>	<b>20.7</b>	<b>(12.8)</b>	<b>7.9</b>	<b>59.3</b>	<b>(6.1)</b>	<b>53.1</b>

- Investment cash inflows from the portfolio<sup>(APM)</sup> on a Portfolio Basis were £47.4 million (2022: £43.3 million), includes £47.2 million cash from portfolio investments plus other interest income.
- The total cost of investments by the SEEIT group on a portfolio basis<sup>(APM)</sup> was £93.6 million (2022: £172.3 million), including a further £90 million invested as follow-on in existing investments and transaction costs (transaction costs are included at Holdco and not included in the Company Income Statement).
- £101.7m Cash received from investments is made up of: £50m dividend received, £47.5m loan principal, £4.0m interest received on loan principal plus £0.2m other interest.
- £8.1m Operating and finance costs is made up of £6.1m fund expenses plus movement in debtors/creditors.

## 3.6 Statement of Directors' Responsibilities

The Directors confirm that these condensed interim financial statements have been prepared in accordance with UK adopted International Accounting Standard 34, 'Interim Financial Reporting' and the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority and that the interim management report includes a fair review of the information required by DTR 4.2.7 and DTR 4.2.8, namely:

- an indication of important events that have occurred during the first six months and their impact on the condensed set of financial statements, and a description of the principal risks and uncertainties for the remaining six months of the financial year; and
- material related-party transactions in the first six months and any material changes in the related-party transactions described in the last annual report.

The maintenance and integrity of the Company's website is the responsibility of the Directors; the work carried out by the authors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that might have occurred to the interim financial statements since they were initially presented on the website.

The Responsibility Statement has been approved on 4 December 2023 on behalf of the Board by:

**Tony Roper**  
Chair



# 4. FINANCIAL STATEMENTS



Pictured: Baseload Capital site

## 4.1 Independent Review Report



### **Independent review report to SDCL Energy Efficiency Income Trust Plc Report on the condensed interim financial statements**

#### **Our conclusion**

We have reviewed SDCL Energy Efficiency Income Trust Plc's condensed interim financial statements (the "interim financial statements") in the Interim Report of SDCL Energy Efficiency Income Trust Plc for the 6 month period ended 30 September 2023 (the "period").

Based on our review, nothing has come to our attention that causes us to believe that the interim financial statements are not prepared, in all material respects, in accordance with UK adopted International Accounting Standard 34, 'Interim Financial Reporting' and the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority.

The interim financial statements comprise:

- the condensed statement of financial position as at 30 September 2023;
- the condensed statement of comprehensive income for the period then ended;
- the condensed statement of cash flows for the period then ended;
- the condensed statement of changes in shareholders' equity for the period then ended; and
- the explanatory notes to the interim financial statements.

The interim financial statements included in the Interim Report of SDCL Energy Efficiency Income Trust Plc have been prepared in accordance with UK adopted International Accounting Standard 34, 'Interim Financial Reporting' and the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority.

#### **Basis for conclusion**

We conducted our review in accordance with International Standard on Review Engagements (UK) 2410, 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity' issued by the Financial Reporting Council for use in the United Kingdom ("ISRE (UK) 2410"). A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures.

A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK) and, consequently, does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

We have read the other information contained in the Interim Report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the interim financial statements.

#### **Conclusions relating to going concern**

Based on our review procedures, which are less extensive than those performed in an audit as described in the Basis for conclusion section of this report, nothing has come to our attention to suggest that the directors have inappropriately adopted the going concern basis of accounting or that the directors have identified material uncertainties relating to going concern that are not appropriately disclosed. This conclusion is based on the review procedures performed in accordance with ISRE (UK) 2410. However, future events or conditions may cause the company to cease to continue as a going concern.



## Responsibilities for the interim financial statements and the review

### Our responsibilities and those of the directors

The Interim Report, including the interim financial statements, is the responsibility of, and has been approved by the directors. The directors are responsible for preparing the Interim Report in accordance with the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority. In preparing the Interim Report, including the interim financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Our responsibility is to express a conclusion on the interim financial statements in the Interim Report based on our review. Our conclusion, including our Conclusions relating to going concern, is based on procedures that are less extensive than audit procedures, as described in the Basis for conclusion paragraph of this report. This report, including the conclusion, has been prepared for and only for the company for the purpose of complying with the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority and for no other purpose. We do not, in giving this conclusion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

PricewaterhouseCoopers LLP  
Chartered Accountants  
Watford  
4 December 2023



## 4.2 Condensed Interim Financial Statements

### Condensed Statement of Comprehensive Income

For the six month period ended 30 September 2023

	Note	Six months ended 30 September 2023 (unaudited) £'millions	Six months ended 30 September 2022 (unaudited) £'millions
Investment (loss)/income	4	(83.0)	4.1
<b>Total operating (loss)/income</b>		(83.0)	4.1
Fund expenses	5	(6.1)	(5.6)
<b>Total comprehensive loss for the period before tax</b>		(89.1)	(1.5)
Tax on profit/(loss) on ordinary activities	6	–	–
<b>Total comprehensive loss for the period after tax</b>		(89.1)	(1.5)
<b>Attributable to:</b>			
Equity holders of the Company		(89.1)	(1.5)
<b>Loss per ordinary share (basic and diluted) - pence</b>	7	(8.1)	(0.2)

The accompanying notes are an integral part of these condensed interim financial statements.

All results are from continuing operations in the period.

## Condensed Statement of Financial Position as at 30 September 2023

	Note	30 September 2023 (unaudited) £'millions	31 March 2023 (audited) £'millions
<b>Non-current assets</b>			
Investment at fair value through profit or loss	10	975.9	1,127.8
		975.9	1,127.8
<b>Current assets</b>			
Trade and other receivables		0.4	0.6
Cash and cash equivalents		7.9	0.3
		8.3	0.9
<b>Current liabilities</b>			
Trade and other payables		(1.3)	(3.3)
<b>Net current assets/(liabilities)</b>		7.0	(2.4)
<b>Net assets</b>		982.9	1,125.4
<b>Capital and reserves</b>			
Share capital	11	11.1	11.1
Share premium	11	1,056.8	1,056.8
Other distributable reserves	11	19.2	39.3
(Accumulated losses) / retained earnings		(104.2)	18.2
<b>Total equity</b>		982.9	1,125.4
<b>Net assets per share (pence)</b>		90.6	101.5

The accompanying Notes are an integral part of these condensed interim financial statements.

The condensed interim financial statements for the period ended 30 September 2023 of SDCL Energy Efficiency Income Trust plc, were approved and authorised for issue by the Board of Directors on 4 December 2023 and signed on its behalf by:

Director

Director

Company registered number: 11620959

## 4.2 Condensed Interim Financial Statements

continued

### Condensed Statement of Changes in Shareholders' Equity

For the six month period ended 30 September 2023

For the period ended 30 September 2023	Note	Share Capital (unaudited) £'millions	Share Premium (unaudited) £'millions	Other distributable reserves (unaudited) £'millions	Retained earnings / (accumulated losses) (unaudited) £' millions	Total (unaudited) £'millions
<b>Balance at 1 April 2023</b>		11.1	1,056.8	39.3	18.2	1,125.4
Share buyback	11	–	–	(20.0)	–	(20.0)
Share transaction costs	11	–	–	(0.1)	–	(0.1)
Dividends paid	8	–	–	–	(33.3)	(33.3)
Total comprehensive loss for the period		–	–	–	(89.1)	(89.1)
<b>Balance at 30 September 2023</b>		11.1	1,056.8	19.2	(104.2)	982.9

For the period ended 30 September 2022	Note	Share Capital (unaudited) £'millions	Share Premium (unaudited) £'millions	Other distributable reserves (unaudited) £'millions	Retained earnings (unaudited) £' millions	Total (unaudited) £'millions
<b>Balance at 1 April 2022</b>		9.9	925.1	39.3	98.8	1,073.1
Shares issued	11	1.2	133.8	–	–	135.0
Share issue costs	11	–	(1.9)	–	–	(1.9)
Dividends paid	8	–	–	–	(28.8)	(28.8)
Total comprehensive loss for the period		–	–	–	(1.5)	(1.5)
<b>Balance at 30 September 2022</b>		11.1	1,057.0	39.3	68.5	1,175.9

The accompanying Notes are an integral part of these condensed interim financial statements.



## 4.2 Condensed Interim Financial Statements

continued

### Condensed Statement of Cash Flows

For the six month period ended 30 September 2023

	Note	Six months ended 30 September 2023 (unaudited) £'millions	Six months ended 30 September 2022 (unaudited) £'millions
<b>Cash flows from operating activities</b>			
Total comprehensive loss for the period before tax		(89.1)	(1.5)
Adjustments for:			
Investment Income - Loss on investment at fair value through profit or loss		137.0	31.6
Interest income		(4.0)	(4.5)
<b>Operating cash flows before movements in working capital</b>		43.9	25.6
<b>Changes in working capital</b>			
Decrease in trade and other receivables		0.2	0.1
Decrease in trade and other payables		(2.0)	(0.2)
<b>Net cash generated from operating activities</b>		42.2	25.5
<b>Cash flows from investing activities</b>			
Additional investment in Holdco	10	(32.6)	(227.3)
Loan principal repayment received		47.5	–
Loan interest income received		3.9	4.8
<b>Net cash generated from/(used in) investing activities</b>		18.8	(222.8)
<b>Cash flows from financing activities</b>			
Proceeds from the issue of shares	11	–	135.0
Share buyback payments	11	(20.0)	–
Payment of share issue/buyback costs		(0.1)	(1.9)
Dividends paid	8	(33.3)	(28.8)
<b>Net cash (used in)/generated from financing activities</b>		(53.4)	104.3
Net movement in cash and cash equivalents during the period		7.6	(93.0)
Cash and cash equivalents at the beginning of the period		0.3	146.1
<b>Cash and cash equivalents at the end of the period</b>		7.9	53.1

## 4.3 Notes to the Condensed Interim Financial Statements

### For the six month period ended 30 September 2023

The accompanying Notes are an integral part of these condensed interim financial statements.

#### 1. General Information

SDCL Energy Efficiency Income Trust plc ("the Company") is incorporated in England and Wales under number 11620959 pursuant to the Companies Act 2006 and is domiciled in the United Kingdom. The Company's registered office and principal place of business is The Scalpel, 18th Floor, 52 Lime Street, London, EC3M 7AF. The Company was incorporated on 12 October 2018 and is a Public Company and the ultimate controlling party of the group.

The Company's ordinary shares were first admitted to the premium segment of the UK Listing Authority's Official List and to trading on the Main Market of the London Stock Exchange under the ticker SEIT on 11 December 2018.

The Company's objective is to generate an attractive total return for investors comprising stable dividend income and capital preservation, with the opportunity for capital growth through the acquiring and realising of a diverse portfolio of energy efficiency infrastructure projects.

There have been no changes in the structure and operations of the Company. The Company currently makes its investments through its principal holding company and single subsidiary, SEEIT Holdco Limited ("Holdco"), and intermediate holding companies which are directly owned by the Holdco. The Company controls the investment policy of each of Holdco and its intermediate holding companies in order to ensure that each will act in a manner consistent with the investment policy of the Company.

The Company has appointed Sustainable Development Capital LLP as its Investment Manager (the "Investment Manager") pursuant to the Investment Management Agreement dated 22 November 2018. The Investment Manager is registered in England and Wales under number OC330266 pursuant to the Companies Act 2006. The Investment Manager is regulated by the FCA, number 471124.

These condensed interim financial statements do not comprise statutory accounts within the meaning of section 434 of the Companies Act 2006. Statutory accounts for the year ended 31 March 2023 were approved by the Board of Directors on 28 June 2023 and delivered to the Registrar of Companies.

The report of the auditors on those accounts was unqualified, did not contain an emphasis of matter paragraph and did not contain any statement under section 498 of the Companies Act 2006.

#### 2. Material Accounting Policies

##### Basis of Preparation

These condensed interim financial statements for the half-year ended 30 September 2023 have been prepared in accordance with the UK-adopted International Accounting Standard 34, 'Interim Financial Reporting' and the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority.

The interim report does not include all of the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the Annual Report for the year ended 31 March 2023, which has been prepared in accordance with UK-adopted international accounting standards and the requirements of the Companies Act 2006 and any public announcements made by the Company during the interim reporting period. The financial statements are prepared under the historical cost convention, except for certain investments and financial instruments measured at fair value through the Statement of Comprehensive Income.

The condensed interim financial information has been prepared on the same basis of the accounting policies, significant judgements, key assumptions & estimates and presentation and methods of computation as compared to the Company's annual financial statements for the year ended 31 March 2023 where they are described in detail.

There are no standards, amendments to standards or interpretations that are effective for annual periods beginning on 1 April 2023 that have a material effect on the financial statements of the Company.

The Company's financial performance does not suffer materially from seasonal fluctuations. The condensed interim financial statements are presented in pounds sterling because that is the currency of the primary economic environment in which the Company operates and is the Company's functional currency.

The condensed interim financial statements were approved by the Board of Directors on 4 December 2023 and have been reviewed by the Company's independent auditor but not audited.

##### IFRS 10 – Investment Entity

IFRS 10 states that investment entities should measure all of their subsidiaries that are themselves investment entities at fair value. Being an investment entity, as detailed in the 31 March 2023 Annual Report, Holdco is measured at fair value as opposed to being consolidated on a line-by-line basis, meaning its cash, debt and working capital balances are included in the fair value of investments rather than the Company's assets and liabilities. There has been no event during the period or thereafter that has caused the Directors to change their judgement that the Company should apply the Investment Entity exemptions of IFRS 10, including from the review of recent investments made by Holdco.

## 4.3 Notes to the Condensed Interim Financial Statements

### continued

### Chief Operating Decision Maker

The Chief Operating Decision Maker ("CODM") being the Board of Directors, is of the opinion that the Company is engaged in a single segment of business, being investment in energy efficiency projects to generate investment returns whilst preserving capital. The financial information used by the CODM to manage the Company presents the business as a single segment.

### Significant Changes

These condensed interim financial statements for the half-year reporting period ended 30 September 2023 disclose the events and transactions that are significant to the understanding of the changes in financial position and performance of the Company since the Company's annual financial statements for the year ended 31 March 2023. This includes the following:

- Payment of interim dividends (see Note 8)
- Changes in Investment at fair value through profit or loss (see Note 10)
- Additional investments in the Company's single subsidiary and investments announced by the Company during the period and after the period end (see Note 10 and Note 13)
- Shares bought back by the Company during the period (see Note 11)

### Going Concern

The Directors have considered the following current matters alongside the regular cashflow and business activities in assessing that it is appropriate to prepare the financial statements on a going concern basis:

#### Ukraine Conflict

In light of the events in Ukraine, the Board and the Investment Manager have been monitoring its continual development and performed an assessment of the current exposure to Ukraine, Russia and Belarus (the "Region") and the potential impact to the Company's and the portfolio companies' operations. The Company is a UK registered public company. Currently neither the Company nor the Investment Manager conducts business and operations in the Region; therefore the Company is not subject to any direct impact by this event.

With regards to the Company's investments, none of the portfolio companies have business operations or client / supplier relationships in the Region. Through this assessment, the Board and the Investment Manager duly considered any restriction imposed by the relevant sanctions, and its impact on the portfolio companies and have concluded there are no direct material implications.

### Inflation and Cost of Living Crisis

The global impact of the Russian invasion of Ukraine on the oil and gas prices is a significant contributor to inflation and cost of living rises globally at present. The Company has carried out an assessment of the impact of the global rise in inflation on its portfolio and have concluded that overall there is a positive correlation to inflation and there is no adverse impact. The Directors are satisfied that the Company has sufficient resources to continue in operation for the foreseeable future, a period of not less than 12 months from the date of approval of the financial statements. The Directors have reviewed the Company's financial projections and cashflow forecasts, including the potential impact from this and believe, based upon those projections and forecasts and various risk mitigation measures in place, that it is appropriate to prepare the financial statements on a going concern basis.

### Regular Cashflow and Business Activity

The Company, through its investment in Holdco, benefits from a portfolio of investments that have a range of long-term contracts with a diversified set of counterparties across multiple sectors and jurisdictions. A key risk facing the Company is that counterparties to the investments may not be able to make their contractual payments. The Directors have reviewed a cashflow forecast to December 2024, taking into consideration potential changes in investment and trading performance and applying a 10% reduction in income to test the resilience of cashflows in the near term. The forecast results in positive cashflows for the foreseeable future that meets the liabilities as they fall due.

They also reviewed a severe downside scenario where the Company receives no income from its investment for the next 12 months but continues with existing committed payments for running the Company. Even under this stress scenario, the Company would have sufficient cash reserves to continue as a going concern. As at 30 September 2023, the Company's net assets were £983 million, including cash balances of £8 million.

Further amounts of cash are held by the Company's direct and indirect subsidiaries (including Holdco which has c.£12.8 million at the period end), which are sufficient to meet current obligations as they fall due. The major cash outflows of the Company are the payment of dividends and payments relating to the investment in new assets, both of which are discretionary.

The Company's single subsidiary, Holdco, has a £180 million revolving credit facility ("RCF") in place until June 2025, having recently extended the expiry date by 12 months. The Company intends that this is temporary finance, repayable through surplus distributions from the portfolio, refinancing proceeds at investment level and investment disposals which the Investment Manager is currently pursuing. The Company is a guarantor to the RCF but has no other guarantees or commitments.

## 4.3 Notes to the Condensed Interim Financial Statements

### continued

#### Closing Summary

The Directors are satisfied that the Company has sufficient resources to continue in operation for the foreseeable future, a period of not less than 12 months from the date of approval of the interim financial statements. The Directors have reviewed the Company's financial projections and cash flow forecasts, including the potential impact from the Ukraine conflict and the cost of living crisis and believe, based upon those projections and forecasts and various risk mitigation measures in place, that it is appropriate to prepare the financial statements on a going concern basis.

### Critical Accounting Estimates and Judgements

The preparation of financial statements in accordance with IFRS requires the Directors to make judgements, estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of income and expense during the period. Actual results could differ from those estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision only affects that period or in the period and future periods if the revision affects both current and future periods.

### Judgements

#### Investment Entity

As detailed in the 31 March 2023 Annual Report, *the Directors have concluded that the Company continues to meet the definition of an investment entity as defined in IFRS 10. This conclusion involved a degree of judgement and assessment as to whether the Company met the criteria outlined in the accounting standards.*

### Estimates

#### Investment Valuations

The key area where estimates may be significant to the financial statements is the valuation of the Company's single subsidiary, SEEIT Holdco, which in turn holds investments in a portfolio that are held at fair value (the "Portfolio Valuation"<sup>(APM)</sup>).

IFRS 13 establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The Board of Directors has appointed the Investment Manager to produce the Portfolio Valuation<sup>(APM)</sup> at 30 September 2023, which includes estimates of future cash flows that have the potential to have a material effect on the measurement of fair value.

The key estimates made include:

#### Discount Rate

The weighted average unlevered discount rate (post tax) applied in the 30 September 2023 valuation was 8.7% (March 2023: 7.7%). The discount rate is considered one of the most unobservable inputs through which an increase or decrease would have a material impact on the fair value of investment at fair value through profit or loss. An appropriate discount rate is applied to each underlying asset. The range of discount rates applied and its sensitivity to movements in discount rates is shown in note 3.

#### Macroeconomic Assumptions

Further estimates have been made on the key macroeconomic assumptions that are likely to have a material effect on the measurement of fair value being inflation, corporation tax and foreign exchange which are further described in Note 3.

#### Investment Specific Cash Flow Assumptions

The below provides further updates to key estimates and should be read in conjunction with Note 3 in the March 2023 Annual Report.

**Primary Energy** – An estimate has been made to determine the future demand for generation by the offtaker in the PCI asset. If the demand assumed is 25% less than estimated, the Investment at fair value through profit or loss at 30 September 2023 could be reduced by between £5 million and £15 million, assuming no other mitigants are available. An estimate in relation to the Cokenergy asset has been included for the cash flows that can be generated through an imminent renewal of contract terms with the counterparty after the expiry of the previous contract terms. Although this assumption has not changed materially since March 2023, if the actual increase in contractual terms assumed for the Cokenergy investment is 50% less than estimated, the Investment at fair value through profit or loss at 30 September 2023 could be reduced by between £10 million and £20 million, assuming no other mitigants are available.

**Onyx** – The process of converting development assets into construction and then operational stages has been adversely affected by delays in the financial year, however an estimate has been made for the amount of megawatts that is expected to become mechanically complete and earn revenues in 2024 and 2025. If only 75% of the megawatts are achieved in each of 2024 and 2025, the Investment at fair value through profit or loss at 30 September 2023 could be reduced by between £20 million and £30 million, assuming no other mitigants are available. An estimate has been made for the amount of megawatts that is expected to be deployed from the development pipeline in 2025 to 2029 which are valued on an EV multiple per MW. This methodology has not changed since March 2022, however if only 50% of the uncontracted development pipeline is achieved, the Investment at fair value through profit or loss at 30 September 2023 would be reduced by between £25 million and £35 million, assuming no other mitigants are available.



### 4.3 Notes to the Condensed Interim Financial Statements

continued

**Oliva Spanish Cogeneration** – An estimate is included for the price at which compensation is included in the regulatory legislation for retail and distribution costs associated with the purchase of natural gas. If the final legislation differs materially from the estimate and no other changes are introduced, then the Investment at fair value through profit or loss at 30 September 2023 could be increased or reduced by between £10 million and £20 million, depending on the legislation changes.

**RED-Rochester** – Estimates have been made regarding future capital expenditure projects at the site and the expected increase to overall revenues, the most material being the construction of a cogeneration plant expected to complete in 2025. If the cogeneration plant delivers 25% above or below the energy savings currently assumed, the Investment at fair value through profit or loss at 30 September 2023 would correspondingly increase or decrease by between £10 million and £20 million.

Estimates have been included for revenues related to providing electricity to customers based on projected demands and an assumed power price charged to customers. If market power pricing and projected demands is 25% higher or lower than assumed, the Investment at fair value through profit or loss at 30 September 2023 would correspondingly increase or decrease by between £10 million and £20 million.

In addition, estimates have been included, based on projected growth of earnings in the RED-Rochester business, that a gain share pay-out will be made to the external asset management team tasked with delivering the growth within the next seven years, linked to the investment increasing its profitability. Furthermore, the projected growth is assumed to deliver a business capable of continuing to serve customers at the Eastman Business Park for a further 20 years beyond the c. 20 years lifetime previously assumed. Should only 15 years of the targeted economic life extension occur, the Investment at fair value through profit or loss at 30 September 2023 would be reduced by between £5 million and £15 million, assuming no other mitigants are available.

Estimates have been included for the timing of completion of construction work undertaken by Li-Cycle and the levels of their near to medium term and long term demand for energy services. If there is a material delay in the construction work and a 50% reduction in future demand for energy services, Investment at fair value through profit or loss at 30 September 2023 would be reduced by between £10 million and £20 million, assuming no other mitigants are available.

**Värtan Gas** – The future cashflows includes an assumption that the management team will target a decline in customer numbers at a year-on-year rate that is lower than the historic average decline.

There are also a number of accretive expansion opportunities for the Värtan Gas investment in the Stockholm region's transport sector for which estimates have been made around the future growth profile in relation to decarbonisation targets and electrification. If the recent historical average decline of customers is applied for the next five years and no growth in revenue from transport is achieved over the next ten years, the Investment at fair value through profit or loss may potentially reduce by between £10 million and £20 million, assuming no other mitigants are available.

## 3. Financial Instruments

### Valuation Methodology

The Company has a single investment in a directly wholly owned holding company (Holdco). It recognises this investment at fair value. Holdco makes investments into wholly owned portfolio companies or intermediary holding companies. To derive the fair value of Holdco, the Company determines the fair value of investments held directly or indirectly by Holdco and adjusts for any other assets and liabilities. See Note 10 for a reconciliation of this fair value. The valuation methodology applied by Holdco to determine the fair value of its investments is described below and is consistent with the methodology described in the March 2023 Annual Report.

The Directors have satisfied themselves as to the methodology used and the discount rates and key assumptions applied in producing the valuations. All investments are at fair value through profit or loss.

For non-market traded investments (being all the investments in the current portfolio), the valuation is based on a discounted cash flow methodology and adjusted in accordance with the IPEV (International Private Equity and Venture Capital) valuation guidelines where appropriate to comply with IFRS 13 and IFRS 9, given the special nature of infrastructure investments. Where an investment is traded in an open market, a market quote is used. Certain investments may be held at cost if in the early part of a construction phase, however this will still be supported by a discounted cashflow analysis or similar method to determine fair value. For certain investments, fair value is determined through assuming a price that can be achieved per MW.

The Investment Manager exercises its judgement in assessing the expected future cash flows from each investment based on the project's expected life and the financial models produced for each project company and adjusts the cash flows where necessary to take into account key external macroeconomic assumptions and specific operating assumptions. Assumptions for future cashflows may include successful recontracting and project life extensions as well as cashflow linked to assumptions made on growth rates and further business development opportunities within existing projects.

The fair value for each investment is then derived from the application of an appropriate market discount rate (on an unlevered basis) to reflect the perceived risk to the investment's future cash flows and the relevant period end foreign currency exchange rate to give the present value of those cash flows. Where relevant, project level debt balances are then netted off to arrive at the valuation for each investment. The discount rate takes into account risks associated with the financing of an investment such as investment risks (e.g. liquidity, currency risks, market appetite), any risks to the investment's earnings (e.g. predictability and covenant of the income) and a thorough assessment of counterparty credit risk, all of which may be differentiated by the phase of the investment.

Specific risks related to each asset that can be attributed to climate-related risks are assessed and where required, adjustments are made to expected future cash flows or reflected in the asset specific discount rate that is applied.

## 4.3 Notes to the Condensed Interim Financial Statements

### continued

The Investment Manager uses its judgement in arriving at the appropriate discount rate. This is based on its knowledge of the market, taking into account intelligence gained from its bidding activities, discussions with financial advisers in the appropriate market, and publicly available information on relevant transactions.

### Fair Value Measurement by Level

IFRS 13 requires disclosure of fair value measurement by level. Fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety which are described as follows:

- Level 1 inputs are quoted prices in active markets for identical assets or liabilities that the Company can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

Investment at fair value through profit or loss	Level 1 £'millions	Level 2 £'millions	Level 3 £'millions
30 September 2023	–	–	975.9
31 March 2023	–	–	1,127.8

The Company's indirect investments have been classified as level 3 as the investments are not traded and contain unobservable inputs. As the fair value of the Company's equity and loan investments in the Holdco is ultimately determined by the underlying fair values of the projects in which the group invests, the Company's sensitivity analysis of reasonably possible alternative input assumptions is the same across all its investments. The reconciliation of Level 3 fair value is disclosed in Note 10.

### Valuation Assumptions

		30 September 2023	31 March 2023	30 September 2022
Inflation rates	UK (RPI)	9.4% declining to 3.1% by 2025, 3.0% p.a. long-term	7.8% declining to 3.0% by 2025, 3.0% p.a. long-term	12.3% declining to 3.7% by 2024, 3.0% p.a. long-term
	UK (CPI)	6.2% declining to 2.0% by 2025, 2.0% p.a. long-term	6.6% declining to 1.5% by 2025, 2.0% p.a. long-term	10.2% declining to 2.3% by 2024, 2.0% p.a. long-term
	Spain (CPI)	3.6% declining to 2.0% by 2025, 2.0% p.a. long-term	4.6% declining to 2.1% by 2025, 2.0% p.a. long-term	8.1% declining to 2.0% by 2024, 2.0% p.a. long-term
	Sweden (CPI)	7.9% declining to 2.2% by 2025, 2.0% p.a. long-term	7.0% declining to 2.2% by 2025, 2.0% p.a. long-term	6.7% declining to 2.1% by 2024, 2.0% p.a. long-term
	Singapore (CPI)	4.6% declining to 2.0% by 2025, 2.00% p.a. long-term	5.0% declining to 2.0% by 2025, 2.00% p.a. long-term	5.3% declining to 2.5% by 2024, 2.0% p.a. long-term
	Ireland (CPI)	5.3% declining to 2.1% by 2025, 2.0% p.a. long-term	5.8% declining to 2.3% by 2025, 2.0% p.a. long-term	7.3% declining to 2.1% by 2024, 2.0% p.a. long-term
	USA (CPI)	3.7% declining to 2.3% by 2025, 2.0% p.a. long-term	3.7% declining to 2.1% by 2025, 2.0% p.a. long-term	7.6% declining to 2.2% by 2024, 2.0% p.a. long-term
	Portugal	5.3% declining to 2.1% by 2025, 2.0% p.a. Long term	5.6%, declining to 2.2% by 2025, 2.0% p.a long term	6.4% declining to 2.0% by 2024, 2.0% p.a. long-term
Tax rates	UK	25%	25%	19% to 2023, 25% thereafter
	Spain	25%	25%	25%
	Sweden	20.6%	20.6%	21.4%
	Singapore	17%	17%	17%
	Ireland	12.5%	12.5%	17%
	USA	21% Federal & 3-9% State rates	21% Federal & 3-9% State rates	21% Federal & 3-9% State rates
	Portugal	21%	21%	21%
Foreign exchange rates	EUR/GBP	0.87	0.88	0.88
	SEK/GBP	0.08	0.08	0.08
	SGD/GBP	0.60	0.61	0.63
	USD/GBP	0.82	0.81	0.90

## 4.3 Notes to the Condensed Interim Financial Statements

### continued

#### Discount rates

The discount rates used for valuing the investments in the portfolio are as follows:

	30 September 2023	31 March 2023
<b>Weighted Average discount rate (on unlevered basis)</b>	8.7%	7.7%
<b>Discount rates</b>	5.15% to 10.70%	4.75% to 10.25%

#### Sensitivities

The sensitivities below show the effect on net assets and net asset value/share<sup>(APM)</sup> of assuming a different range for each key input assumption, in each case applying a range that is considered to be a reasonable and plausible outcome for the market in which the Company has invested.

#### Discount rates

A change to the weighted average discount rate by plus or minus 0.5% has the following effect on the net assets.

Discount rate	NAV/share <sup>(APM)</sup> impact	-0.5% change	Net assets	+0.5% change	NAV/share <sup>(APM)</sup> impact
30 September 2023	3.9p	£42.8m	£982.9m	(£39.6m)	(3.6p)
31 March 2023	5.0p	£55.1m	£1,125.4m	(£50.3m)	(4.5p)

#### Inflation rates

The Portfolio Valuation<sup>(APM)</sup> assumes long-term inflation as indicated above in the UK, USA, Spain, Singapore, Portugal and Sweden. A change in the inflation rate by plus or minus 1.0% has the following effect on the net assets, with all other variables held constant.

Inflation rate	NAV/share <sup>(APM)</sup> impact	-1% change	Net assets	+1% change	NAV/share <sup>(APM)</sup> impact
30 September 2023	(4.1p)	(£44.7m)	£982.9m	£50.8m	4.7p
31 March 2023	(2.7p)	(£29.6m)	£1,125.4m	£40.0m	3.6p

#### Corporation tax rates

The Portfolio Valuation<sup>(APM)</sup> assumes tax rates based on the relevant jurisdiction. A change in the corporation tax rate by plus or minus 5% has the following effect on the net assets, with all other variables held constant.

Corporation tax rate	NAV/share <sup>(APM)</sup> impact	-5% change	Net assets	+5% change	NAV/share <sup>(APM)</sup> impact
30 September 2023	2.8p	£30.8m	£982.9m	(£31.4m)	(2.9p)
31 March 2023	2.7p	£29.5m	£1,125.4m	(£29.8m)	(2.7p)

#### Foreign exchange rates

The Portfolio Valuation<sup>(APM)</sup> assumes foreign exchange rates based on the relevant foreign exchange rates against GBP at the reporting date. A change in the foreign exchange rate by plus or minus 10% (GBP against Euro, Swedish Krona, Singapore Dollar and US Dollar) has the following effect on the net assets, with all other variables held constant. The effect is shown after the effect of the current level of hedging which reduces the impact of foreign exchange movements on the Company's net assets.

Foreign exchange rate	NAV/share <sup>(APM)</sup> impact	-10% change	Net assets	+10% change	NAV/share <sup>(APM)</sup> impact
30 September 2023	0.8p	£8.6m	£982.9m	(£8.6m)	(0.8p)
31 March 2023	0.8p	£9.0m	£1,125.4m	(£9.0m)	(0.8p)

#### 4.3 Notes to the Condensed Interim Financial Statements

continued

## 4. Investment (loss) / Income

	Period ended 30 September 2023 £'millions	Period ended 30 September 2022 £'millions
Dividend income	50.0	31.0
Loss on investment at fair value through profit or loss (Note 10)	(137.0)	(31.7)
Interest income	4.0	4.8
<b>Investment income</b>	<b>(83.0)</b>	<b>4.1</b>

Interest income is mainly in respect of coupon bearing loan notes issued to the Company by Holdco. The loan notes accrue interest at 6%, are unsecured and repayable in full on 18 April 2039. Loan Interest income is recognised on the Statement of Comprehensive Income on an accruals basis. The gain on investment is unrealised.

## 5. Fund Expenses

	Period ended 30 September 2023 £'millions	Period ended 30 September 2022 £'millions
Investment management fees	4.9	4.5
Non-executive directors' fees (Note 12)	0.2	0.1
Other expenses	0.9	0.9
Fees to the Company's independent auditor	0.1	0.1
<b>Fund Expenses</b>	<b>6.1</b>	<b>5.6</b>

As at 30 September 2023, the Company had no employees (30 September 2022: nil) apart from Directors in office. The Company confirms that it has no key management personnel, apart from the Directors which were disclosed in the Directors' Remuneration Report in the Annual Report and Audited Financial Statements for the year ended 31 March 2023. There is no other compensation apart from those disclosed.

## 6. Tax on Profit on Ordinary Activities

The tax for the period shown in the Statement of Comprehensive Income is as follows.

	Period ended 30 September 2023 £'millions	Period ended 30 September 2022 £'millions
Loss for the period before taxation	(89.1)	(1.5)
Loss for the period multiplied by the standard rate of UK corporation tax of 25% (2022: 19%)	(22.3)	(0.3)
Fair value movements (not subject to taxation)	34.3	6.1
Dividends received (not subject to tax)	(12.5)	(5.9)
Surrendering of tax losses to unconsolidated subsidiaries	0.5	0.1
<b>UK Corporation Tax</b>	<b>–</b>	<b>–</b>

The corporation tax rate increased from 19% to 25%, with effect from 1 April 2023.



## 4.3 Notes to the Condensed Interim Financial Statements

continued

## 7. Loss per Share

	Period ended 30 September 2023	Period ended 30 September 2022
Total comprehensive loss for the period (£'millions)	(89.1)	(1.5)
Weighted average number of ordinary shares ('000)	1,094,730	1,004,447
<b>Loss per ordinary share (pence)</b>	<b>(8.1)</b>	<b>(0.2)</b>

There is no dilutive or anti-dilutive element during the current, comparative and subsequent financial period.

## 8. Dividends

	Period ended 30 September 2023 £'millions	Year ended 31 March 2023 £'millions
<b>Amounts recognised as distributions to equity holders during the year:</b>		
Fourth quarterly interim dividend for the year ended 31 March 2022 of 1.405p per share	–	13.9
First quarterly interim dividend for the year ended 31 March 2023 of 1.5p per share	–	14.9
Second quarterly interim dividend for the year ended 31 March 2023 of 1.5p per share	–	16.6
Third quarterly interim dividend for the year ended 31 March 2023 of 1.5p per share	–	16.6
Fourth quarterly interim dividend for the year ended 31 March 2023 of 1.5p per share	16.4	–
First quarterly interim dividend for the year ending 31 March 2024 of 1.56p per share	16.9	–

All dividends have been paid out of distributable reserves. Further information on distributable reserves can be found in Note 11.

## 9. Net Assets per Ordinary Share

	30 September 2023	31 March 2023
Shareholders' equity (£'millions)	982.9	1,125.4
Number of ordinary shares ('000)	1,085,420	1,108,709
<b>Net assets per ordinary share (pence)</b>	<b>90.6</b>	<b>101.5</b>

The number of shares above excludes shares held in Treasury (see Note 11).

## 10. Investment at Fair Value Through Profit or Loss

The Company recognises the investment in its single directly owned holding company (Holdco) at fair value which includes the fair value of each of the individual project companies and holding companies in which the Company holds an indirect investment, along with the working capital of Holdco.

	30 September 2023 £'millions	31 March 2023 £'millions
Brought forward investment at fair value through profit or loss	1,127.8	928.2
Loan investments in period/year	–	–
Equity investments in period/year	32.6	292.4
Loan Principal repaid in period/year	(47.5)	(18.5)
Movement in fair value	(137.0)	(74.3)
<b>Closing investment at fair value through profit or loss</b>	<b>975.9</b>	<b>1,127.8</b>

## 4.3 Notes to the Condensed Interim Financial Statements

### continued

Movement in fair value is recognised through Investment Income in the Statement of Comprehensive Income (see Note 4). The movement in the period predominately relates to an increase in the weighted average unlevered discount rates of c. 100bps as described in Note 2 and Note 3.

Of the closing investment at fair value through profit or loss balance, £83.9 million (31 March 2023: £131 million) related to loan investments (also see Note 4) and £892 million (31 March 2023: £996 million) related to equity investments.

A reconciliation between the Portfolio Valuation<sup>(APM)</sup>, being the valuation of the Investment Portfolio held by Holdco, and the Investment at fair value through profit or loss per the Statement of Financial Position is provided below. The principal differences are the balances in Holdco for cash and working capital.

	30 September 2023 £'millions	31 March 2023 £'millions
Portfolio Valuation <sup>(APM)</sup>	1,065.5	1,099.6
Holdco cash	12.8	65.4
Holdco external debt	(100.0)	–
Holdco net working capital	(2.4)	(37.2)
<b>Investment at fair value per Condensed Statement of Financial Position</b>	<b>975.9</b>	<b>1,127.8</b>

### Investments by the Company

During the period ended 30 September 2023, the Company invested £93 million into Holdco for new portfolio investments.

### Portfolio investments, via Holdco

During the period ended 30 September 2023, Holdco invested c. £93 million in new portfolio investments. The Company announced the following investment activity in the period:

### Investment Activity (through SEEIT Holdco) Since 31 March 2023

Project	Investment Date	Type	Location	Investment Amount £'millions
Onyx Development Platform – remaining 50% interest	June 2023	Follow-on	USA	c. 4.0
CPP Biomass	June 2023	Inorganic	USA	c. 1.0
Rondo energy storage company	June 2023	Inorganic	Europe	c. 2.0
Spark US Energy Efficiency	Various	Follow-on	USA	c. 9.0
RED-Rochester	Various	Follow-on	USA	c. 16.0
Onyx	Various	Follow-on	USA	c. 17.0
FES Lighting	Various	Follow-on	USA	c. 30.0
EVN	September 2023	Follow-on	UK	c. 10.0
Turntide	August 2023	Follow-on	USA	c. 3.0
Tallaght Hospital	July 2023	Follow-on	UK	c. 1.0

The Company committed to the following portfolio investments after the period:

### Investment Activity (through SEEIT Holdco) Since 30 September 2023

Project	Investment Date	Type	Location	Investment Amount £'millions
RED- Rochester	Various	Follow-on	USA	c. 10.0
Onyx	Various	Follow-on	USA	c. 22.0
FES	Various	Follow-on	USA	c. 0.7

## 4.3 Notes to the Condensed Interim Financial Statements

continued

### 11. Share Capital and Share Premium

Ordinary Shares	30 September 2023 '000	31 March 2023 '000
Authorised and issued at the beginning of the period/year	1,108,709	990,228
Shares Issued – during the period/year	–	118,421
Shares buyback – during the period/year	(23,289)	–
Authorised and issued at the end of the period/year	<b>1,085,420</b>	<b>1,108,709</b>

Treasury Shares	30 September 2023 '000	31 March 2023 '000
Balance at the beginning of the period/year	–	–
Shares buyback – during the period/year	23,289	–
Balance at the end of the period/year	<b>23,289</b>	–

	Share capital £'millions	Share Premium £'millions
Total as at 31 March 2023	11.1	1,056.8
Issue of Ordinary shares	–	–
<b>Total as at 30 September 2023</b>	<b>11.1</b>	<b>1,056.8</b>

On 3 April 2023 the Company announced the commencement of a Share Buyback Programme. All repurchased shares are held in Treasury. £20 million of the Company's available cash reserves was allocated to the Share Buyback Programme and as at 30 September 2023 the full allocation has been utilised.

The Company currently has one class of ordinary share in issue. All the holders of the ordinary shares (excluding shares held in Treasury of 23,289k), which total 1,085,420k (2022: 1,108,709k), are entitled to receive dividends as declared from time to time and are entitled to one vote per share at general meetings of the Company.

Other distributable reserves were created through the cancellation of the Share Premium account on 12 March 2019. This amount is capable of being applied in any manner in which the Company's profits available for distribution, as determined in accordance with the Companies Act 2006, are able to be applied.

The Company is currently in the process of cancelling £300 million of its share premium, creating additional distributable reserves. This was approved at the AGM held in September 2023 and the share premium cancellation has since been registered in November.

Other distributable reserves and Retained Earnings are detailed in the Statement of Changes in Shareholders' Equity.

### 12. Related Parties

The Company and Sustainable Development Capital LLP (the "Investment Manager") have entered into the Investment Management Agreement pursuant to which the Investment Manager has been given responsibility, subject to the overall supervision of the Board, for active discretionary investment management of the Company's portfolio in accordance with the Company's investment objective and policy.

As the entity appointed to be responsible for risk management and portfolio management, the Investment Manager is the Company's Alternative Investment Fund Manager ("AIFM"). The Investment Manager has full discretion under the Investment Management Agreement to make investments in accordance with the Company's investment policy from time to time. This discretion is, however, subject to: (i) the Board's ability to give instructions to the Investment Manager from time to time; and (ii) the requirement of the Board to approve certain investments where the Investment Manager has a conflict of interest in accordance with the terms of the Investment Management Agreement. The Investment Manager also has responsibility for financial administration and investor relations, advising the Company and its group in relation to the strategic management of the portfolio, advising the Company in relation to any significant investments and monitoring the Company's funding requirements.

## 4.3 Notes to the Condensed Interim Financial Statements

### continued

Under the terms of the Investment Management Agreement, the Investment Manager will be entitled to a fee calculated at the rate of:

- 0.9 per cent, per annum of the adjusted NAV in respect of the Net Asset Value<sup>(APM)</sup> of up to, and including, £750 million; and
- 0.8 per cent, per annum of the adjusted NAV in respect of the Net Asset Value<sup>(APM)</sup> in excess of £750 million.

The management fee is calculated and accrues monthly and is invoiced monthly in arrears. During the period ended 30 September 2023, management fees of £4.9 million (30 September 2022: £4.5 million) were incurred of which £0.8 million (30 September 2022: £0.8 million) was payable at the period end.

During the period ended 30 September 2023, £32.6 million (30 September 2022: £227.3 million) of funding was provided by the Company to the Holdco for investments. The funding of Holdco consisted of issued share capital and share premium.

During the year ended 31 March 2022, coupon bearing loan notes totalling £96.8 million were issued by the Company which accrue interest at 6%, are unsecured and repayable in full on 18 April 2039. In the period to 30 September 2023, £3.9 million interest had accrued on the loan notes (30 September 2022: £4.5 million), of which £nil is outstanding at the period end (30 September 2022: £nil).

There have been no changes in material related party relationships since the March 2023 Annual Report.

The Directors of the Company, who are considered to be key management, received fees for their services. Their fees were £0.2 million (disclosed as Non-executive directors' fees in Note 5) in the period (30 September 2022: £0.2 million).

## 13. Events After the Reporting Period

The Directors have evaluated subsequent events from the date of the financial statements through to the date the financial statements were available to be issued.

Between October and December 2023, the Company made the following Investments, via Holdco:

- c. £9m into RED Rochester
- c. £22m into Onyx
- c. £0.7m into FES Lighting

Subsequent to period end, JTC (UK) Limited was appointed as the Company Secretary and Administrator, effective 1 October 2023.

The Company announced its second quarterly dividend in respect of the year ending 31 March 2024 of 1.56 pence per share. The shares will go ex-dividend on 7 December and will be paid on 22 December 2023.



## 5. ADDITIONAL INFORMATION



Pictured: OnEnergy

## 5.1 Company Information

### Directors

Tony Roper, Chair  
Christopher Knowles  
Helen Clarkson  
Emma Griffin  
Sarika Patel

### Registered Office

The Scalpel, 18th Floor  
52 Lime Street  
London  
EC3M 7AF

### Company Secretary

JTC (UK) Limited  
The Scalpel, 18th Floor  
52 Lime Street  
London  
EC3M 7AF

### Company Administrator

JTC (UK) Limited  
The Scalpel, 18th Floor  
52 Lime Street  
London  
EC3M 7AF

### Depository

Indos Financial  
The Scalpel, 18th Floor  
52 Lime Street  
London  
EC3M 7AF

### Registrar

Computershare Investor Services plc  
The Pavilions  
Bridgwater Road  
Bristol  
BS13 8AE

### Bankers

RBS International  
280 Bishopsgate  
London  
EC2M 4RB

### Brokers and Placing Agent

Jefferies International Limited  
100 Bishopsgate  
London  
EC2N 4JL

### Legal Adviser

Herbert Smith Freehills LLP  
Exchange House  
Primrose Street  
London EC2A 2EG

## 5.2 Key Company Data

<b>Company name</b>	SDCL ENERGY EFFICIENCY INCOME TRUST PLC
<b>Registered address</b>	The Scalpel, 18th Floor, 52 Lime Street, London, EC3M 7AF
<b>Listing</b>	London Stock Exchange – Premium Listing
<b>Ticker symbol</b>	SEIT
<b>SEDOL</b>	BGHVZM4
<b>Index inclusion</b>	FTSE All-Share, FTSE 250
<b>Company year-end</b>	31st March
<b>Dividend payments</b>	Quarterly
<b>Investment Manager</b>	Sustainable Development Capital LLP
<b>Company Secretary &amp; Administrator</b>	JTC (UK) Limited
<b>Shareholders' funds</b>	£982.9m as at 30 September 2023 (31 March 2023: £1,073.1m)
<b>Market capitalisation</b>	£730m as at 30 September 2023 (31 March 2023: £1,164.0m)
<b>Management fees</b>	0.9% p.a. of NAV (adjusted for uncommitted cash) up to £750 million, 0.8% p.a. thereafter
<b>ISA, PEP and SIPP status</b>	The Ordinary Shares are eligible for inclusion in Personal Equity Plans ("PEPs") and ISAs (subject to applicable subscription limits) provided that they have been acquired by purchase in the market, and they are permissible assets for SIPPs
<b>Website</b>	<a href="http://www.seeitplc.com">www.seeitplc.com</a>

## 5.3 Glossary

**AIC** the Association of Investment Companies

**AIFM** an alternative investment fund manager, within the meaning of the AIFM Directive

**AIFM Directive** 2011/61/EU of the European Parliament and of the Council of 8 June 2011 on Alternative Investment Fund Managers and amending Directives 2003/41/EC and 2009/65/EC and Regulations (EC) No 1060/2009 and (EU) No. 1095/2010; the Commission Delegated Regulation (EU) No 231/2013 of 19 December 2012 supplementing Directive 2011/61/EU of the European Parliament and of the Council with regard to exemptions, general operating conditions, depositaries, leverage, transparency and supervision

**Board** the Board of Directors of the Company, who have overall responsibility for the Company

**CHP** combined heating and power

**Company** SDCL Energy Efficiency Income Trust plc, a limited liability company incorporated under the Act in England and Wales on 12 October 2018 with registered number 11620959, whose registered office is at The Scalpel, 18th Floor, 52 Lime Street, London, EC3M 7AF.

**Counterparty** the host, beneficiary or procurer of the Energy Efficiency Project with whom the Company has entered into the Energy Efficiency Project, either directly or indirectly through the use of one or more Project SPVs

**Decentralised** energy is energy which that is produced close to where it will be used, rather than at a large, centralised plant elsewhere, delivered through a centralised grid infrastructure

**Energy Efficiency** using less energy to provide the same level of energy. Efficient energy use is achieved primarily through implementation of a more efficient technology or process

**Energy Efficiency Equipment** the equipment that is installed at or near the premises of a Counterparty or a site directly associated with an Energy Efficiency Project, including but not limited to solar, storage, CHP units, heat pumps, HVAC units, lighting equipment, motors, controls, biomass boilers and steam raising boilers (including IP steam processors) and green fuels for use in the built environment or transport produced at or near the point of use or via a distribution network

**Energy Efficiency Project** a project, the objective of which is to achieve one or more of the following criteria:

- reduce energy consumed and/or related GHG emissions arising from the existing and/or future supply, transmission, distribution or consumption of energy;
- reduce its Scope 1 GHG emissions ("Direct GHG emissions occur from sources that are owned or controlled by the Company") and Scope 2 GHG emissions ("electricity indirect GHG emissions from the generation of purchased, or generated on-site, electricity consumed by the Company") as defined by the GHG Protocol, directly and/or in conjunction with offsets that may be used to deliver additional net emissions reduction benefits;

- increase the supply of renewable energy generated on the premises of a Counterparty or generated at a site directly associated with the premises of a Counterparty;
- reduce emissions and energy consumption in non-domestic sectors, which include:
  - o all forms of energy supply, conversion, distribution or transmission not originating within a private domestic dwelling, including district heating systems and CHP systems;
  - o demand for energy in non-domestic buildings including commercially owned or used property and public sector owned buildings;
  - o demand for energy in industrial and light manufacturing plant and machinery, operations and logistics;
  - o demand for energy in the transport sector; and
  - o through the deployment of energy efficiency measures in public and private infrastructure, such as in utilities (including the installation of smart metering equipment) and street lighting; or
- otherwise satisfy, in the Investment Manager's reasonable opinion, any other criteria or measurement of energy efficiency in an industry or sector, or by using energy efficiency technologies that are compatible with the Company's investment objective and policy

**GHG** greenhouse gases

**Holdco** is SEEIT Holdco Limited, the Company's single wholly owned subsidiary

**HVAC** heating, ventilation and air conditioning

**Investment Manager Sustainable Development Capital LLP** a limited liability partnership incorporated in England and Wales under the Limited Liability Partnership Act 2000 with registered number OC330266

**Investment Portfolio** is the portfolio of energy efficiency investments held by the Company via its single wholly owned subsidiary, SEEIT Holdco Limited

**ISA** individual savings account

**MWKWh** kilowatt-hours used or generated per hour

**MW** megawatt

**MWh** megawatt hours used or generated per hour

**MMBtu** one million British thermal units

**NAV** net asset value

**Ordinary Shares** an ordinary share of £0.01 in the capital of the Company issued and designated as "Ordinary Shares" of such class (denominated in such currency) as the Directors may determine in accordance with the Articles and having such rights and being subject to such restrictions as are contained in the Articles



### 5.3 Glossary

continued

**Portfolio Valuation<sup>(APM)</sup>** the Investment Manager is responsible for carrying out the fair market valuation of the SEEIT Group's portfolio of investments

**RAB** regulated asset base

**RCF** is the revolving credit facility of SEEIT Holdco Limited, used by SEEIT for capital efficiency in making new investments

**RoRi** the "Return on Operations" incentive payment and the "Return on Investment" incentive payment under Spain's Royal Decree-Law 9/2013 under which qualifying energy generation assets are compensated, in the medium to long term, for fluctuations in revenues and costs against an established base case

**SIPP** self-invested personal pension

**SDCL Group** the Investment Manager and the SDCL Affiliates

**SEEIT** the Company

**SEEIT Holdco** see Holdco

**SPVs** special purpose vehicles

**WACC** weighted average cost of capital

## 5.4 Glossary of Financial Alternative Performance Measures (“APM”)

The Company uses APM's to provide shareholders and stakeholders with information it deems relevant to understand and assess the Company's historic performance and its ability to deliver on the stated investment objective.

Measure	Calculation	Why the Company uses the APM	30 September 2023	Comparative	Reconciliation/ cross reference
Gross Asset Value (“GAV”)	All assets of the Company (Non-current assets and current assets)	It provides a metric that allows for useful analysis of underlying portfolio exposures	£984.2 million	31 March 2023: £1,128.7 million	Statement of Financial Position shows (Non-current assets and Current assets)
Net Asset Value (“NAV”)	Net assets attributable to Ordinary Shares by deducting gross liabilities from gross assets.	It provides a metric that allows for useful comparison to similar companies and that allows for useful year on year comparisons of the Company	£982.9 million	31 March 2023: £1,125.4 million	NAV is shown on the Statement of Financial Position
NAV per share	NAV divided by total number of shares in issue at the balance sheet date	This provides shareholders with a metric that allows for tracking the Company's performance year on year	90.6p	31 March 2023: 101.5p	NAV per share shown on the Statement of Financial Position
Portfolio Basis	Portfolio Basis includes the impact if Holdco (the Company's only direct subsidiary) were to be consolidated on a line-by-line basis	See Section 3.5 for detailed description and reconciliation	n/a	n/a	Reconciliation provided in Section 3.5, Financial Review and Valuation Update
Ongoing Charges Ratio	In accordance with AIC guidance, defined as annualised ongoing charges on portfolio basis (i.e. excluding investment costs and other non-recurring items) £11.4m divided by the average published undiluted net asset value in the year £1,142m	Used a metric in the investment company industry to compare cost-effectiveness	1.07%	31 March 2023: 1.02%	Discussed in Section 3.5, Financial Review and Valuation Update Reconciliation of expenses used in ongoing charges calculation
					<b>£'m</b>
					Fund expenses (income statement) 6.1
					Less Company expenses excluded from definition of ongoing charges (0.6)
					Add Holdco expenses included in definition of ongoing charges 0.4
					Total expenses for the period 5.9
					Total annualised ongoing expenses (A) 11.8
					Average NAV (includes Sept 22, March 23 and Sept 23) (B) 1,094.7
					Ongoing charges (A/B) 1.07%

## 5.4 Glossary of Financial Alternative Performance Measures ("APM")

continued

Measure	Calculation	Why the Company uses the APM	30 September 2023	Comparative	Reconciliation/ cross reference
Portfolio Valuation	The fair value of all investments in aggregate that are held directly or indirectly by Holdco	It provides relevant information of the value of the underlying investments held indirectly by the Company from which it is ultimately expected to derive its future revenues.	£1,066 million	31 March 2023: £1,100 million	reconciliation provided in Section 3.5, Financial Review and Valuation Update
Investment cash inflow from the portfolio	Investment cash inflow from the portfolio Cash received from the portfolio investments at Holdco during the period	This provides shareholders with a metric that allows for tracking the Company's performance year on year	£47 million	30 September 2022: £43 million	Referred to in Section 3.5, Financial Review and Valuation Update
Aggregate Dividends	The sum of the dividend declared for the period: June 2023: 1.56p September 2023: 1.56		3.12p per share	2.91p per share	
Cash cover	Operational cash inflow from investments into Holdco less fund expenses in the Company and Holdco, divided by dividends paid to shareholders	Provides a metric for the level of cash generated enabling the Company to pay dividends to shareholders	1.1x	31 March 2023: 1.2x	Net cash inflow (portfolio basis) divided by dividends paid in Statement of Changes in Equity
Gearing	Ratio of outstanding debt and NAV at the period end				
	Total Gearing: Consolidated outstanding debt at Holdco and investment level (£434m) divided by NAV at the period (£982.9m)	To indicate the Company's direct and indirect exposure to debt obligation.	44%	31 March 2023: 32%	Referred to in the Chair's Statement and the Investment Manager's Report
	Fund Level Gearing: Outstanding debt at Company and Holdco (£100m) level divided by NAV at the period end.	To indicate the Company's exposure to debt via Holdco	10%	–	Section 3.4
	Portfolio level gearing: Consolidated outstanding debt (£334m) in Holdco's underlying portfolio.	To indicate the Company's exposure at project level.	34%	32%	Section 3.4

## 5.4 Glossary of Financial Alternative Performance Measures (“APM”) continued

Measure	Calculation	Why the Company uses the APM	30 September 2023	Comparative	Reconciliation/ cross reference
Rebased Portfolio Valuation (Portfolio basis)	Portfolio Valuation brought forward, plus new investments (including transaction costs) during the period less cash from investments.	Used to derive the fair value movement of the portfolio.	£1,146 million	31 March 2023: £1,125.4 million	Referred to in Section 3.5, Financial Review and Valuation Update



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