SDCL

SDCL Energy Efficiency Income Trust plc

Annual Report and Audited Financial Statements

For the year ended 31 March 2020

Contents

Introduction

Energy efficiency involves using less energy for the same outcome, reducing energy waste, greenhouse gases and costs. It can result in cheaper, cleaner and more reliable energy solutions at the point of use, reducing or eliminating reliance on the grid and improving productivity.

This can be achieved for commercial, industrial and public buildings through on-site clean energy generation solutions that reduce generation, transmission and distribution losses, such as combined heat and power and roof-top solar, or through energy demand reduction measures, such as lighting, heating and cooling solutions and storage.

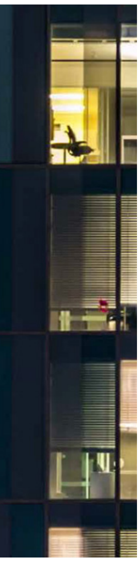
Energy efficient solutions present an attractive proposition for businesses, offering a reduction in energy costs with the added benefit of improved energy performance and reliability. With energy prices at current levels, carbon emission reduction targets, energy availability and security a priority, energy efficiency has a valuable role to play in the modern energy economy.

Decentralised, on-site energy solutions can reduce or avoid the significant generation, transmission and distribution losses associated with a centralised grid, saving money and carbon. By reducing consumption of existing hydrocarbon resources, energy efficiency is widely recognised as the most effective solution in seeking to reduce greenhouse gas emissions.

A substantial and rapidly growing marketplace has emerged for energy efficiency solutions, which provides SEEIT with an attractive growth sector in which to invest.

1. Highlights and Overview

1.1 Summary of the year to 31 March 2020



Investing to make a positive impact

- **Investment** of over £250 million capital in four additional assets and portfolios during the year
- **Cash** of £71 million at 31 March 2020[3] available for investments, second interim dividend payable in June 2020 and repayment of acquisition financing
- **Expansion** with total assets increasing from c. £100 million at IPO to c. £390 million at 31 March 2020, further improving the diversification of the Company's portfolio, including assets with strong income generating characteristics
- **Increase** in marketability and liquidity for shareholders as market capitalisation grew from £100 million at IPO to over £320 million at 31 March 2020, following three capital raisings at a premium during the financial year
- **Pipeline** of attractive investment opportunities identified with diversification by technology and geography
- **Resilience** in capital value and uncorrelated returns, as illustrated during the COVID-19 pandemic, with a focus on assets that have relatively limited exposure to short term energy market volatility
- **Recognition** when in 2019 the Company was awarded the London Stock Exchange Group's new Green Economy Mark, which recognises listed companies who derive 50% or more of their revenues from environmental solutions
- **Carbon Savings** of 43,231 tCO2 from Company's portfolio, which also produced 71,256 MWh of electricity

[1] NAV per share is presented as an alternative performance measure, see Note 10 for details
[2] Value of the portfolio of investments, see Section 3.2 Valuation of the Portfolio
[3] Stated on Portfolio Basis. Portfolio Basis is presented as an alternative performance measure, see Section 3.1 Financial Review

Net Asset Value ("NAV")[1] per share of 101.0p as at 31 March 2020, up from 98.4p as at 31 March 2019 and a Total return on a NAV basis in the year of 6.2%

Earnings per share of 5.2p relating to the year ended 31 March 2020

Dividend of 5.0p declared relating to the year ended 31 March 2020, in line with target

Target dividend of 5.5p per share maintained for year to March 2021

Portfolio Valuation[2] of £320 million at 31 March 2020, up from £61 million at 31 March 2019

1.2 Chairman's statement

On behalf of the Board, I am pleased to present the report and accounts for the SDCL Energy Efficiency Income Trust (''SEEIT'' or ''The Company'') for the year ended 31 March 2020.

As I write, the world is tackling the COVID-19 pandemic and our priority has been the health and safety of staff and colleagues of the Investment Manager, Sustainable Development Capital LLP (''SDCL'') and the workforce associated with the Company's portfolio.

This is the Company's first full annual reporting period, during which the Investment Manager has successfully invested capital to enlarge the portfolio, which is suitably diversified and has demonstrated resilience, particularly with the current challenges facing the world and global markets. The Company's portfolio currently consists of 26 energy efficiency investments located in the UK, Continental Europe and North America. The Company's investments now comprise a range of public sector entities as well as a spread of commercial and industrial counterparties.

Four new portfolio investments were made in the year – three operational and one under construction – involving more than £250m of capital. Each operational project is now cash generative and serves to support the Company's dividend targets. These investments were financed by three new equity issuances through the year.

The portfolio has delivered good levels of cash flows and returns in the year. Earnings per share were 5.2p in the year. Net asset value ("NAV") per share increased from 98.4p at 31 March 2019 to 101.0p at 31 March 2020 – see Note 10 for details on NAV per share.

With the COVID-19 pandemic, the Company and the Investment Manager acted quickly to ensure that the portfolio was actively monitored and managed, that appropriate contingency plans were in place across the portfolio, to ensure the health, safety and wellbeing of the workforce associated with its portfolio and to ensure an uninterrupted service for its energy services clients. Based on information to date, there are no COVID-19 project specific concerns that are material to the Company's current performance.

The portfolio is now diversified by asset and source of revenue and, as a whole, is materially insulated against short term energy market volatility as offtake agreements are typically structured and contracted on pre-determined terms through availability or capacity contracts. The Company maintains a healthy liquidity position.

Investment activity

In addition to the Seed Portfolio acquired shortly after the IPO, the Company has now completed five additional investments, consistent with the Company's targeted technologies and geographies, and with the pipeline previously described.

The first investment in the year, Supermarket Solar UK, was announced in June 2019. The investment comprises a delivery framework to install, own and operate solar rooftop projects across Tesco plc's (''Tesco'') estate in the UK. The initial commitment to invest is £5 million, with potential for an additional £10 million. This investment was one of three identified in the IPO Prospectus.

In September 2019 the Company announced a second acquisition, Spark US Energy Efficiency, a $22 million investment, structured as secured senior and subordinated loans, into a portfolio of 264 loans, leases and subscription agreements relating to energy efficiency projects installed across a wide range of industries across the USA. SEEIT acquired the portfolio from Sparkfund, a US energy efficiency development company.

In November 2019, the Company made its first investment in Continental Europe, Oliva Spanish Cogeneration, the largest portfolio acquisition to date at approximately €150 million. The investment comprises five combined heat and power ("CHP") plants, two olive processing plants and two biomass plants, which provide, in aggregate, 125 Megawatts (''MW'') of clean and efficient energy generation capacity.

The Company's final investment in the year, in February 2020, was the acquisition of a 50% interest in Primary Energy, a portfolio of recycled energy and cogeneration projects located in Indiana, USA which provides, in aggregate, 298 MW of clean and efficient generation capacity. The acquisition involved an equity cash consideration of approximately $110 million.

The Board is pleased with the judicious deployment of capital through these new investments during the year which are consistent with the Company's targeted technologies and geographic markets and demonstrate the Investment Manager's ability to source and secure attractive investments that meet the Company's investment strategy and objectives.

The Investment Manager continues to pursue a pipeline of further investment opportunities. Given the ongoing challenges caused by the COVID-19 pandemic, the Company continues to focus on high quality opportunities with strong credit characteristics, providing essential energy services to robust counterparties. Opportunities may present themselves for the Company to invest on advantageous terms given, inter alia, dislocations in financial markets.

Financial performance

The Company's financial performance for the year has been good and in line with expectations. The NAV per share was 101.0p at 31 March 2020, up from 98.4p at 31 March 2019. The Portfolio Valuation was valued at £319.8 million as at 31 March 2020, up from £81.3 million at 30 September 2019 and £60.9 million at 31 March 2019, predominantly as a result of the acquisitions made during the year.

Profit before tax for the year ended 31 March 2020 was £11.6 million (2019: £0.4 million). Earnings per share were 5.2p (2019: 0.4p). The Company's Ongoing Charges ratio reduced to 1.17% (2019: 1.38%), reflecting the economies of scale achieved during the year and in line with the Company's objective to provide value for shareholders. Further detail on the Company's financial performance, the Portfolio Valuation and the Ongoing Charges can be found in Section 3.1 Financial Review.

Cash inflow from investments during the year ended 31 March 2020 was £17.1 million, delivering over 1.5x cash cover for dividends paid during the year. Further details can be found in Section 3.1 - Financial Review.

Total return for the year of 6.2%, comprising an increase in NAV from 98.4p at 31 March 2019 to 101.0p and dividends paid totalling 3.5p, is consistent with the long term investment objectives of the Company, given inter alia the upfront costs of investments and the ramp-up of the portfolio.

SEEIT Holdco, the Company's direct subsidiary, secured a revolving acquisition debt facility of £25 million together with an acquisition financing facility of £40 million in April 2019. Both the revolving and acquisition facility were utilised to fund the acquisition of the Oliva Spanish Cogeneration portfolio and at the date of this report 95% of the facilities have been utilised. As at 31 March 2020, the Company's borrowings (including borrowings at both Company level and portfolio level) represented 46% of NAV, within the acquisition gearing limits of 50% of NAV.

The Company's hedging strategy has been successful in limiting the impact on NAV impacts arising from material movements in foreign exchange rates. Further details on the Company's hedging strategy can be found in Section 3.1 Financial Review.

Distributions

In line with previous guidance, on 22 May 2020, the Company announced its second interim dividend for the year ended 31 March 2020 of 2.5p per share, providing an aggregate dividend of 5.0p per share for the year ended 31 March 2020.

The Board remains confident in the forecast future portfolio cashflows, enabling us to reiterate the previously published dividend guidance of 5.5p per share for the year to March 2021 and progressive dividend growth thereafter. As previously announced, going forward, the Company intends to pay interim dividends on a quarterly basis instead of six-monthly, with the first quarterly dividend expected to be paid in September 2020 in respect of the quarter ending 30 June 2020.

1.2 Chairman's statement
continued

Funding

During the year, the Company has increased its market capitalisation by issuing a further 220,374,508 shares in three separate placings, two under the 12-month placing programme that was put in place at the time of the IPO and one as a tap issuance.

In April 2019, a placing of new Ordinary Shares raised gross proceeds of £72 million. The capital raised was used, in part, to fund the Supermarket Solar UK and Spark US Energy Efficiency acquisitions.

In October 2019, a second placing of new Ordinary Shares under the placing programme raised gross proceeds of £100 million. The proceeds of this placing were used as part of the financing for Oliva Spanish Cogeneration acquisition.

In December 2019, the Company completed a successful tap issue. The target £54 million raised was significantly oversubscribed. The proceeds of the placing were used as part of the financing for the investment in Primary Energy.

Portfolio

Performance across the operational assets in the portfolio has been in line with expectations. The Investment Manager continues to monitor any impact resulting from the COVID-19 pandemic and government restrictions.

The Company's investment in the Oliva Spanish Cogeneration portfolio in Spain, has avoided shut-downs associated with COVID-19 on account of providing energy to the critical food industry and is operating materially as expected. The Investment Manager, alongside the operations manager, Sacyr, continue to actively manage the portfolio. The Company's investment in the Primary Energy portfolio is performing adequately and operations across the portfolio as a whole are continuing, notwithstanding the temporary idling of one of the client's steel production facilities as a result of the slowdown in demand brought about by the COVID-19 pandemic in March.

The two construction stage assets in the portfolio have been impacted by COVID-19, but currently have no material impact on the Company's financial performance. The commissioning of the Huntsman Energy Centre was delayed due to temporary demobilisation at the construction site with commissioning now expected to complete as access to site resumes. Further work on the installation of rooftop solar projects across Tesco's estate in Supermarket Solar UK was temporarily paused. To date 6 of the initial batch of 19 installations have been completed successfully and are now operational and income generative.

Governance and ESG

The Company is a member of the Association of Investment Companies ("AIC") and has chosen to comply with the latest AIC code on corporate governance during the year. The Company held its Annual General Meeting (''AGM'') on 11 September 2019 where 12 resolutions were tabled. All votes cast were in favour and as a result each of the resolutions proposed at the AGM were approved by shareholders.

The Company's Interim Report for the six months ended 30 September 2019 was published on 18 December 2019 and is available on the Company's website.

During the year, the Investment Manager noted the large volume of attractive investment opportunities for the Company outside of the UK, particularly in Europe and North America. In order to serve the best interests of the Company and its shareholders, in March 2020 the Board convened an Extraordinary General Meeting ("EGM") to seek shareholder approval for a proposed change to the Company's Investment Policy to remove the 25% minimum exposure limit to UK based energy efficiency investments. The resolution proposed at the EGM was approved by shareholders, with no votes against. The removal of this limit ensures that the Company can benefit from additional flexibility when sourcing and investing in projects with attractive risk-adjusted returns across multiple jurisdictions.

In July 2019, the Company published its Principles for Responsible Investment on its website. The policy seeks to ensure that all investments and the associated contractors and delivery partners of the Company's investments apply a set of defined ESG standards. The Investment Manager is tasked with promoting this Responsible Investment Policy to all Service Providers, and to monitor their performance with the aim of ensuring compliance and best practice is followed.

The Company prides itself on the contribution the Company makes on helping deliver a greener future, along with attractive returns. In recognition of this, in December 2019 we were delighted to be awarded the Green Economy Mark by the London Stock Exchange (LSE).

As part of the wider development of the Company's ESG efforts, the Investment Manager is now a signatory to the United Nations Principles for Responsible Investment (UNPRI) and continues to work to strengthen and improve our ESG procedures for both making new investments and managing the existing portfolio.

The Company seeks to maintain an open and constructive dialogue with its shareholders, primarily via meetings with the Investment Manager at regular intervals in the year. As part of good governance, we had planned for a series of shareholder meetings in May 2020. Due to the COVID-19 pandemic this has been deferred to later this year.

The AGM will be held in July 2020, and based on current government guidance, this will take the form of the minimum attendance necessary to conduct the business of the meeting.

As the Company's portfolio has increased in size and diversity, the Board considers it appropriate to recruit a further Director with a complimentary skillset and experience, and a recruitment consultant has been engaged to run the search process.

Key Risks

The key, and dominant, risk-related theme during the first quarter of 2020 has undoubtedly been the global COVID-19 pandemic. This has led to intense focus by the Investment Manager, and the Board, upon the immediate operating issues arising directly from the pandemic (including health and safety related impacts) and the longer-term impacts in relation to portfolio investments, from the potential economic consequences of the global pandemic.

It should be noted that the portfolio is currently divided between the UK, Spain and the USA, which comprise three of the countries to have been most heavily impacted by COVID-19. Nonetheless the portfolio has proved resilient, which is explained by the Company's focus on providing essential energy services to key sectors which have continued to operate during the pandemic (including hospitals, food production and distribution, data-centres, steel production and banking). It is likewise anticipated that the linkage with such essential services will leave the portfolio relatively well placed in respect of the longer term economic impact.

Asset specific impacts of the COVID-19 pandemic include illness of a small number of operational site staff in Spain (now recovered), temporary interruption in the ability to source Solar PV equipment from China (now resolved), project delay in the Huntsman Energy Centre construction project (on-going, but expected soon to be resolved) and a quick transition to working-from-home disciplines across the range of service providers.

The investment Manager continues to pay close attention to the key credit risks arising within the portfolio which relate to applicable counterparties. There were no significant matters to address in this regard during the financial year, but this is subject to rapid revision in the current market environment and the Investment Manager will remain vigilant to any changes in the credit risk profile of the Company's counterparties. In particular, the Investment Manager is working closely with its partners in the United States, where the Company has a limited exposure to mid-market corporate credit and where it also has some limited exposure to energy contracts that depend on the operation of host client facilities, albeit on pre-determined terms.

The Company has relatively limited exposure to risks associated with regulated revenues. However, the Spanish RoRi mechanism, which makes payments administered by the regulator, is designed to mitigate, over the medium term to long term, against fluctuations in commodity prices is an important part of the revenue stream for the Company's investment in Oliva Spanish Cogeneration. Further information is provided in Section 2.5 Investment Manager's Report and Section 3.4 Risk and Risk Management.

The Company also has relatively limited exposure to re-contracting risk. The substantial majority of projects in its portfolio are contracted for the medium to long term, however, the Company's investment in the five projects involved in Primary Energy does assume that some re-contracting is achieved. The risk is mitigated by the fact that Primary Energy has a good track record of re-contracting, given inter alia that it is providing a combination of emissions control and renewable energy, providing essential services to the operations of the project clients and at a competitive price compared to the grid. Further details can be found in Section 2.5 Investment Manager's Report and Section 3.4 Risk and Risk Management.

Pipeline and Outlook

The Company is seeking further investments to build a balanced portfolio, diversified by technology as well as by counterparty, geography and supplier. The Company's investment limits are constantly under review, not just to ensure compliance but also to ensure that they remain appropriate for the Company as global markets develop.

The Board and the Investment Manager regularly review the existing portfolio to find ways in which to unlock additional value and to optimise the portfolio. This includes finding investment opportunities that enhance the value of the portfolio.

The details of how we emerge from the crisis associated with the COVID-19 pandemic remain unclear, but in many of the Company's target markets there is likely to be a focus on the most effective way to re-start and re-invigorate stalled economies. In June 2020 the European Commission announced a series of stimulus and recovery measures that specifically prioritise 'greener' investments, so as to simultaneously address national climate related targets, building amongst other things on the widening public appreciation of the benefits of reduced pollution levels during the economic shutdown and general awareness of climate change. For example, the European Commission's proposal for its recovery plan places the "European Green Deal", which includes the "Renovation Wave" targeting energy efficiency for buildings, at the forefront of investing in the future as well as recovery. Efficient, cheaper, cleaner and more reliable energy solutions should be more attractive to government, businesses and investors than ever before.

I would like to thank shareholders for their continued support of the Company in its first full year of operations and we look ahead to continue delivering upon our objectives and continuing to grow in scale.

Tony Roper
Chairman

18 June 2020

2. Strategic Report: The Company

2.1 The Role of Efficiency in the Energy Market

Energy efficiency and decentralised energy generation play a crucial and growing role in balancing supply and demand in the global energy economy.

Energy efficiency and decentralised energy generation play a crucial and growing role in balancing supply and demand in the global energy economy. This growth is set to continue as the market transitions away from traditional forms of energy towards net zero-carbon targets by 2050. The International Renewable Energy Agency (IRENA) anticipates that energy efficiency measures, alongside renewable energy have the potential to achieve most of (up to 90%) the required carbon reduction in the energy market[5]. This transition will require fundamental changes to the way we consume energy and the implementation of energy efficiency measures and decentralised generation to facilitate the largest possible contribution of clean energy into a balanced system. The Company is investing into this energy transition via commercially proven technologies and applications.

Most electricity supply in developed markets such as those in the UK, Continental Europe and North America has historically been delivered by large, centralised, grid connected "utility scale" power plants, often using fuels such as natural gas or coal. However, substantial energy losses occur in the generation, transmission and distribution of energy from grid connected power plants. Much of this loss is attributable to the loss of heat associated with the generation process. Overall, this wastage can result in the loss of over 60 per cent. of the energy used to generate electricity. Once delivered to the point of use, one third or more of energy can be wasted in many buildings or infrastructure assets, through sub-optimal lighting, heating, cooling, ventilation, air conditioning, insulation, management systems, controls, or other sources.

[5] IRENA (2019), Transforming the energy system – and holding the line on the rise of global temperatures, International Renewable Energy Agency, Abu Dhabi. ISBN 978-92-9260-149-2

Decentralised energy represents a shift away from a centralised system of large-scale energy generation which is reliant on an expansive distribution network. Decentralised energy takes advantage of distributed power and heat solutions based on local generation at or near to the point of use, which can significantly improve efficiency and resilience, and can often be delivered at lower cost than the grid and with little, if any, support from subsidies. Decentralisation in the context of energy efficiency provides three key benefits:

Financial performance
implementation of energy efficiency solutions provides significant cost savings on energy bills and serves to ensure long term pricing stability.

Environmental performance:
energy efficient solutions from leading technology and service providers seek to deliver reductions in greenhouse gas emissions.

Infrastructure performance:
commercially proven solutions with warranties or performance guarantees deliver high-quality outcomes for heating, power, lighting, cooling controls, processes and optimisation, thereby upgrading energy infrastructure to deliver robust performance, reliability and resilience.

2.2 Investment Proposition

Listed in December 2018 on the Premium segment of the Main Market of the London Stock Exchange ("LSE"), SEEIT is the first investment company of its kind in the UK focused primarily on investments in operational energy efficiency assets located primarily in the UK, Continental Europe and North America.

Investment objective

The Company's investment objective is to generate an attractive total return for investors comprising stable dividend income and capital preservation, with the opportunity for capital growth.

Investment Policy

The Company seeks to achieve its investment objective by investing principally in a diversified portfolio of Energy Efficiency Projects with high quality, private and public sector Counterparties. The contracts governing these Energy Efficiency Projects entitle the Company to receive stable, predictable cash flows in respect of predominantly operational Energy Efficiency Equipment installed at Counterparties' premises. The Company's returns take the form of Contractual Payments by Counterparties in respect of the relevant Energy Efficiency Equipment used by them.

Whilst the Company invests predominantly in operational Energy Efficiency Projects, the Company may under certain circumstances invest in Energy Efficiency Projects while such projects are in a construction phase or development phase.

In respect of each type of Energy Efficiency Equipment, the Company seeks to diversify its exposure to engineers, manufacturers or other service providers by contracting, where commercially practicable, with a range of different engineers, manufacturers or other service providers.

Energy Efficiency Projects may be acquired individually or as a portfolio from a single or a range of vendors. The Company may also invest in Energy Efficiency Projects jointly with a co-investor. The Company aims to achieve diversification by investing in different energy efficiency technologies and contracting with a wide range of Counterparties.

The Company invests and manages its Energy Efficiency Projects with the objective of assembling a high quality, diversified Portfolio.

The Company initially focussed its attention on investing in the UK. However, over time, the Company has made, and may continue to make, investments in continental Europe, North America and the Asia Pacific region and other OECD countries.

Investment restrictions

In order to ensure a spread of investment risk, the Company has adopted the following investment restrictions:

- no Energy Efficiency Project investment by the Company will represent more than 20 per cent. of Gross Asset Value, calculated at the time of investment;
- the aggregate maximum exposure to any Counterparty will not exceed 20 per cent. of Gross Asset Value, calculated at the time of investment;
- the aggregate maximum exposure to Energy Efficiency Projects in either a development phase or construction phase will not exceed 35 per cent. of Gross Asset Value, calculated at the time of investment, provided that, of such aggregate amount, the aggregate maximum exposure to Energy Efficiency Projects in a development phase will not exceed 10 per cent. of Gross Asset Value, calculated at the time of investment; and
- the Company will not invest in other UK listed closed-ended investment companies.

Gearing

The Company maintains a conservative level of aggregate gearing in the interests of capital efficiency, in order to seek to enhance income returns, long term capital growth and capital flexibility. The Company's target medium term gearing is up to 35 per cent. of NAV, calculated at the time of borrowing (the "Structural Gearing").

The Company may also enter into borrowing facilities on a short-term basis to finance acquisitions ("Acquisition Finance"), provided that the aggregate consolidated borrowing of the Company and the Project SPVs, including any Structural Gearing, shall not exceed 50 per cent. of NAV, calculated at the time of borrowing. The Company intends to repay any Acquisition Finance with the proceeds of a Share issue in the short to medium term.

Structural Gearing and Acquisition Finance are employed either at the level of the Company, at the level of the relevant Project SPV or at the level of any intermediate wholly owned subsidiary of the Company, and any limits set out in this investment objective and policy shall apply on a consolidated basis across the Company, the Project SPVs and such intermediate holding company. Structural Gearing and Acquisition Finance primarily comprise bank borrowings, though small overdraft facilities may be utilised for flexibility in corporate actions.

As at 31 March 2020, the Company's gearing (including borrowings at both Company level and portfolio level) represented 46% of NAV, within the acquisition gearing limits of 50% of NAV.

Use of derivatives

The Company may use derivatives for efficient portfolio management but not for investment purposes. In particular, the Company may engage in full or partial interest rate hedging or otherwise seek to mitigate the risk of interest rate increases and full or partial foreign exchange hedging to mitigate the risk of currency inflation.

The Company only enters into hedging contracts and other derivative contracts when they are available in a timely manner and on terms acceptable to it. The Company reserves the right to terminate any hedging arrangement in its absolute discretion.

Cash management

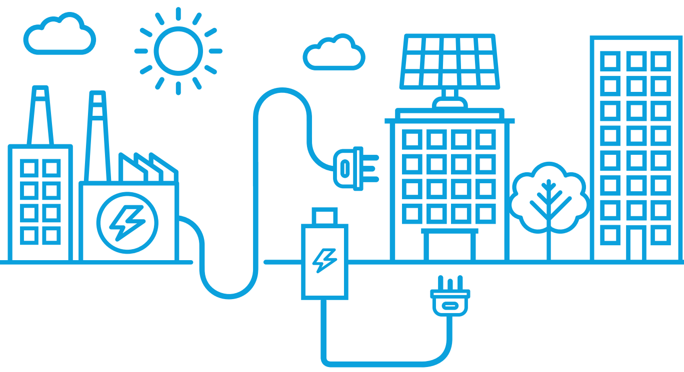
Whilst it is the intention of the Company to be fully or near fully invested in normal market conditions, the Company may hold cash on deposit and may invest in cash equivalent investments, which may include short term investments in money market type funds and tradable debt securities ("Cash and Cash Equivalents").

There is no restriction on the amount of Cash and Cash Equivalents that the Company may hold and there may be times when it is appropriate for the Company to have a significant Cash and Cash Equivalent position instead of being fully or near fully invested.

Changes to the Investment Policy

No material change will be made to the Company's investment policy without the prior approval by ordinary resolution of Shareholders.

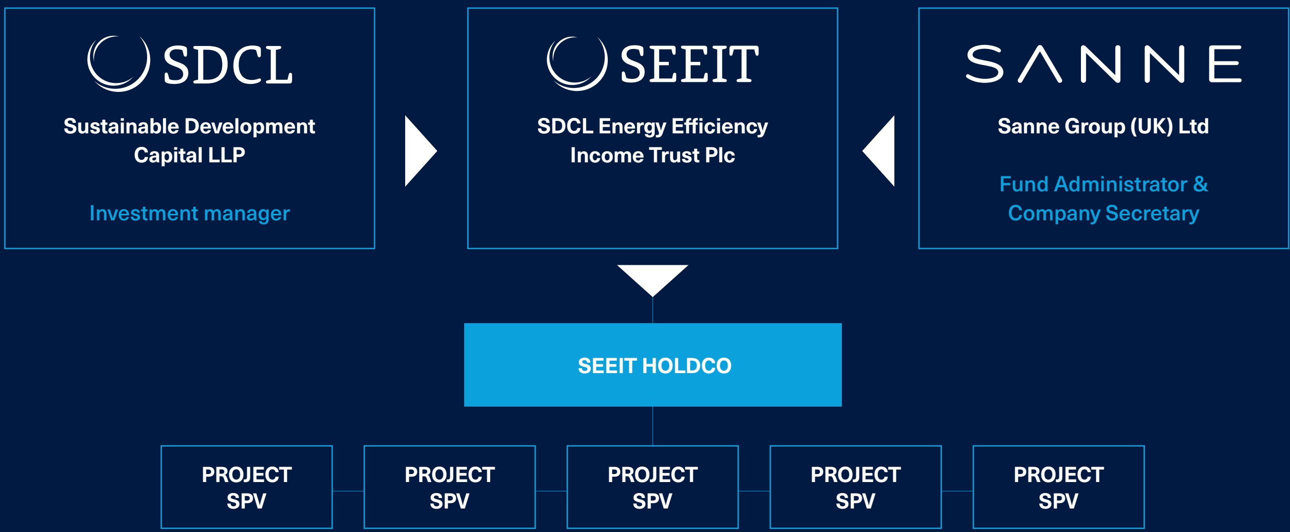
In March 2020, the Company held an EGM to seek approval for a proposed change to the Investment Policy to remove the 25% minimum exposure limit to UK based energy efficiency investments. This change in the Investment Policy was considered by the SEEIT Board to be in the best interest of the Company's shareholders. The resolution proposed at the EGM was approved by shareholders, with no votes against.



2.3 Business Model

The Company's simplified group structure

The Company's investments are held directly or indirectly by its sole direct subsidiary and main investment vehicle, SEEIT Holdco Limited. SDCL, the Investment Manager, and Sanne Group (UK) Limited (''Sanne'') are third party service providers appointed by the Company via, respectively, a management agreement and an administration agreement.



Portfolio construction and investment sourcing

The Company invests with the objective of assembling a portfolio of energy efficiency projects, diversified by:

Investment stage:
whilst the Company invests predominantly in operational energy efficiency and distributed generation projects, the Company may under certain circumstances invest in projects that are at construction or development phase;

Equipment/ Service providers:
the Company diversifies its exposure to equipment manufacturers, engineers and other service providers through investing in different energy efficiency technologies and contracting with a wide range of counterparties; and

Geography:
the existing portfolio comprises projects located in the UK, Continental Europe and the USA. In addition, the company is actively pursuing further investments in other jurisdictions that provide attractive risk-adjusted returns across, including the UK, Europe, North America, the Asia Pacific region and, selectively, other OECD countries.

2.3 Business Model
continued

The Investment Manager sources investments through its long-standing relationships with third party developers, utility companies, project owners, energy service companies, financial intermediaries and directly from counterparties. Each prospective investment is assessed against the Company's investment objectives and Investment Policy and, if considered potentially suitable, an initial analysis and review of the opportunity will be undertaken. Each opportunity is scrutinised on the basis of the investment criteria outlined below.

In selecting potential energy efficiency and distributed generation projects, SDCL employs established criteria and portfolio construction guidelines in order to source projects with some or all of the following characteristics:

- operational assets installed at energy intensive and inefficient commercial and public buildings and facilities;
- projects utilising commercially proven technologies, with an appropriate level of warranties and performance guarantees;
- contracting with energy efficiency equipment vendors and manufacturers, subcontractors and counterparties who are strong credit counterparties;
- passing performance risks down to engineering, procurement and construction (''EPC'') contractors, operations and maintenance (''O&M'') contractors, subcontractors, energy efficiency equipment vendors and manufacturers via warranties and guarantees;
- based upon measured and verifiable savings criteria as set forth in an energy services agreement (''ESA'') governing the terms on which energy savings are apportioned between the Counterparty and the Project SPV;
- projects based in the key target markets of the UK, Continental Europe, North America and selectively in Asia Pacific and other OECD countries;
- achieving economies of scale, either individually or through aggregation;
- appropriate environmental, social and governance undertakings shall be secured from each Counterparty; and
- ability to achieve significant reductions in energy use and consequently emissions of greenhouse gases and other pollutants.

Investment Process

Once a potential opportunity that falls within the Company's investment and ESG policies has been identified as additive to the existing investment portfolio, and the Investment Manager wishes to proceed with the acquisition of such project, the Investment Manager undertakes further analysis which sets out the analysis, investment structure, investment rationale, key environmental benefits, risks and returns, capital expenditure budget, proposed revenue model, necessary next steps and recommendations.

Based on the analysis, the Investment Manager will determine whether further detailed financial, legal and technical due diligence should be carried out by the team and/or third party firms and advisers, or whether to proceed with the further negotiation of deal terms with the relevant counterparties. Once the decision to proceed has been made, the Investment Manager will be responsible for further business due diligence, while the appropriate financial, environmental, social, governance, tax, legal, technical and other due diligence processes will be conducted by third party firms and/or advisers.

The Investment Manager will also seek to ensure that the transaction terms with relevant counterparties such as developers, EPC contractors, O&M contractors, advisers, and revenue counterparties meet with the Investment Manager's ESG criteria where applicable.

Once the detailed due diligence process has been completed, the Investment Manager will prepare updated analysis which comprises details of investment opportunity, environmental characteristics, impact on portfolio construction and development, risks and returns, identification of any investment upside or portfolio enhancement, investment structure based on due diligence process and final contract terms, as a result of negotiations, as well as a financial model illustrating risk and return, including scenario and sensitivity analyses as appropriate.

The Investment Manager will then use all of the material information collated on the investment through the diligence process, along with the potential impact the investment would bring to the construction of a balanced portfolio, to decide on whether to proceed with the investment or not. The Investment Manager will notify the Board of its decision prior to committing to an investment or sale of an asset, including the provision of further papers as required.

Where the Investment Manager intends to acquire projects from another SDCL Client, the Investment Manager will approach the Board at the earliest opportunity to discuss any additional diligence or comfort, such as independent valuation or audits required. The Investment Manager will not execute an acquisition of any project from a SDCL client without prior Board approval.

2.4 Company Key Performance Indicators ("KPIs")

The Company sets out below its financial and operational KPIs which it uses to track the performance of the Company over time against the objectives as described in the Strategic Report.

The Board believes that the KPIs detailed below provide shareholders with sufficient information to assess how effectively the Company is meeting its objectives. The Board monitors these KPIs on an ongoing basis.

KPI	Definition	31 March 2020	31 March 2019	Commentary
Financial KPIs				
NAV per share (pence)	NAV divided by no. of shares outstanding as at 31 March	**101.0p**	98.4p	NAV has increased compared with the prior year
Share price (pence)	Closing share price as at 31 March	**92.50p**	102.75p	The share price was greatly affected by extreme market conditions in the short-term as a result of global uncertainty around COVID-19 as at 31 March 2020. It has since recovered in the period since financial close
Dividends per share (pence)	Aggregate dividends declared per share in respect of the financial year	**5.0p**	1.0p	The Company met its stated dividend target of 5.0 pence per share for the year ended 31 March 2020
Cash dividend cover (x)	Operational cash flow divided by dividends paid to shareholders during the year	**1.55x**	n/a	Dividends remain were comfortably covered by cash flows for the year ended 31 March 2020
Total Return in the year (%)	NAV growth and dividends paid per share in the year	**6.2%**	n/a	Total return combines the increase in NAV and dividend distributions to shareholders, and reflects continued progress during the initial ramp-up phase
Ongoing charges ratio (%)	Annualised ongoing charges (i.e. excluding acquisition costs and other non-recurring items) divided by the average published undiluted NAV in the period, calculated in accordance with Association of Investment Companies guidelines	**1.17%**	1.38%	Ongoing charges have reduced on a comparative basis given continued growth in NAV and associated as economies of scale were achieved through continued growth in the size of the Company
Operational KPIs				
Weighted average project life (years)	Weighted average number of years assumed to be remaining in project contracts	**11.3**	11.3	Maintained through acquisitions during the year
Largest investment as a % of GAV (%)	Value of largest investment divided by the sum of all investments held in the Portfolio together with any Cash and Cash Equivalents, calculated at period end	**13%**	17%	The Company continues to stay well within the limits set by its Investment Policy, demonstrating diversification of the portfolio
Largest five investments as a % of Portfolio Valuation (%)	Total value of five largest investments divided by the sum of all investments held in the Portfolio together with any Cash and Cash Equivalents, calculated at period end	**43%**	88%	Achieved further diversification during the year and reflects a lower concentration risk

2.5 Investment Manager's Report

The Investment Manager

Sustainable Development Capital LLP is an investment firm with a proven track record of investment in energy efficiency and decentralised energy generation projects.

SDCL was founded in 2007 by Jonathan Maxwell, and since 2012, has raised over £750 million of capital commitments, including four funds exclusively focused on energy efficiency with projects in the UK, Europe, North America and Asia. The Investment Manager is headquartered in London with offices in New York, Dublin, Hong Kong and Singapore and a project office in Madrid. Its team consists of a team of 27, including 15 investment professionals.

Acquisitions in the year for the Company

Supermarket Solar UK

Investment Date
Jun-19

Counterparty
Tesco plc

Technology
Rooftop Solar

Amount
£5 million[4]

Spark US Energy Efficiency

Investment Date
Sep-19

Counterparty
Various (264 contracts)

Technology
Lighting and Energy Efficiency Measures

Amount
$22 million

Oliva Spanish Cogeneration

Investment Date
Nov-19

Counterparty
CNMC

Technology
CHP and Biomass

Amount
€150 million

Primary Energy

Investment Date
Feb-20

Counterparty
Arcelor Mittal and US Steel

Technology
Recycled Gas, Cogeneration and Industrial Energy Efficiency

Amount
$110 million

[4] Supermarket Solar UK represents an initial commitment of £15 million with the first £5 million tranche currently being deployed.

Acquisitions in the year for the Company

The Company completed four additional investments in the year, consistent with SEEIT's targeted technologies and geographies, and with the pipeline previously described. Each one delivers contracted investment returns with strong income generating characteristics.

Each new investment helps to further diversify the portfolio, which is now invested across a larger number of geographies, technologies, sectors and host client counterparties.

The first new investment of the financial year, **Supermarket Solar UK**, was made in June 2019. This is a development and construction stage investment that comprises a delivery framework to install, own and operate solar rooftop projects across Tesco's estate in the UK. The initial commitment to invest is £5 million which will be invested in several tranches of projects per the terms of the delivery framework. Following completion of the initial tranches there is potential for an additional £10 million investment. Within six months of the delivery framework being signed the first site had achieved power and started generating revenue for SEEIT. This investment was one of three identified in the IPO Prospectus, along with Northeastern US CHP (completed March 2019) and a Spanish Cogeneration project (see project Oliva below).

In September 2019 SEEIT acquired **Spark US Energy Efficiency**, a $22 million investment, structured as secured senior and subordinated loans, into a portfolio of 264 loans, leases and subscription agreements relating to energy efficiency projects installed across a wide range of industries in 36 states across the US. SEEIT acquired the portfolio from Sparkfund, a US energy efficiency development company which had developed the portfolio over several years. The portfolio, which continues to be managed by Sparkfund, is well diversified and is structured to provide predictable, stable and fully contracted cash flows. The individual agreements within the portfolio were aggregated with back-to-back funding provided by Hitachi Bank. These investments have been, in effect, refinanced by SEEIT's investment. The substantial majority of SEEIT's investment is senior debt relating to the underlying Portfolio of energy systems projects, with energy saving technology under management including LED lighting, HVAC, backup generators, and monitoring and controls.

In November 2019, SEEIT secured its first investment in Continental Europe, **Oliva Spanish Cogeneration**, to date the largest portfolio acquisition in the portfolio at approximately €150 million. The investment comprises nine projects: five combined heat and power (CHP) projects, two olive processing projects and two biomass projects, which provide, in aggregate, 125 MW of clean and efficient energy generation.

SEEIT's final investment in the financial year, completed in February 2020, was the acquisition of a 50% interest in **Primary Energy**, a portfolio of recycled energy and cogeneration projects located in Indiana, USA. The acquisition involved an equity cash consideration of approximately $110 million.

Oliva Spanish Cogeneration

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

Oliva Spanish Cogeneration owns three CHP assets that provide heat to third party olive processors that are also converting olive pomace to secondary products.

The portfolio includes two complexes that reduce the risk of availability of fuel supply, given that biomass is sourced from assets owned within each complex. The projects utilise olive pomace, usually a waste product, as biomass fuel in a semi closed looped system. The portfolio operates through a set of individual stages, during the initial stage, the CHP plants generate and sell electricity to the Spanish energy market under the RoRi mechanism (designed to mitigate, over the medium term to long term, against fluctuations in commodity prices) and heat to adjacent and third-party olive pomace processing plants. In the second stage, the olive pomace processing plants produce olive cake feedstock which is used as feedstock to fuel the biomass plants within the complex. In the final stage, these biomass plants also generate and sell electricity to the Spanish energy market under the RoRi mechanism.

The integrated nature of the complexes ensure that Oliva Spanish Cogeneration maintains control of the inputs and outputs of the plants and as such, has the flexibility to manage these costs and revenues to ensure optimal operations of the plants (see schematic of the Biolinares complex below).

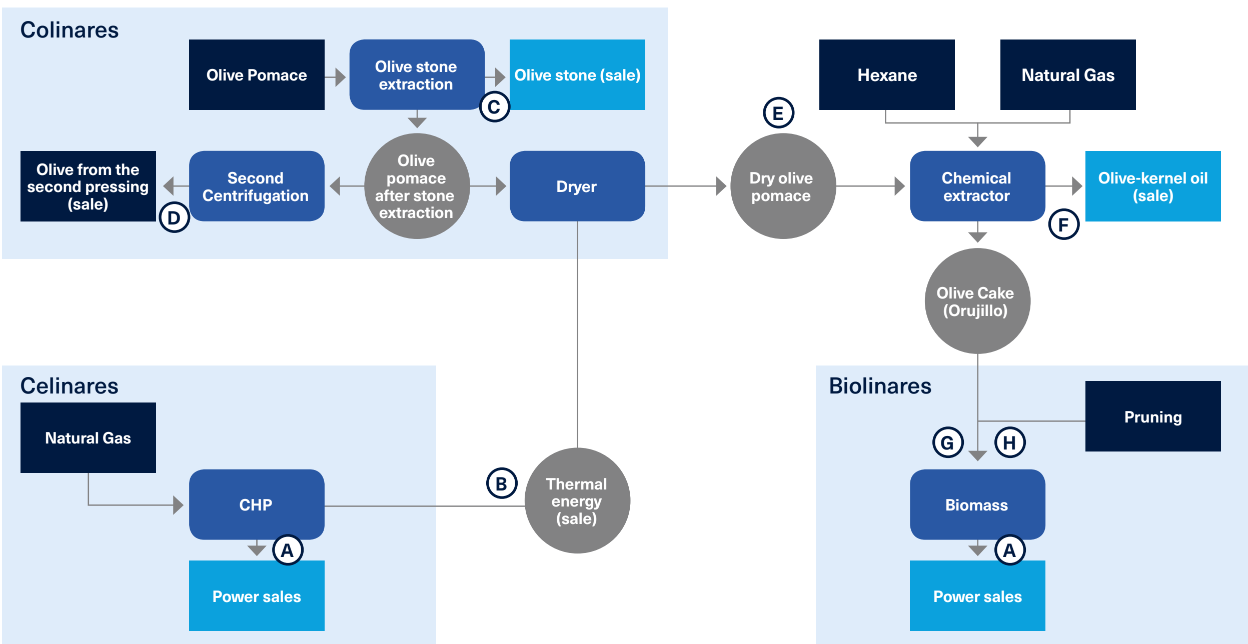
Celinares: CHP plant

A CHP plant which benefits from high levels of combined electrical and thermal efficiency, uses natural gas to generate electricity (a) of which the majority is sold to the Spanish energy market under the RoRi mechanism and the remainder, along with the thermal energy produced is sold to the olive pomace processing plant (b).

Colinares: Olive pomace processing plant

The olive pomace processing plant extracts olive stones from olive pomace for sale as household heating fuel (c). Following extraction of the stones, the pomace is subject to a centrifugation process which produces a second pressing of oil for sale to third parties (d). The price of this oil in linked to the cost of the olive pomace, which serves to mitigate the impact of any volatility in pricing.

The remaining olive pomace is dried using thermal energy provided from the CHP plant (b) and additional olive kernel oil is extracted through a chemical process (f). The residual mass, olive cake, is used as feedstock for the biomass plant.



Biolinares: Biomass plant

The biomass plant uses the olive cake, along with the pruning and other agricultural waste generated as part of the harvesting process, as feedstock to generate electricity which is also sold to the Spanish energy market under the RoRi mechanism.

The Oliva Spanish Cogeneration portfolio promotes the philosophy of a 'closed loop' recycling process, wherein the complexes maximise use of by-products to both create value and to minimise the environmental impact of waste. In typical olive oil production, only around 20% of the olive harvest is considered usable to produce olive oil. Post-pressing, the remaining 80% (in the form of olive pomace) is considered waste which must be disposed of.

The Oliva Spanish Cogeneration complexes utilises this 'waste' to produce secondary products that can be used as forms of renewable energy and fuel:

- Secondary olive oil: for use in commercial application as well as heating;
- Olive stone: used in residential heating; and
- Olive cake: used as a biomass fuel stock to produce electricity

The Spanish RoRi mechanism, which makes payments administered by the regulator, is designed to mitigate, over the medium term to long term, against fluctuations in commodity prices. Calculations of payments under the mechanism are re-based every 6 years and reset mid-term with an adjustment for gas prices made every 6 months and remaining costs and revenues adjusted every 3 years.

Operations and maintenance on the portfolio will continue to be carried out by Sacyr, a major industrial group, and the plants benefit from long-term service agreements with the equipment providers such as Gestamp Biomass, GE, Rolls Royce, Jenbacher, Mitsubishi and Turbomach.

Primary Energy

SEEIT made a 50% investment in Primary Energy Recycling Corporation ("Primary Energy"), which comprises a portfolio of recycled energy and cogeneration projects in Indiana, USA. Primary Energy owns and operates a 298 MW portfolio of five operating projects comprising three energy recycling projects, one natural gas fired CHP project, and a 50% interest in an industrial process efficiency project.

These projects are fully integrated into the operations of two steel mills in the United States owned by ArcelorMittal S.A. ("ArcelorMittal") and United States Steel Corporation respectively.

Primary Energy focuses on the recycling of waste gases, to generate low-cost, more efficient energy to the offtaker's blast furnaces, compared with alternative energy sources. By recycling waste gases, Primary Energy's activities help to reduce CO2 emissions, SO2 and other particulate matter and, in some instances, act as the sole source for fuel handling and emissions control equipment that is critical for the operations of the offtaker.

Approximately 75% of the revenues from the projects are expected to be derived from energy services to blast furnace 7 at Indiana Harbor Works ("IH7"), which is considered to be the largest and most competitive furnace facility of its kind in North America, ranked in the top quartile and with significant strategic importance to ArcelorMittal.

These projects are contracted to provide electricity, steam, water and, in one case, coking material, in return for the contractual payments via service agreements. The projects benefit from a right of first dispatch to provide energy services when the steel mills are operating. Approximately 75% of the revenues from the projects have availability-based characteristics, in that payments remain stable or fixed and do not vary substantially depending on demand, while approximately 25% of the revenues have capacity-based characteristics, in that payments can vary depending on demand. Demand for energy services by the steel mills has, on average, materially exceeded supply by the projects over their long operating history.

The five projects comprise the following:

Cokenergy

Consists of 16 heat recovery steam generators, one 95 MW GE extraction / condensing steam turbine generator, cooling tower, flue gas treatment system and ancillary equipment. Cokenergy receives waste gas and converts this to electricity and steam for IH7.

North Lake

Consists of one 90 MW steam turbine generator, cooling tower and ancillary equipment located at Indiana Harbor Works East for IH7. Northlake receives steam from boilers run by waste gas from ArcelorMittal's blast furnace IH7 and converts this to electricity and steam for use back in IH7.

PCI Associates

The project increases the efficiency of the steel making process and results in blast furnace gas with a higher energy content and lower air emissions compared to the alternatives: coke, fuel oil, and natural gas. The project allows increased energy recovery potential for producing process steam and electricity.

Ironside

Consists of a boiler and a 50 MW steam turbine generator, cooling tower and ancillary equipment providing services to an ArcelorMittal's blast furnaces IH4 at Indiana Harbor West. Ironside receives blast furnace gas from the host facility's blast furnaces and converts this to electricity and steam.

Portside

Consists of 64 MW natural gas fired CHP facility, two auxiliary boilers, hot softened water plant, condensing economizer and ancillary equipment located at a blast furnace 14 at U.S. Steel's Gary Works facility, one of U.S. Steel's core assets. Portside provides steam, electricity, hot softened water to U.S. Steel.

Primary Energy has overall responsibility for the operation and maintenance of the projects but subcontracts some or all of these activities back to ArcelorMittal and US Steel.

The weighted average term of the contracts in Primary Energy is approximately 9 years and the Company assumes that some re-contracting is achieved. Risk is mitigated by the fact that Primary Energy has a good track record of re-contracting, given inter alia that it is providing a combination of emissions control and renewable energy, providing essential services to the operations of the project clients and at a competitive price compared to the grid.

The strong environmental credentials of the assets qualify them annually for Renewable Energy Certificates (RECs), which, due to the efficiency and positive environmental impact of the assets are equivalent to those generated by 536 MW of solar or 374 MW of wind projects.

Operational Performance

Performance across the operational assets in the portfolio was materially in line with expectations. March 2020 saw the initial impact of COVID-19 in so far as some of the host client operations and the operation and maintenance regimes for the project assets were concerned. The Investment Manager placed a focus on assessing and managing the impact on the portfolio and continues to monitor any impact resulting from the impact of the COVID-19 pandemic and government restrictions. To date this has generally been restricted to introducing new protocols for workplace health and safety, ensuring effectiveness of remote working practices and arranging contingency measures where required. Overall the impact to date on operational performance has therefore been limited.

UK

Santander UK Lighting:
In January 2019, Santander announced a potential of up to 140 branch closures over 2019. To date, Santander has provided details of c.70 of the branch closures for which SEEIT received an early termination payment as per the energy services agreement in line with forecast returns. Santander has yet to confirm timing for the remaining c.70 closures – the notice is expected this calendar year.

Huntsman Energy Centre:
Commissioning for the project was temporarily paused owing to the project EPC, Engie, having to demobilise all on-site commissioning works due to initial government advice on COVID-19 – following updated government guidance remobilisation is however slowly taking place again. Current commencement of operations is targeted before the end of the financial year although this could be subject to further delay, dependent upon the length of the COVID-19 related restrictions. The Investment Manager continues to work constructively with all parties to complete the construction phase per the revised timetable. The term of the contract once the project becomes operational is 15 years.

Supermarket Solar UK
Following successful installation, the first two roof-top solar PV projects commenced generation in November 2019. An additional four sites have now been completed and are generating, whilst further roll out was paused due to COVID-19 although now slowly recovering. Further sites will be developed as part of the initial batch of solar projects of a first phase of c.5 megawatts with an additional 13 solar projects to be scheduled under the framework agreement with Tesco.

The remaining UK assets in the portfolio are all operating in line with or above expectations, with no significant operational updates to report for the period.

Continental Europe

Oliva Spanish Cogeneration:
All nine assets within the Oliva Spanish Cogeneration portfolio are generating in line with expectations. The portfolio has managed any disruption due to COVID-19 through effective operations management at the sites, which are located in a remote agricultural setting.

The three-cogeneration assets that provide steam to third party olive processors have been operating materially in line with expectations as the offtakers have been exempt from Spanish government mandated shutdowns given the criticality of the food industry.

The O&M activities have been managed effectively by Sacyr, with oversight from the Investment Manager, ensuring revenue and operational stability. In addition to the normal operations, several portfolio initiatives are underway to optimise revenues and minimise costs over the medium-long term.

North America

Primary Energy:
The portfolio has been performing materially as expected since the acquisition in February 2020. Upgrades to the Cokenergy asset were successfully completed in December 2019. The key blast furnaces for Arcelor Mittal and US Steel continue to operate during the downturn given their strategic importance to the hosts. As the portfolio of assets benefit from capacity contracts from the host clients, i.e. that the assets have rights of first despatch, the exposure to demand risk is generally mitigated, as past performance attests to. However, Arcelor Mittal has temporarily idled one of the smaller operations, Blast Furnace 4, as a direct impact of the immediate temporary shutdown of US car manufacturing facilities. This is expected to be temporary and is not expected to have a material financial impact on performance.

Spark US Energy Efficiency:
The debt investment into Spark US Energy Efficiency has performed as expected with scheduled payments being made on time. Whilst the underlying portfolio of loans has seen a delay in a small number payments from some of its clients so far due to the COVID-19 repercussions and lockdown restrictions in the USA, the client base is substantially diversified to minimise the impact from any single credit counterparty. While some further payment delays are expected, the Investment Manager is monitoring the situation closely, including a review of all contractual rights and remedies, a material impact on performance is not currently expected.

The other US portfolio, Northeastern US CHP, is operating in line with or above expectations, with no significant operational updates to report.

Funding

Equity Fundraising

SEEIT has returned to the capital markets three times over the course of the year. As a result, the Company's market capitalisation has more than trebled in size. Each time, funds were raised with a view to deploying in a near-term project or portfolio of projects, ensuring efficient deployment of capital.

In April 2019, the Company raised £72 million, which was subsequently committed to Supermarket Solar UK, Spark US Energy Efficiency investments and Oliva Spanish Cogeneration. The capital raise in April 2019 was originally intended to fund an identified pipeline of investment opportunities, including the above.

In October 2019, the Company raised gross proceeds of £100 million which was used, in part, along with the Company's borrowing facilities (see below) to finance the Oliva Spanish Cogeneration portfolio investment.

In December 2019, the Company completed a successful tap issue. The target of £54 million was significantly oversubscribed. The proceeds of the placing were used as part of the financing for the investment in Primary Energy.

Debt Financing

In the interests of capital efficiency and to enhance income returns, long-term capital growth and capital flexibility, SEEIT is permitted to maintain a conservative level of gearing. To allow flexibility with making new investments, in April 2019 SEEIT, through its main investment vehicle, SEEIT Holdco, secured a revolving credit facility ("RCF") of £25 million with Investec Bank plc as well as access to acquisition financing of up to £40 million. The acquisition facility, in its entirety, as well as the majority of the RCF was used to part-finance the Oliva Spanish Cogeneration portfolio investment. The RCF has an expiry of 30 June 2022 and is available to be used to fund the Company's active deal pipeline. The acquisition financing is repayable in July 2020 and is expected to be repaid from existing cash resources by end of June 2020.

Key Risks

See Section 3.4 Risk and Risk Management for further details on key risks.

COVID-19

The global COVID-19 pandemic prompted an immediate review by the Investment Manager, and the Board, of the operating issues arising directly from the pandemic (including health and safety related impacts) and the longer-term impacts in relation to portfolio investments.

The investment portfolio is located in three of the countries heavily impacted by the COVID-19 pandemic – the UK, Spain and the USA. Nonetheless the portfolio has proved resilient, which can be explained through the Company's focus upon providing essential energy services to key sectors which have continued to operate during the pandemic (including hospitals, food production and distribution, data-centres, steel production and banking). In respect of longer-term potential economic impacts, it is likewise anticipated that the portfolio is relatively well-placed and defensively positioned, given the association with such essential services.

Asset specific impacts of the COVID-19 pandemic include illness of several operational site staff in Spain (now recovered), temporary interruption in the ability to source Solar PV equipment from China (now resolved), project delays on the Huntsman Energy Centre construction project (on-going, but expected soon to be resolved) and a quick transition to working-from-home disciplines across the range of service providers.

The Investment Manager continues to monitor the impact of the COVID-19 pandemic on the workforce at each of the investments and their ability to deliver the critical energy services to each of SEEIT's counterparties.

Counterparty credit risk

The key credit risks arising within the portfolio relate to applicable off-take counterparties. There are no specific credit events or impairments to highlight in this respect currently. However, it is noted that beyond the direct counterparty risks there is a related risk of reduced output from some of the portfolio's energy centres in Primary Energy, where some projects have capacity-based characteristics rather than an availability-based characteristics. This means that, in some circumstances, notwithstanding that the energy centres benefit from a right of first despatch, significant reductions in demand could reduce the amount of energy acquired by the host client counterparty from time to time. This risk is generally mitigated by the scale of demand reduction that would be required for a significant impact to be felt in the short term, as well as by the long term nature of the assets and true-up mechanisms.

Operational risk

Operational risk will inevitably vary by project, but risks will inherently tend to be higher within development/construction projects, than with stable operating assets, which benefit from established operation and maintenance regimes, high levels of automation and contingency plans and procedures. Within the current portfolio, a key construction project, Huntsman Energy Centre, has been subject to construction delays, this highlights the inherent additional risk in construction stage assets. As stated in the Operational Highlights review above, this delay has currently had no material impact on returns.

Impact of energy market volatility

The Company has limited exposure to short term energy market volatility as the project contracts in its portfolio tend to be structured on pre-determined terms. Any short-term changes in commodity prices are generally passed through to off-takers and compensated for over the short, medium or long term.

The current period of low natural gas prices may however present opportunities for high quality, clean and efficient CHP and/or projects fuelled by lower carbon or green gas. Meanwhile, lower wholesale energy prices may not translate into lower delivered energy costs for consumers and clients – considering systems costs associated with transmission and distribution etc. leading to continued and potentially increasing interest in opportunities to reduce costs and improve productivity through efficiency. This would increase the opportunities available to Company over the long run and, in the short run, present some construction phase opportunities to the extent that they were consistent with the Company's investment policy and risk appetite.

Environmental, social and governance

Overview

The Investment Manager believes that the energy efficiency opportunity – using less energy and therefore less carbon and waste – for the same outcome attests to the fact that greener business can be better business. The operation and performance of SEEIT's portfolio of energy efficient assets and the essential nature of the energy services that it provides, has resulted in significant environmental benefits and outcomes, ranging from greenhouse gas emission reductions to other forms of pollution prevention and green energy supply. This has gone hand in hand with, not at the expense of, financial performance both for SEEIT's project asset and clients. SEEIT will be producing a comprehensive sustainability report, quantifying the impacts and outcomes, later in the year.

The Investment Manager, on behalf of, SEEIT is focused on conducting business responsibly. That means behaving ethically, respecting people and the environment. The Investment Manager maintains a high standard of business conduct and stakeholder engagement so as to ensure a positive impact on the community and environment in which it operates. This requires monitoring and consideration of its stakeholders by building strong relationships with suppliers, customers, communities and authorities among others. The Investment Manager's relationships with its stakeholders, and its dedication to maintain a responsible approach to investment, is essential to position SEEIT well for the longer term – and is expected by its shareholders.

In order to strengthen and develop the Company's ESG efforts, the Investment Manager is now a signatory to the United Nations Principles for Responsible Investment (UNPRI) and continues to work to strengthen and improve its ESG procedures for both making new investments and managing the existing portfolio.

In recognition of SEEIT's contribution to long-term sustainability, in 2019 the Company was awarded the London Stock Exchange Group's new Green Economy Mark which recognises listed companies who derive 50% or more of their revenues from environmental solutions.

Sustainability

The integration of distributed generation and energy efficiency projects into the broader global energy generation mix serves to provide positive and sustainable long-term environmental impacts, providing a significant reduction in energy used to generate electricity, representing tangible and repeatable reductions in greenhouse gas emissions.

SDCL will seek to ensure that all suppliers have appropriate sustainability policies in place, with a focus on procurement and employment policies.

SDCL also seeks to minimise any local impacts in the implementation of development stage investments through extensive consultation with statutory consultees, local authorities and, where appropriate, local communities. Engagement with stakeholders is maintained to the highest standards once assets become operational.

Anti-bribery and Corruption

Although SEEIT has no employees, the Company is committed to respecting human rights in its broader relationships. SEEIT does not tolerate corruption, fraud, the receiving of bribes or breaches in human rights. Both SEEIT and SDCL have anti-corruption and bribery policies in place in order to maintain standards of business integrity, a commitment to truth and fair dealing and a commitment to complying with all applicable laws and regulations.

SDCL employees are provided with training for anti-bribery and corruption which is completed annually. All counterparties are assessed by the Investment Manager to mitigate against bribery and corruption. When SDCL completes acquisitions on behalf of SEEIT, there is vendor due diligence and all sales and purchase agreements are required to have anti-bribery and corruption prevention clauses.

Corporate Culture

The Company's approach to sustainability and corporate culture includes:

- Considering the risk culture of the Company on a regular basis to confirm it is appropriate, is expected to support the sustainability of the company, and is consistent with the risk appetite;

- Embedding and improving on good practices in the day-to-day management processes – which are assessed by the Board in the course of the quarterly Board meetings as well as in a wide range of ad hoc interactions during the year;
- Promoting an appropriate culture of stewardship, responsibility, accountability and openness; and
- A focus by the Board and SDCL on appropriate interaction with key stakeholders, including shareholders, lenders, regulators, vendors, co-investors and suppliers.

As the Company has no employees, the Directors look through to the culture of the Company's key service providers on an ongoing basis including annual reviews. The Board interacts regularly with staff of the Investment Manager both at senior and operational levels, in both formal and informal settings. This promotes greater openness and trust between the key individuals engaged in delivering against the Company's objectives and ensures the Investment Manager remains fully aligned with the Company's corporate culture and approach to sustainability. The Board also engages closely throughout the year with the Company's administrator, brokers, and legal and public relations advisers to gauge the broader positioning and direction of the business.

In addition to the Board Meetings being attended by the senior SDCL team, other more junior members from the Investment Manager are encouraged to join. Not only does this aid their development, but it also allows the Board to gain insight into how senior management are supported and how prepared the Investment Manager is in relation to key man risk and long-term succession planning.

Carbon Reporting

During the year, the Company's portfolio produced 71,256 MWh of electricity and has provided carbon savings of 43,231 tCO2, which has been calculated proportional to the Company's holding off each underlying investment and the period of the ownership.

The calculation approach in each case follow several key principles, to maintain a consistent approach. The principles are:

1. Where possible to capture fundamental data regarding project performance. Examples of this data include energy generated (kWh) and fuel consumed (kWh).
2. Use publicly available emissions factors from government sources specific to the project location.
3. Where a project was commissioned, or purchased, by the Company mid way through the reporting period, only the portion of the period after commissioning or purchase date has been recognised.

The total project savings is reduced pro-rata with the Company's ownership percentage.

Outlook

Governments have taken, in many ways, unprecedented coordinated and simultaneous action to the COVID-19 pandemic crisis. The crises associated with the environment and climate change are comparable to the pandemic in being universal challenges that require governments to take coordinated and simultaneous actions. The Investment Manager believes that the Company's portfolio is well positioned for a slow recovery. As countries emerge from the COVID-19 crisis, actions associated with energy efficiency do not, however, ask society to make sacrifices but instead help reduce costs, improve productivity and strengthen the security of supply of essential services, while delivering the biggest bang for the buck from a greenhouse gas emission reduction perspective. The Investment Manager believes that energy efficiency will be a cornerstone of recovery and action plans developed by government as well as companies.

Efficient and sustainable sources of power, such as efficient cogeneration and renewable energy, now present the most attractive option for new build generation. With demand currently suppressed, variable supply renewables now represent a higher proportion of power supply than ever before. Low prices of carbon fuels and structural issues within the grid could lead to this proportion being temporarily scaled back to pre-crisis levels, but investment in simple and cost-effective on-site generation, demand reduction and storage projects can help to consolidate and balance the increased proportion of renewable energy over the long term. In general, cheaper, cleaner and more reliable energy solutions should be at least as attractive to government, businesses and investors as ever before.

Substantial investment is required by this energy transition to achieve a lower carbon, cost effective and reliable outcome. IRENA anticipates that the cost of implementing these measures will amount to investment of $1.1 trillion annually in energy efficiency measures, more than four times the current level. IRENA anticipates that the economic benefits of the energy transition would create 7 million more jobs and boost global GDP by 2.5%. This represents transformational growth in the market opportunity available to the Company in the medium-to-long term.

Once the effects of the COVID-19 pandemic have subsided, attention will move to figuring out the most effective way to re-start and re-invigorate stalled economies. This presents an historic opportunity for investment in sustainable, clean and efficient energy generation and demand reduction projects to act as critical economic levers.

Pipeline

New potential investment opportunities continue to be sourced by the Investment Manager, which is currently evaluating a substantial pipeline of investment opportunities in excess of £400 million over the short to medium term. The Investment Manager is focussed on achieving value and, as such, continues to concentrate in specialised areas of activity that offer a combination of scale, knowledge and track record, particularly where the Investment Manager can add value and consequently secure attractive returns and greater diversification for SEEIT on a risk-adjusted basis. SEEIT's investments so far this year attest to this, for example in the greenfield development and de-risking of the Supermarket Solar UK project with Tesco, the privately negotiated refinancing of Sparkfund's portfolio and the acquisition of specialist CHP assets from Sacyr in Spain.

By contrast, the Investment Manager is, at the present time, placing less emphasis on highly competitive and established markets such as operational commercial and industrial solar, or opportunities that require a substantial exposure to merchant risk. It is also exercising pricing discipline and continues to take a prudent view in its asset pricing assumptions that are consistent with achieving SEEIT's total returns targets. This results in some attrition of the pipeline, or in some cases lost deals, in favour of ensuring stability of cash flows, earnings and capital value for SEEIT.

The current pipeline includes a wide range of lower carbon and energy efficiency technologies, including but not limited to CHP, local area network solutions, solar, storage, lighting, heating, cooling and other solutions. The Company is seeking to build a balanced portfolio, diversified by technology as well as by counterparty, geography and suppliers.

The Company's investment limits are constantly under review, not just to ensure compliance but also to ensure that they remain appropriate for the Company as global markets develop. The Investment Manager remains focused on portfolio construction, having regard to the contribution any new investment would make to the Company's total return prospects. Such considerations will include, from time to time, seeking opportunities for some capital growth as well as income, to preserve capital value of the portfolio as a whole and therefore NAV in the context of finite life project agreements and contracts. The Investment Manager will also consider geographic exposure, which has been orienting towards Europe, North America and selected other jurisdictions and away from the UK in the short term, driven by the relative value and depth of the markets, but which is expected to rebalance in the future.

The current pipeline includes a wide range of lower carbon and energy efficiency technologies and solutions, including but not limited to CHP, district energy, local area network solutions, solar, storage, lighting, heating, cooling, EV charging infrastructure and other solutions. The Company is seeking to build a balanced portfolio, diversified by technology as well as by counterparty, geography and supplier.

2.6 Section 172

Section 172(1) Statement

The Directors fulfilled their duties under Section 172 of the Companies Act 2006 to act in good faith and to promote the success of the Company for the benefit of shareholders as a whole. Details can be found in Section 4.2 Report of the Directors.

3. Strategic Report: Portfolio Review

3.1 Financial Review

Financial information

In accordance with IFRS 10 the Company carries investments at fair value as it meets the conditions of being an Investment Entity (see Note 2 for details).

In order to provide shareholders with more transparency into the Company's capacity for investment, ability to make distributions, operating costs and gearing levels, results have been reported in the pro forma tables below on a non-statutory "Portfolio Basis" to include the impact if SEEIT Holdco Limited ("Holdco") were to be consolidated on a line-by-line basis. The Directors consider the non-statutory Portfolio Basis to be a more helpful basis for users of the accounts to understand the performance and position of the Company. This is because key balances such as cash and debt balances carried in Holdco and all expenses incurred in Holdco, including debt financing costs, are shown in full rather than being netted off.

The pro forma tables that follow show the Company's result for the year ended 31 March 2020 compared to the pro forma balance sheet at 31 March 2019 and the pro forma Income statement and Cash Flow for the short period from IPO in December 2018 to 31 March 2019.

The impact of including Holdco is shown in the Holdco reallocation column which reconciles back to the statutory financial statements ("IFRS") and constitute a reallocation between line items rather than affecting NAV and Earnings.

NAV per share and Earnings per share are the same under the Portfolio Basis and the IFRS basis.

Summary Financial Statements

Portfolio Basis Summary Income Statement

On the Portfolio Basis, Total Income of £17,054k (2019: £1,626k) represents the return from the portfolio recognised as income comprising dividends, interest and valuation movements. Further detail on the valuation movements is given in Section 3.2 Valuation of the Portfolio.

On an IFRS basis, Total income of £14,500k (2019: £1,562k) comprises income received by the Company and valuation movements in its investment. Both Total Income and Expenses & Finance Costs are lower than on the Portfolio Basis, as costs incurred by the Holdco are included by netting off within Total Income under IFRS, not under Expenses & Finance Costs.

Increases in both Total income and Expenses & Finance costs in the year to 31 March 2020 as compared to the period to 31 March 2019 are as a result of the first full year compared to a part year and also reflect the increase in the size of the portfolio.

Profit before tax of £11,612k (2019: £415k) included net foreign exchange gains of £2,261k (2019: £23k) comprising a £9,103k gain on revaluing of non-GBP investments at 31 March 2020 offset by losses on hedging of £6,842k

Total fees accruing to the Investment Manager were £1,973k for the year (2019: 241k), comprising the 0.9% p.a. management fee for assets up to £750m.

In the year, the Company and Holdco incurred £624k (2019: £680k) of abort costs on unsuccessful bids and bids in progress (mainly legal, technical and tax due diligence).

Neither the Investment Manager nor any of its affiliates receives other fees from the Company's portfolio of investments.

On both the Portfolio Basis and IFRS basis, Earnings were £11,612k (2019: £415k) and Earnings per share were 5.2p (2019: 0.4p).

	Year to 31 March 2020			Period to 31 March 2019		
£'000	Portfolio Basis	Holdco reallocation	IFRS (Company)	Portfolio Basis	Holdco reallocation	IFRS (Company)
Total income	17,054	(2,554)	14,500	1,626	(64)	1,562
Expenses & Finance Costs	(5,442)	2,554	(2,888)	(1,211)	64	(1,147)
Profit before Tax	11,612	-	11,612	415	-	415
Earnings	11,612	-	11,612	415	-	415
Earnings per share (pence)	**5.2**	**-**	**5.2**	**0.4**	**-**	**0.4**

Portfolio Basis Balance Sheet

	Year to 31 March 2020			Period to 31 March 2019		
£'000	Portfolio Basis	Holdco reallocation	IFRS (Company)	Portfolio Basis	Holdco reallocation	IFRS (Company)
Investments at fair value	319,802	(65,707)	254,095	60,850	484	61,334
Working capital	(4,209)	5,465	1,256	(2,004)	1,078	(926)
Debt	(62,826)	62,826	-	-	-	-
Cash	70,763	(2,584)	68,179	39,569	(1,562)	38,007
Net assets attributable to Ordinary Shares	323,530	-	323,530	98,415	-	98,415
NAV per share	**101.0**	**-**	**101.0**	**98.4**	**-**	**98.4**

On a Portfolio Basis, Investments at fair value are £319,802k (2019: £60,850k), representing the Portfolio Valuation. The increase of £258,952 is predominantly due to acquisitions during the year. Further detail on the movement in Investments at fair value is given in Section 3.2 Valuation of the Portfolio.

On a Portfolio Basis, cash at 31 March 2020 was £70,763k (2019: £39,569k); mainly reflecting cash from equity capital raised and cash received from investments, net of cash used for acquisitions. The Company is expecting to utilise the cash balance in paying the second interim dividend on 30 June 2020, delivering the identified pipeline and repayment of acquisition financing of c. £40m by end of June 2020.

An analysis of net cash movement is shown in the cash flow analysis below.

On an IFRS basis, Investments at fair value were £254,095k (2019: £61,334k), reflecting the Portfolio Valuation adjusted for cash, working capital and debt held by Holdco. A further reconciliation is provided in Section 3.2 Valuation of the Portfolio.

NAV per share at 31 March 2020 was 101.0p (2019: 98.4p). NAV per share has increased by 2.6p since last year, reflecting the earnings in the year of 5.2p, interim dividends paid during the year of 3.5p and accretive share issues in the year of 0.9p.

Analysis of growth in NAV

	NAV per share (pence)
NAV per share at 31 March 2019	98.4
Earnings to 31 March 2020	5.2
Interim dividends paid[5]	(3.5)
	100.1
NAV accretive share issues[6]	0.9
NAV per share at 31 March 2020	**101.0**

[5] Consisting of an interim dividend of 1.0 pence per share paid in June 2019 for the period ending 31 March 2019 and an interim dividend of 2.5 pence per share paid in December 2019 for the year ending 31 March 2020

[6] Arising from issuing of shares in the Company in April 2019, October 2019 and December 2019 at a price higher than the prevailing NAV

3.1 Financial Review
continued

Portfolio Basis Cash Flow Statement

£'000	31 March 2020 Portfolio Basis	31 March 2020 Holdco reallocation	31 March 2020 IFRS (Company)	31 March 2019 Portfolio Basis	31 March 2019 Holdco reallocation	31 March 2019 IFRS (Company)
Cash from investments	17,087	(13,033)	4,054	1,687	(1,653)	34
Operating and finance costs outflow	(4,028)	1,723	(2,305)	(425)	11	(414)
Net cash inflow before capital movements	13,059	(11,310)	1,749	1,262	(1,642)	(380)
Cost of new investments including acquisition costs	(254,312)	70,719	(183,593)	(59,507)	80	(59,427)
Share capital raised net of costs	222,058	-	222,058	97,813	-	97,813
Movement in borrowings	62,826	(62,826)	-	-	-	-
Movement in capitalised debt costs and FX hedging	(4,015)	2,395	(1,620)	-	-	-
Dividend paid	(8,422)	-	(8,422)	-	-	-
Movement in the year / period	31,195	(1,022)	30,172	39,569	(1,562)	38,007
Cash at start of the year / period	39,569	(1,562)	38,007	-	-	-
Cash at end of the year / period	70,763	(2,584)	68,179	39,569	(1,562)	38,007

Cash inflows from the portfolio on a Portfolio Basis were £17,087k (2019: £1,687k), in line with expectations. The increase in cash received compared with the previous period reflects the increase in the size of the portfolio and a full year of operations.

The cost of new investments by the SEEIT group on a Portfolio Basis of £254,312k (2019: £59,507k) includes the cash cost of the Oliva Spanish Cogeneration portfolio of c. £76m and the Primary Energy investment of c. £85m. The acquisition of the Oliva Spanish Cogeneration portfolio also included a revolving credit facility drawn down of c. £61m.

On an IFRS basis, costs of new investments of £183,593k (2019: £59,427k) reflects funding extended by the Company to Holdco in the year to make portfolio acquisitions.

Net cash flow before capital movements in the year on a Portfolio Basis was £13,059k (2019: £1,262k) and covers dividends paid of £8,422k in the year (2019: nil) by 1.55 times.

Share capital raised (net of costs) totalled £222,058k (2019: £97,813k) reflecting the net proceeds of the 220,374k shares issued during the year under the share issuance programme.

Hedging for the Group is undertaken by Holdco and therefore the Company had no cash flows for this on an IFRS basis. Holdco enters into forward sales to hedge foreign exchange exposure in line with the Company's hedging policy set out below (see 'Foreign Exchange Hedging'). On a Portfolio Basis, there was a net cash outflow of £2,501k on foreign exchange hedging in the year.

Ongoing charges

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 year. On this basis the Ongoing charges ratio is 1.17% (2019: 1.38%) for the full year. The Ongoing charges percentage has been calculated on the Portfolio Basis to take into consideration the expenses of the Company and Holdco.

As expected, the Ongoing Charges ratio has reduced year on year, benefitting from the growth in the net assets meaning the fixed (ongoing) costs of the Company is spread across a larger base.

Group Drawings and Gearing Levels

A revolving credit facility ("RCF") was put in place in April 2019 and the RCF was entered into by Holdco for £25 million and has an expiry date of 30 June 2022. It also provides for access to additional £40 million of acquisition financing, repayable in July 2020.

In November Holdco utilised €45 million from the acquisition financing facility and €26 million from the RCF for the acquisition of the Oliva Spanish Cogeneration portfolio. As at 31 March 2020, both amounts were still outstanding with the acquisition financing expected to be repaid in full from existing cash resources by end of June 2020.

The Investment Manager periodically considers refinancing options aligned to the pipeline of potential transactions and in the interest of efficient capital management and foreign exchange hedging.

Foreign Exchange Hedging

The Company applies foreign exchange hedging through currency hedges entered into by Holdco. 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 arising from movements in foreign exchange rates, and to provide stability and predictability of Sterling cash flows.

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

As part of the Company's hedging strategy the Investment Manager will regularly review non-Sterling exposure in the portfolio and adjust the levels of hedging accordingly and in doing so will also take into account the cost benefit of hedging activity.

Net foreign exchange gains in the year ended 31 March 2020 was £2,261k, representing less than 1% of NAV.

Going concern

The Directors believe that the Group has adequate resources to continue in operational existence for the foreseeable future. Therefore, they continue to adopt the going concern basis of accounting in preparing the financial statements. Further details of the processes carried by the Company in determining that the going concern basis continues to be appropriate can be found in Section 4.2 Report of the Directors,

3.2 Valuation of the Portfolio

Introduction

The Investment Manager is responsible for carrying out the fair market valuation of the SEEIT group's portfolio of investments (the "Portfolio Valuation") 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 is the key component in determining the Company's NAV.

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.

The Investment Manager exercises its judgment 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 macro-economic assumptions and specific operating assumptions.

The fair value for each investment is then derived from the application of an appropriate market discount rate to reflect the perceived risk to the investment's future cash flows and the relevant year end foreign currency exchange rate to give the present value of those cash flows. 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.

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.

For the valuation as at 31 March 2020, the Directors commissioned a report from a third-party valuation expert to provide their assessment of the appropriate discount rate range for each project in order to further benchmark the valuation prepared by the Investment Manager.

The valuation methodology is unchanged from the Company's IPO and details of the valuation methodology can be found in the Company's Prospectus.

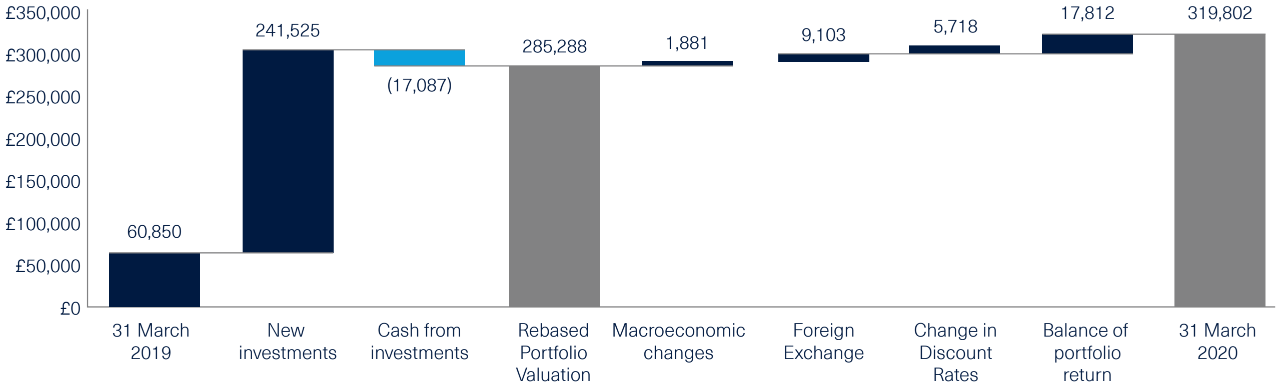
Portfolio Valuation

The Portfolio Valuation as at 31 March 2020 was £319,802k, an increase of £258,952k compared to the Portfolio Valuation of £60,850k as at 31 March 2020 and an increase of £238,481k compared to the Portfolio Valuation of £81,320k at 30 September 2019 – the increase is a result of the acquisitions during the year. A reconciliation between the Portfolio Valuation at 31 March 2020 and Investment at fair value shown in the financial statements is given in Note 11 to the financial statements, the principal differences are as per the table below.

	£'000
Portfolio Valuation	319,802
Holdco cash	2,584
Holdco debt	(62,826)
Holdco net working capital	(5,465)
Investment at fair value (see Note 11)	**254,095**

Valuation Movements

A breakdown of the movement in the Portfolio Valuation in the period is illustrated in the chart and set out in the table below.



Valuation Movements During the Year To 31 March 2020 (£'000)	**£'000**	**£'000**
Portfolio Valuation – 31 March 2019		60,850
New Investments	241,525	
Cash from Investments	(17,087)	
		224,438
Rebased Portfolio Valuation		**285,288**
Changes in Macroeconomic Assumptions	1,881	
Changes in Foreign Exchange	9,103	
Changes in Discount Rates	5,718	
Balance of Portfolio Return	17,812	
		34,514
Portfolio Valuation – 31 March 2020		**319,802**

The opening Portfolio Valuation at 31 March 2019 was £60,850k. Allowing for investments of £241,525k and cash receipts from investments of £17,087k, the rebased Portfolio Valuation is £285,288k.

Additional investments of £241,525k in the year include the following:

- a £18,148k investment in Spark US Energy Efficiency
- a £1,267k investment in Supermarket Solar UK
- a £135,109k investment in Oliva Spanish Cogeneration portfolio
- a £87,001k investment in Primary Energy portfolio

Return from the Portfolio

Each movement between the rebased valuation of £285,288k and the 31 March 2020 valuation of £319,802k is considered in turn below:

(i) Changes in macroeconomic assumptions:

Inflation assumptions: The near-term assumption applied to the Spanish assets was lowered in March 2020 from the acquisition assumption to reflect updated near-term inflation forecasts in Spain. This resulted in a net increase in the valuation as there is a higher proportion of costs linked to inflation than revenues in these assets. There were no changes to inflation assumption in the UK or USA.

Tax rate assumptions: There were no changes to forecast corporation tax rate assumptions in the US and Spain in the year. UK corporation tax rate assumptions were changed to 19% for all years from 1 April 2020 onwards (previously 17%). As a result of utilising tax group relief within the UK part of the group, this had negligible impact on the valuation as at 31 March 2020 (see '(iv) Balance of portfolio return' below for more details).

(ii) Changes in foreign exchange rates:

The movement of £9,103k in the period reflects the material weakening of GBP against USD and EUR in the period from when Oliva Spanish Cogeneration was acquired in November 2019 and Primary Energy in February 2020. The effect of the foreign exchange movements is shown before the offsetting effect of hedging undertaken by SEEIT Holdco. See Foreign Exchange Hedging in Section 3.1 Financial Review for more details.

(iii) Changes in valuation discount rates:

The discount rate used for valuing each investment represents an assessment of the rate of return at which infrastructure investments with similar risk profiles would trade on the open market.

During the year there were selected reductions of discount rates that in aggregate resulted in an increase in the valuation of £5,718k. The Investment Manager observed strong competition and downwards pressure on discount rates in the US markets, notably in onsite generation assets, and as a result lowered the discount rate for the investments in Primary Energy and Northeastern US CHP.

The Directors of the Company have received a report from a third-party valuation expert to benchmark the discount rates used by the Investment Manager. The Directors noted that the discount rates used by the Investment Manager were within the ranges advised by the third-party expert with one exception, in the case of Primary Energy, where the discount rate applied by the Investment Manager was higher.

The weighted average portfolio valuation discount rate as at 31 March 2020 was 7.5% (March 2019: 6.5% and September 2019: 7.1%) with changes in the year driven by the portfolio assets acquired during the year.

(iv) Balance of portfolio return:

This refers to the balance of valuation movements in the year (excluding (i) to (iii) above) and represents an uplift of £17,812k. The balance of portfolio return mostly reflects the net present value of the cash flows brought forward for the period at the average prevailing portfolio discount rate, various additional valuation adjustments described below and reflects good operational cashflow performance.

The portfolio return also includes some additional valuation adjustments:

- The Spanish RoRi mechanism, which makes payments administered by the regulator, is designed to mitigate, over the medium term to long term, against fluctuations in commodity prices. Calculations of payments under the mechanism are re-based every 6 years and reset mid-term with an adjustment for gas prices made every 6 months and remaining costs and revenues adjusted every 3 years. The periodic adjustment made by the regulator in Q1 2020 was not in line with the expectations of the Company or the market and reduced significantly the projected revenues associated with the Oliva Spanish Cogeneration assets. Nonetheless, upsides in the value attributable to renewable energy production from biomass, compensation for CO_2 and other factors approximately equally mitigated the adverse impact.
- The valuation of the investment in the Huntsman Energy Centre has seen a reduction of £600k as a result of a change in the forecast completion of the construction commissioning which is forecast to occur later this year. The NAV of the Company is however only minimally affected at 31 March 2020 as the contractual retention payable to the vendor in relation to this project has decreased by a similar amount.
- One-off optimisation for tax reliefs (group relief) available in the UK whereby common ownership in a group allows for offsetting of profits and losses across

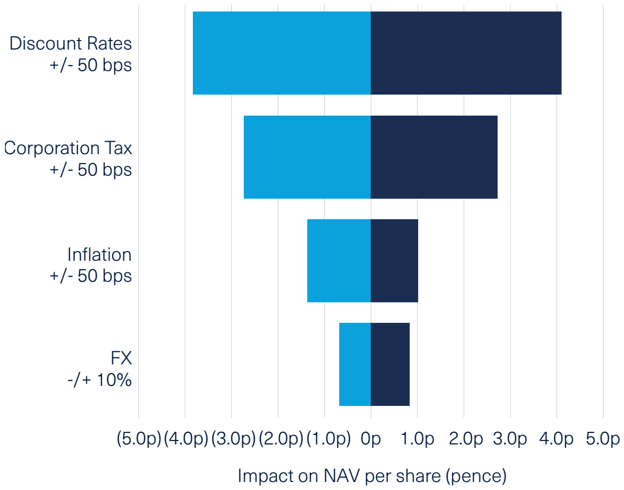
the common group. This has resulted in a benefit to the portfolio of £5.3 million.

Valuation Assumptions

		31 March 2020	30 September 2019	31 March 2019
Inflation rates	UK (RPI)	2.75% p.a.	2.75% p.a.	2.75% p.a.
	Spain (CPI)	1.1% in 2020/21, 1.6% in 2022, 2.0% p.a. thereafter	n/a	n/a
	USA (CPI)	2.00% p.a.	2.00% p.a.	2.00% p.a.
Tax rates	UK	19%	19% to March 2020, 17% thereafter	19% to March 2020, 17% thereafter
	Spain	25%	n/a	n/a
	USA	21% Federal & 3-9% State rates	21% Federal & 3-9% State rates	21% Federal & 3-9% State rates
Foreign exchange rates	EUR/GBP	0.88	n/a	n/a
	USD/GBP	0.80	0.81	0.77

Key Sensitivities

The following chart illustrates the sensitivity of SEEIT's NAV per share to changes in key valuation input assumptions (with the labels indicating the impact of the sensitivities on the NAV in pence per share):



For each of the sensitivities, it is assumed that potential changes occur independently of each other with no effect on any other base case assumption, and that the number of investments in the portfolio remains static throughout the modelled life.

Discount Rate Sensitivity

The weighted average discount rate that is applied to each portfolio company's forecast cash flow, is the single most important judgement and variable for the purposes of valuing the portfolio.

A 0.5% increase in the discount rates would result in a NAV per share decrease of 3.8p based on the Portfolio Valuation as at 31 March 2020. A 0.5% decrease in the discount rates would result in a NAV per share increase of 4.1p based on the Portfolio Valuation as at 31 March 2020.

Corporation Tax Rate Sensitivity

This sensitivity considers a 0.5% p.a. movement in corporation tax rates in the UK, Spain and USA. The profits of each portfolio company are subject to corporation tax in the country where the project is located.

A 5% p.a. increase in corporation tax rates would result in a NAV per share reduction of 2.7p based on the Portfolio Valuation as at 31 March 2020. A 5% p.a. decrease in corporation tax rates would result in a NAV per share increase of 2.8p based on the Portfolio Valuation as at 31 March 2020.

The UK exposure in the portfolio is structured in an optimal but prudent manner such that the portfolio has negligible sensitivity to movements in UK corporation tax rates as a result of UK entities within the group being able to offset profits and losses. The sensitivity therefore mainly shows the impact of changes in US and Spanish tax rates.

Inflation Rate Sensitivity

This sensitivity considers a 0.5% p.a. movement in long term inflation in the UK, Spain and USA.

A 0.5% p.a. increase in inflation rates would result in a NAV per share reduction of 1.3p based on the Portfolio Valuation as at 31 March 2020. A 0.5% p.a. decrease in inflation rates would result in a NAV per share increase of 1.0p based on the Portfolio Valuation as at 31 March 2020. The Company's NAV has limited exposure to inflation which is not expected to increase materially in the future.

The Company's investments often benefit from fixed or escalating revenue that are not inflation linked, whereas costs such as O&M after often inflation linked. Within the portfolio of investments there are some natural offsetting or protection for inflation – should the long-term exposure increase adversely, the Investment Manager will consider implementing mitigant strategies that include, but are not limited to, hedging.

Foreign Exchange Rate Sensitivity

This sensitivity considers a 10% movement in relevant non-GBP currencies, which in the case of the Portfolio Valuation at 31 March 2020 is US Dollar and Euro, from the foreign exchange rates used at 31 March 2020 – the sensitivity is shown below pre and post mitigation from hedging.

This sensitivity is presented after taking into account the effect of hedging implemented by the Company - a 10% increase in foreign exchange rates would result in a NAV per share reduction of 0.7p and 10% decrease in foreign exchange rates would result in a NAV per share increase of 0.8p.

Without any hedging, a 10% increase in foreign exchange rates would result in a NAV per share reduction of 7.4p based on the Portfolio Valuation as at 31 March 2020. A 10% decrease in foreign exchange rates would result in a NAV per share increase of 8.2p based on the Portfolio Valuation as at 31 March 2020.

Please refer to Note 3 in the Notes to the Financial Statements for further detail.

3.3 Investment Portfolio

Portfolio Analysis

Five largest investments in the portfolio

The table below shows the five largest investments in the Investment Portfolio as a proportion of the overall Portfolio Valuation, which excludes cash held by the Company, at 31 March 2020.

Project	As a % of the Investment Portfolio
Primary Cokenergy	13%
Oliva Biolinares	8%
Oliva Celinares	8%
Oliva Cepuente	7%
Oliva Bipuge	7%
Five largest assets - total	**43%**
Remaining Investment Portfolio assets	57%
Total	**100%**

Overview of the five largest portfolio investments

Cokenergy - USA

Cokenergy is a 95MW waste heat recovery CHP plant that provides electricity and steam to Arcelor Mittal's steel-making operations. The facility has capacity to supply up to one-fourth of ArcelorMittal's total electrical requirements or more than half of its process steam needs, replacing onsite, coal-fired generation that was shut down soon after the facility came on-line.

The facility uses waste heat produced by the coke battery facility. This waste heat is recovered to create steam, which in turn supplies a portion of the steel plant's process heating needs and is used to drive a steam turbine to generate electricity. Cokenergy improves the efficiency of the historically dirty and energy inefficient coke-making process while reducing plant costs and lowering emissions.

Oliva Biolinares – Biomass - Spain

Biolinares is a 15MW biomass boiler that sits within the Linares complex. It utilises olive cake from the adjacent Colinares processing plant to produce electricity which is sold to the grid under the Spanish RoRi regulatory regime and as such, is not exposed to power commodity fluctuations over the life the asset. The plant benefits from a long-term O&M arrangement with Sacyr.

Oliva Celinares – CHP Plant - Spain

Celinares is a high efficiency combined heat and power asset within the Oliva Spanish Cogeneration portfolio. It sits within the Linares complex and utilises natural gas to produce heat and electricity. The heat is sold as a fixed price to the adjacent Colinares processing plant within the same Linares complex. The electricity is sold to the grid under the Spanish RoRi regulatory regime and as such, is not exposed to gas and power commodity fluctuations over the life the asset. Celinares benefits from a long-term O&M with Sacyr as well as a long-term service agreement with Rolls Royce.

Oliva Cepuente – Spain

Celinares is a high efficiency combined heat and power asset within the Oliva Spanish Cogeneration portfolio ad utilises natural gas to produce heat and electricity. The heat is sold under a long-term contract at a fixed price to Aceites del Sur – Coosur. The electricity is sold to the grid under the Spanish RoRi regulatory regime and as such, is not exposed to gas and power commodity fluctuations over the life the asset. Cepuente benefits from a long-term O&M arrangement with Sacyr as well as a long-term service agreement with Rolls Royce.

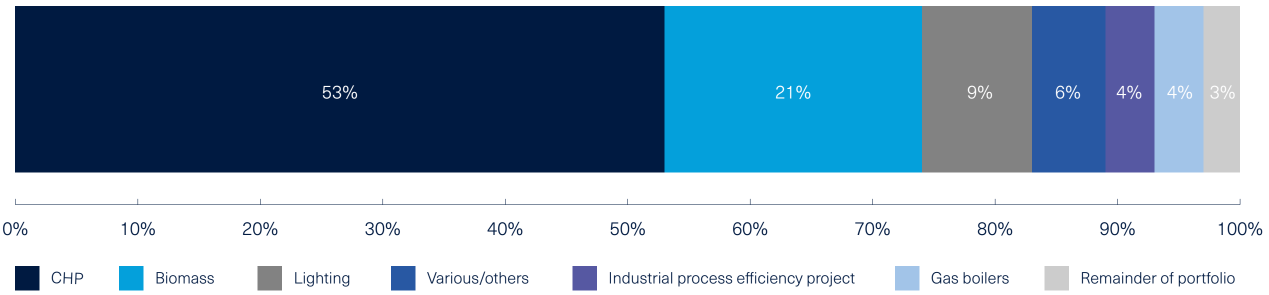
Oliva Bipuge – Spain

Biolinares is a 9.8 MW biomass boiler that sits within the Linares complex. It utilises olive cake from the adjacent Sedebisa processing plant within the Puente Genil complex to produce electricity which is sold to the grid under the Spanish RoRi regulatory regime and as such, is not exposed to power commodity fluctuations over the life the asset. The plant benefits from a long-term O&M arrangement with Sacyr.

3.3 Investment Portfolio
continued

Portfolio diversification by technology

Technology exposure (Portfolio value £319.8m)

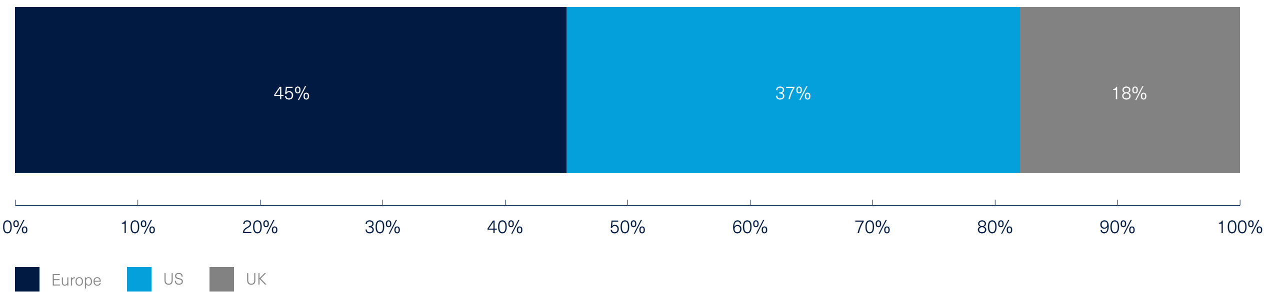


The largest technology component within the portfolio is CHP, which accounts for 53%. This comprises a number of the Oliva Spanish Cogeneration and Primary Energy portfolio projects along with a number of stand-alone projects.

The second largest technology represented in the portfolio is Biomass with 21%, this comprises the two biomass assets within the Oliva Spanish Cogeneration portfolio, along with the assets within the Moy Park Biomass portfolio.

Portfolio diversification by geography

Country exposure (Portfolio value £319.8m)



SEEIT's assets located in Spain comprise the entirety of the Oliva Spanish Cogeneration portfolio and also represents c.45% of the SEEIT portfolio.

The US portion of the portfolio is dominated by Primary Energy, with the remainder comprising Spark US Energy Efficiency and Northeastern US CHP.

The UK portion of the portfolio comprises the Seed Portfolio and Supermarket Solar UK. This represents c.18% of the portfolio. The inclusion of the £71m cash held in the Company and Holdco as at 31 March 2020, increases the UK exposure to 33% (of Gross Asset Value).

3.4 Risk & Risk Management

Risk Management Framework

SDCL operates SEEIT's risk management framework, which includes systems and procedures designed to enable the Company to ensure that all applicable risks pertaining to the Company can be identified, monitored and managed.

The risk management framework is overseen by the Company's Audit & Risk Committee, which meets at least three times each year. The remit of the Audit & Risk Committee includes a requirement to monitor and keep under review the adequacy and effectiveness of the Company's internal financial controls, internal controls and risk management systems. The Committee receives periodic risk management reports from the Investment Manager to support its assessment, in addition to updates to the risk register, whereby each risk is rated, risk mitigating factors detailed and applicable controls highlighted.

Part of SEEIT's wider risk management framework includes the activities of key service providers, including the Investment Manager, which has its own risk management function.

The Company's approach to risk management is calibrated according to the specific characteristics of the Company's investment strategy, namely investing principally in a diversified portfolio of energy efficiency projects, with high quality private and public sector counterparties.

The tables below summarise the key risks to the Company and details the mitigations of such risks as applicable.

Key Risks	Mitigation
Market and investment related risks	
Energy-market exposure	Energy-market exposures can be limited via hedging strategies and appropriate contractual protections, delivering more predictable cashflows. Specifically, the Investment Manager seeks opportunities that avoid substantial energy market price exposures, such as through provision of essential energy generated on-site, under long-term contractual arrangements.
Risk that Investment Manager may be unable to deploy capital on a timely basis, which may result in reduced performance via cash-drag.	An extensive and varied pipeline of energy efficiency projects is developed, and maintained, by an investment management team with an international footprint. Significant focus is applied to the alignment of capital raising and deployment.
Substantial portfolio of new assets acquired which may include risks not fully identified in due diligence processes.	Ensuring resourcing of specialist operational staff for significant new operating assets, including Spanish olive oil sector energy efficiency assets. New assets are promptly integrated into the portfolio reporting framework and risks management systems. The Investment Manager is highly experienced in co-ordinating due diligence processes for energy efficiency project opportunities, utilising leading specialist advisers as appropriate, to support the due diligence reviews.
Portfolio concentration risks potentially higher during the early life of the Company (including significant portfolio weighting in energy efficiency assets related to both Spanish olive oil sector and US steel sector).	Close oversight of portfolio weightings, seeking diversification by energy efficiency assets class, geography, technology, counterparty, economic sector and contractor. Portfolio concentration risks were significantly mitigated by the initial acquisition of a diversified seed portfolio, in December 2018, and further diversification has followed, including through US and European investments and broader sectorial exposures.

3.4 Risk & Risk Management
continued

Key Risks	Mitigation
Credit and Counterparty Risks	
Default risks relating to counterparties for energy services contracts and relating to key service providers.	Counterparty due diligence is undertaken on prospective investments, which includes credit rating assessments. On-going counterparty risks are mitigated via credit risk management disciplines relating to counterparties (including off-take, through credit risk assessments and diversification across such counterparties. Additional protections such as parent company guarantees may also be available. Otherwise, prospective investment due diligence processes include assessments of the likely rate of recoverability of project capital, in the unlikely event of any counterparty default, for example via the potential of alternative off-taker arrangements or through expected continuing plant operations. Due diligence is also undertaken on key energy efficiency project service providers, including with respect to financial stability, which would also assess replaceability factors.
Counterparty risks relating to re-contracting	The Company has relatively limited exposure to re-contracting risk. The substantial majority of projects in its portfolio are contracted for the medium to long term, however, the Company's investment in the five projects involved in Primary Energy does assume that some re-contracting is achieved. The risk is mitigated by the fact that Primary Energy has a good track record of re-contracting, given inter alia that it is providing a combination of emissions control and renewable energy and providing essential services to the operations of the project clients, at a competitive price compared to the grid.
Counterparty risks relating to cash balances	Exposures to deposit-takers, during any periods of relatively high portfolio cash weightings, are mitigated by diversification of credit exposures.
Risks relating to renewal of debt facilities	The robust and resilient nature of the portfolio has limited the risk of any difficulty in obtaining satisfactory borrowing facilities, in the otherwise challenging environment of COVID-19 lockdown. Further, the Company only seeks a moderate level of target leverage. Portfolio liquidity and cash flow management is also designed to enable repayment of any maturing debt facilities, as appropriate, in case of any sudden reduction in credit availability.
Liquidity Risks	
Investments in the underlying energy efficiency projects are typically highly illiquid and it may be not realistic to realise such assets promptly.	The Company is a closed-ended fund (not subject to redemptions) with medium term gearing limited to 35%, hence there is limited scope by which the portfolio would be obliged to realise assets. Assets are typically purchased upon the basis of immediate positive cashflows, which also may have benefit in respect of the availability of liquidity for the portfolio. The Investment Manager closely oversees portfolio liquidity, but also would benefit from its market expertise if the need ever arose to realise an investment.

Key Risks	Mitigation
Risks relating to COVID-19 pandemic	
Risk of interruption to operation, or construction, of energy efficiency projects (including relating to supply chains, health of key staff or access to equipment sites), including the potential for a reduction in the value of investments.	The Investment Manager has implemented weekly senior management meetings to ensure optimal continuity of operations, effectiveness of remote working practices across portfolio assets, health and safety protocols and contingency arrangements, as appropriate.
Investment risks, relating to the impact of reduction in economic activity, arising from COVID-19 pandemic.	The Company's investments primarily relate to key sectors, for which energy services have continued throughout the lockdown. Such key sectors notably include hospitals, food production and distribution, data-centres, steel production and banking. Accordingly, the Company is relatively-well placed to come through the COVID-19 pandemic.
Other Operational Risks	
Cyber and other security risks	Cyber security controls are operated by, and on behalf of, the Investment Manager and other key contractors. Strong security access controls are in place at host energy efficiency equipment sites, reflecting the essential nature of energy services provided to such hosts.
Risks relating to installing, operating and decommissioning energy efficiency equipment, risks that the equipment may not be properly and adequately maintained or otherwise underperform.	Experienced and skilled contractors are employed for projects and appropriate contractual performance assurances may further mitigate such risks. Due diligence undertaken on prospective investments seeks to identify risks relating to decommissioning and on-going maintenance. Leading equipment manufacturers are selected, and the Company seeks only to adopt tried-and-tested technology, in mitigation of operational risks.
Market risks relating to lack of available feedstock, energy price exposures or regulated revenues.	At the stage of prospective investment due diligence, careful consideration is provided to any potential exposures relating to feedstock future availability or prices, or any reliance of energy pricing or subsidies. Portfolio investments are not typically dependent upon feedstock prices or any energy-related subsidies, whilst noting that there is a significant element of reliance upon the Spanish RoRi mechanism, which makes payments administered by the regulator and which is carefully monitored.
Risks relating to any unhedged currency exposure	Non-UK currency exposures are substantially hedged, through forward foreign exchange contracts typically of maturity of up to 2 years.
Brexit-related risks	Brexit has not, and is not expected to have, any material impact upon the portfolio, due to the nature of the portfolio operations, contingency plans in place and the geographical diversification achieved.

Risk Diversification

In order to ensure a spread of investment risk, the Company has adopted certain investment restrictions to diversify the portfolio per the Investment Policy, these are outlined in Section 2.3 Business Model and Investment Strategy. Furthermore, dynamic internal paraments for risk management and portfolio construction, agreed between the Board and the Investment Manager, act to supplement the more formal permanent investment restrictions. Since the Company's launch in December 2018, the deployment of additional capital has facilitated further portfolio diversification as outlined above in the key risks table. Most notably, during the last year the portfolio has achieved substantial geographical diversification through significant investments in the US and Spain.

Key Risk Indicators and Metrics

The Company monitors a number of key risk indicators and metrics including, as applicable:

(i) gearing;

(ii) Portfolio concentration by project, counterparty, country and industry sector;

(iii) Development and construction project portfolio weighting;

(iv) Subcontractor exposure

(v) Off-taker credit rating weighting;

(vi) Technology exposure weighting; and

(vii) Contract lifespan distribution.

Emerging risks

The Company ensures that any potential emerging risks are raised and debated at each Audit and Risk Committee, with suitable actions being taken. Quite clearly, the COVID-19 pandemic has been the dominant risk theme, as emerging in early 2020.

COVID-19

The impact upon the Company of the COVID-19 pandemic can be divided into two components; the operating issues arising directly from the pandemic (including health and safety related impacts) and the longer-term impacts in relation to portfolio investments, from the economic consequences of the global pandemic.

It should be noted that the portfolio's investments are located in the UK, Spain and the US, which have been impacted by COVID-19. Nonetheless the portfolio has proved resilient, which can be explained through the Company's focus upon providing essential energy services to key sectors which have continued to operate during the pandemic (including hospitals, food production and distribution, data-centres, steel production and banking.) On this basis it is felt that the current portfolio is relatively well-placed vis a vis longer-term potential economic impact. Nevertheless, the Company remains cognisant that future macro-economic uncertainty may impact in areas such as inflation, international trade or energy demand, and will closely monitor and respond to conditions as they evolve.

Asset specific impacts of COVID-19 include illness to several operational site staff in Spain (now recovered), temporary interruption in the ability to source Solar PV equipment from China (now resolved), project delay in the UK Huntsman development project (on-going, but expected soon to be resolved) and a quick transition to working-from-home disciplines across the range of service providers.

3.5 Viability Statement

The Directors have assessed the prospects of the Company over a five-year period to 31 March 2025. The Directors have determined that a five-year period is an appropriate period over which to provide this viability statement as this period accords with the Company's business planning exercises and is appropriate for the investments owned by the Company and the nature of the Company.

In making this statement the Directors have considered the resilience of the Company, taking account of its current position, the principal risks facing the business in severe but plausible downside scenarios, and the effectiveness of any mitigating actions.

The Company benefits from investments with predictable long-term cash flows and a set of risks that can be identified and assessed. The investments are each supported by detailed financial models. The Directors believe that the diversification within the portfolio of predominantly operational investments helps to withstand and mitigate for the risks it has identified that the Company may face.

The Investment Manager prepares and the Directors review summary five-year cash flow projections each year as part of business planning. The projections consider cash flows, dividend cover, investment policy compliance and other key financial indicators over the period. These projections are based on the Investment Manager's expectations of future asset performance, income and costs, and are consistent with the methodology applied to provide the valuation of the investments.

The Investment Manager provided analysis on these projections at various points through the year that considers the potential impact of the Company's principal risks actually occurring in severe but plausible downside scenarios. The Audit & Risk Committee had the opportunity to review and challenge the analysis which included the potential impact of significant adverse changes to macro-economic changes, counterparty credit deterioration, global recession-like adverse impact on cash flows and a significant adverse impact on cash flows from the largest assets.

Based on the reviews conducted throughout the year, the Directors confirm that they have a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the period to March 2025.

On behalf of the Board

Tony Roper,
Chairman

4. Board and Governance

4.1 Board of Directors

Anthony (Tony) Roper
Chairman

Appointed:
12 October 2018

Experience:
Tony started his career as a structural engineer with Ove Arup and Partners in 1983. In 1994 he joined John Laing plc to review and make equity investments in infrastructure projects both in the UK and abroad and then in 2006 he joined HSBC Specialist Investments to be the fund manager for HICL Infrastructure Company Limited. In 2011, Tony was part of the senior management team that bought HSBC Specialist Investments from HSBC, renaming it InfraRed Capital Partners.

Tony was a managing partner and a senior member of the infrastructure management team at InfraRed Capital Partners until June 2018 during which time he oversaw the successful launch of The Renewables Infrastructure Group on the London Stock Exchange.

Tony is a non-executive director of Affinity Water Limited and is the chairman of Aberdeen Standard European Logistics Income plc.

Tony has an MA in Engineering from Cambridge University and is an ACMA.

Helen Clarkson
Director

Appointed:
12 October 2018

Experience:
Helen joined The Climate Group in March 2017 as Chief Executive Officer. In addition to leading the growing Climate Group team, she sits on the board of the We Mean Business Coalition.

Prior to joining The Climate Group, Helen worked at Forum for the Future where she founded the organization's US office. At Forum, Helen led work with large US corporations such as Target, Walmart, Nike, Gap, and Levi Strauss & Co. to solve complex sustainability challenges at both the organizational and broader systemic level. Helen joined Forum from Médecins Sans Frontières where she worked on humanitarian missions in countries including Democratic Republic of Congo, Sudan, Pakistan and Nigeria.

Helen qualified as a Chartered Accountant with Deloitte and has an undergraduate degree in Philosophy from Cambridge University, and a master's degree from Birkbeck College, University of London.

Committee membership:
Director and Chair of the Audit and Risk Committee

Christopher (Chris) Knowles
Senior Independent Director

Appointed:
12 October 2018

Experience:
Chris has over 40 years' experience of development economics, project finance, infrastructure and climate and environmental finance. He has spent the majority of his career at the European Investment Bank ("EIB"), most recently heading the climate investment business. From 2000 to 2005 he led the lending operations team responsible for EIB's financing in the transport and infrastructure sectors in Spain, closing € 4 to 5 billion of financing annually for Europe's largest national infrastructure programme, much of it in PPP form. He spent the 1990s doing broadly similar jobs throughout the Central European region, Finland and Greece and the 1980s in the African and Caribbean regions. Prior to EIB he worked for the Lesotho National Development Corporation, the European Commission and Lazard Brothers.

From 2006 to 2017 Chris was part of an initiative by EIB to reinforce its activity in sectors of high policy priority for the EU and in which the EIB sought to develop innovative approaches. In this capacity, he had pan-European responsibility for a diverse portfolio of activities, including equity funds for infrastructure and clean energy, carbon finance, and structured finance in the energy and environmental sectors. He is a representative on various advisory committees including that for the Climate Bond Initiative and the OECD Centre for Green Finance & Investment. He was chairman of the Green for Growth Fund, which focussed on energy efficiency projects in the Balkans, Caucasus and MENA regions, and a board member of the European Energy Efficiency Fund (which focusses on the pan-EU region).

Chris holds degrees in Economics and Management from the University of Durham.

Committee membership:
Chairman of the Remuneration Committee

4.2 Report of the Directors

The Directors are pleased to present the Annual Report and Financial Statements for the year ended 31 March 2020. In accordance with the Companies Act 2006 (as amended), the Listing Rules and the Disclosure Guidance and Transparency Rules, the Corporate Governance Statement, Directors' Remuneration Report, Report from the Audit & Risk Committee, the Nomination Committee and the Statement of Directors' Responsibilities should be read in conjunction with one another and the Strategic Report. As permitted by legislation, some of the matters normally included in the Directors' Report have instead been included in the Strategic Report, as the Board considers them to be of strategic importance. Therefore, a review of the business of the Company, recent events and outlook can be found in Section 2.5 Investment Manager's Report along with information regarding environmental, social and governance issues can be found

Corporate Governance

The Company's Corporate Governance Statement is set out in Section 4.3 and forms part of this report.

Details regarding independent professional advice and insurance are set out in the Corporate Governance Statement on page 50.

Principal activity

The Company is a closed-ended UK investment trust that invests in energy efficiency infrastructure projects. Further details can be found in the Strategic Report. The Directors do not anticipate any change in the principal activity of the Company in the foreseeable future.

Investment trust company status

The Company did not meet the criteria to qualify as an investment trust company for tax purposes during the year as a result of an administrative oversight. This had no impact on the Company. In March 2020, the Company received confirmation that it meets the obligations required of it to achieve approved investment trust status for the financial year starting on 1 April 2020 (under Section 1158 of the Corporation Tax Act 2010 and the Investment Trust Regulations 2011). The Company is required to meet relevant eligibility conditions and ongoing requirements. In particular, the Company must not retain more than 15 per cent. of its eligible investment income. The Company is conducting and monitoring its affairs so as to enable it to comply with these requirements.

Directors

The Directors in office at the date of this report and their biographical details are shown in Section 4.1 Board of Directors.

Details of the Directors' terms of appointment can be found in the Corporate Governance statement. The beneficial interest of the current directors and their connected persons in the ordinary shares of the Company are set out in Section 4.6 Directors' Remuneration Report

The Investment Manager

The Company and the Investment Manager 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 portfolio in accordance with the Company's investment objective and policy.

The Investment Manager is authorised and regulated as an AIFM by the Financial Conduct Authority (FCA) and, as such, is subject to the FCA Rules in the conduct of its investment business.

As the entity appointed responsible for risk management and portfolio management, the Investment Manager is the Company's 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 acquisitions or investments and monitoring the Company's funding requirements.

The Board keeps the performance of the Investment Manager under continual review. The Directors believe that the continuing appointment of the Investment Manager, on the agreed terms, is in the best interest of the Company and its shareholders as a whole.

Further information on the SDCL group can be found at their website: www.sdcl-ib.com

AIFM Directive

The AIFM Directive imposes detailed and prescriptive obligations on fund managers established in the EEA. These obligations include prescriptive rules on measuring and capping leverage in line with known European standards, the treatment of investors, liquidity management, the use of ''depositaries'' and cover for professional liability risks. The AIFM Directive imposes conditions on the marketing of entities such as the Company to investors in the EEA.

The AIFM Directive requires that an ''alternative investment fund manager'' (''AIFM'') be identified to meet such conditions where such marketing is sought. For these purposes, SDCL, as the legal entity responsible for performing portfolio and risk management of the Company, is the AIFM.

Independent Auditor and Disclosure of information

The Directors holding office at the date of this annual report confirm that, so far as they are aware, there is no relevant audit information of which the Company's independent auditor is unaware. Each Director has taken all the steps that they ought to have taken to make themselves aware of any information needed by the independent auditor for the purposes of their audit and to establish that the independent auditor is aware of that information.

PricewaterhouseCoopers LLP has expressed its willingness to continue in office as independent auditor of the Company and resolutions for its re-appointment and to authorise the Audit & Risk Committee to determine its remuneration will be proposed at the forthcoming AGM.

Financial Risk management

The principal risks and uncertainties facing the Company are set out in Section 3.4 Risk and Risk Management Information about the Company's financial risks and policies for managing these risks are set out in Note 15 to the financial statements.

Foreign Account Tax Compliance Act ("FATCA") and the OECD Common Reporting Standards ("CRS")

The Board, in conjunction with the Company's service providers and advisers, will ensure the Company's compliance with FATCA's and CRS's requirements to the extent relevant to the Company.

Share Capital

The issued share capital of the Company as at 31 March 2020 and at the date of this report was 320,374,508 ordinary shares.

The Company has one class of ordinary shares which carry no rights to fixed income and have no restrictions attached to them. Shareholders are entitled to all dividends paid by the Company and, on a winding up, provided the Company has satisfied all of its liabilities, the shareholders are entitled to all of the surplus assets of the Company.

Shareholders are entitled to attend and vote at all general meetings of the Company and, on a poll, to one vote for each ordinary share held.

Articles of Association

The Company's Articles of Association may be amended by the members of the Company by special resolution (requiring a majority of at least 75 per cent. of the persons voting on the relevant resolution).

Share repurchases

At the AGM held in September 2019, the Company was granted the authority to purchase up to 14.99% of the Company's ordinary share capital in issue at the date that the AGM notice was published, amounting to 25,675,941 ordinary shares. No ordinary shares have been bought back under this authority. This authority will expire at the conclusion of, and renewal will be sought at the AGM to be held in July 2020.

Significant voting rights

The Company has been informed of the following notifiable interests in the voting rights of the Company, in accordance with Disclosure Guidance and Transparency Rule 5.1.2, as at 31 March 2020:

	Number of Ordinary shares held	% of voting rights
Investec Wealth & Investment Limited	44,996,013	14.04
M&G plc	39,437,352	12.30
Newton Investment Management Limited	16,853,713	9.84
CCLA Investment Management Limited	30,925,733	9.65
Tesco Pension Trustees Limited	23,298,086	7.27
Liontrust Investment Partners LLP	9,563,234	5.58
VT Gravis Funds ICVC	8,800,000	5.13
Smith & Williamson Holdings Limited	8,723,598	5.09

The Company has been informed of the following changes to notifiable interests between 31 March 2020 and the date of this report:

	Number of Ordinary shares held	% of voting rights
Investec Wealth & Investment Limited	48,090,579	15.01%
M&G PLC	42,770,160	13.35%

Results and dividend

The total return attributable to shareholders for the year amounted to £11,612k (2019: £415k). In June 2019 the Company paid an interim dividend in respect of the year ended 31 March 2019 of 1.0 pence per share. In December 2019 the Company paid a first interim dividend in respect of the year ended 31 March 2020 of 2.5 pence per share. On 22 May 2020, the Board declared a second interim dividend of 2.5 pence per share with respect to the year ended 31 March 2020, payable on 30 June 2020.

The Company intends to, going forward, pay interim dividends on a quarterly basis (expected to be equal) instead of six-monthly, with the first quarterly dividend expected to be paid in September 2020 in respect of the quarter ending 30 June 2020.

Going Concern

The Company's business activities, together with the factors likely to affect its future development, performance and position are set out in the Section 2.5 Investment Manager's Report.

The financial position of the Company, its cash flows, liquidity position and borrowing facilities are described in the Section 3.1 Finance Review. In addition, notes to the financial statements include the Company's objectives, policies and processes for managing its capital; its financial risk management objectives; details of its financial instruments and hedging activities; and its exposures to credit risk and liquidity risk.

The Company has prepared and the Directors have reviewed a cash flow forecast covering the period of minimum twelve months from the date of approval of this report, taking into consideration changes in investment and trading performance and is expected to continue to generate positive cash flows for the foreseeable future.

The Directors have also considered the impact which the current economic downturn, triggered by COVID-19 could have on the ability of the Company to continue as a going concern. A key risk facing the Company is that investments may not be able to make distributions or pay interest if they are not able to continue to operate the assets or dysfunctional market affect trading operations. The Company and the Investment Manager acted quickly to ensure that the portfolio was closely monitored and that appropriate contingency plans were in place across the portfolio, to ensure the health, safety and wellbeing of workforce associated with its portfolio. The Company and the Investment Manager have so far been able to ensure the operational integrity of the projects is maintained.

As at 31 March 2020 the Company had net current assets of £324m and cash and cash equivalents of £71m (excluding cash balances within investee companies but including cash in Holdco) which are sufficient to meet current obligations as they fall due. The major cash outflows of the Company are the payment of dividends and costs relating to the acquisition of new assets, both of which are discretionary. Even in a worst case scenario where the Company would not receive any further income from its investments for the next 12 months from signing the Annual Report and taking into account all committed payments for running the Company and repaying the acquisition facility of €45m when it falls due in July 2020, the Company would have sufficient cash reserves to continue as a going concern.

As a consequence, the directors believe that the Company is well placed to manage its business risks successfully despite the current uncertain economic outlook.

The directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

Directors' Responsibilities Pursuant to Section 172 of the Companies Act 2006

The Directors fulfilled their duties under Section 172 of the Companies Act 2006 to act in good faith and to promote the success of the Company for the benefit of shareholders. As a closed-ended investment company, the Company has no employees; however the Directors assess the impact of SEEIT's activities on other stakeholders, in particular the counterparties which SEEIT's investments provide critical energy services to recognising that the investments of SEEIT are often key to the ongoing operations of the counterparties' businesses.

A Director must act in the way they consider, in good faith, would be most likely to promote the success of the Company for the benefit of its shareholders as a whole, and in doing so have regard (amongst other matters) to:

a) the likely consequences of any decision in the long-term

b) the interests of the Company's employees

c) the need to foster the Company's business relationships with suppliers, customers and others

d) the impact of the Company's operations on the community and the environment

e) the desirability of the Company maintaining a reputation for high standards of business conduct

f) the need to act fairly between members of the Company

In the Strategic Report of this Annual Report, the Company has set out its short to long-term strategic priorities and described the plans to achieve them.

Stakeholder evaluation and engagement activities within the reporting period

The Company is committed to maintaining good communications and building positive relationships with all stakeholders. To achieve this, the Company, either directly or via the Investment Manager, continuously interacts with a variety of stakeholders important to its success. The Company seeks to achieve the correct balance between engagement and communication, whilst working within the limitations of what can be disclosed to the various stakeholders with regards to maintaining confidentiality of market and/or commercially sensitive information.

The Company has identified the following key stakeholders:

- Shareholders
- The Investment Manager
- The Company's key service providers
- The Company's investment business partners
- The Company's project's lenders

Engagement with shareholders

To continue meeting the Company's investment strategy and invest in additional pipeline investments, the Company requires additional funding. As such, existing and prospective investors are important stakeholders.

The Company currently has over 300 shareholders, comprising mainly institutional and retail investors.

Through the Company's engagement activities it strives to obtain investor endorsement for the Company's strategic objectives and how they are executed. Since IPO the Company has issued a significant number of additional shares through capital placings which have provided the capital for the Company to execute its investment strategy.

The Company engaged, directly or via the Investment Manager, with shareholders in the year through meetings, market announcements and various written materials.

The Board values the feedback and questions it receives from shareholders and takes action or makes changes, when and as appropriate.

4.2 Report of the Directors
continued

Through these engagement activities, the Board has been able to ensure its investment pipeline and fund-raising programme have been aligned with the investment strategy and that funds have been available to secure the current asset portfolio. The Company will continue to engage actively with shareholders in future.

Engagement with the Investment Manager

The Investment Manager's responsibilities are described in Section 4.3 Corporate Governance Statement under Delegation of responsibilities.

Constructive and ongoing engagement with the Investment Manager is important to ensure that the expectations of shareholders are being met and that the Board is aware of any challenges to the investment strategy or management of the Company's portfolio of investments.

The Company conducts both ongoing and an annual reviews of the Investment Manager's performance and terms of engagement and feedback is provided after such reviews. The most recent annual review took place in March 2020.

The Board and the Investment Manager maintain an open and ongoing dialogue on key issues facing the Company with a view to ensuring that key decisions relating to, inter alia, potential investments, portfolio performance and the Company's investment strategy are aligned with achieving long-term value for shareholders. This open dialogue takes the form of at least quarterly scheduled board meetings and frequent informal contact, as appropriate to the subject matter.

The Company seeks to maintain high standards of business conduct and corporate governance and ensures via the Investment Manager that appropriate oversight, control and suitable policies are in place to ensure the Company treats its stakeholders fairly.

Through these engagement activities, the Board has been able to ensure that the Investment Manager as a key stakeholder has its interests appropriately aligned to ensure the future success of the Company.

Engagement with key service providers

The Company has various key service providers who provide management services including administration & company secretarial duties, corporate broking, PR and audit.

The Company reviews all key service providers to the Company and the terms of their engagement on an ongoing basis and conducts an annual review of key service providers.

During the year, the Company conducted a review of the terms of all service provider engagements along with their fee levels to ensure an appropriate level of support was being provided to the Company. The Company seeks to ensure a two-way engagement between the Board and key service providers on service delivery expectations and feedback on important issues experienced by service providers during the year.

The Board has also maintained regular ad hoc interactions with the key service providers outside of formal meetings.

Engagement with investment business partners

The Company has various business partners including, crucially the Counterparty hosts to who the Company's investments are providing critical energy services to. The Company seeks to ensure that the terms of their engagement for the provision of energy efficiency services to the Company's counterparties are fair and appropriate whilst proving value for shareholders.

As the Company acquires new portfolio investments, the Investment Manager undertakes a review of the contracting terms of all counterparties is undertaken to ensure a long-term and equitable relationship for both parties is achievable.

The Investment Manager seeks to maintain long-term and high-quality business partnerships with these counterparties to ensure relationship stability while the Company pursues its growth strategy.

The Company's portfolio receives services from sub-contractors who provide key services to individual or groups of companies within the portfolio, such services include operations and maintenance, technical asset management and EPC construction that are considered vital to the success of the investments.

The Company, through the active management of the portfolio by the Investment Manager, seeks to ensure that these sub-contractors uphold the business reputation of the Company, complies with its policies and is aware of the impact on the environment and community when it delivers these services to the Company's investments. The Investment Manager maintains regular contact with the business partners where it seeks to encourage open and transparent communication with a view that all parties work collaboratively on the Company's business objectives.

Engagement with lenders

The availability of funding and liquidity are crucial elements in ensuring the Company's ability to execute against investment opportunities as they arise.

Considering how important the availability of funding is, the Company aims to demonstrate to its lenders that it is a well-managed business, and in particular, that the Board is focused on providing regular and careful management of risk within the investment portfolio and the Company as a whole. In order to ensure that these standards are maintained, regular financial covenant compliance validation and financial reports are undertaken by the Investment Manager and provided to both the Board and lenders as required. Outside of reporting requirements, the Investment Manager also engages regularly with lenders to discuss initiatives that can support the Company's business objectives.

Employees and Officers of the Company

As stated in Section 2.5 Investment Manager's Report, the Company does not have any employees and therefore employee policies are not required. The Directors of the Company are listed in Section 4.1 Board of Directors.

Greenhouse Gas Emissions

Information about the Company's GHG emissions is set out in the Section 2.5 Investment Manager's Report.

Political donations

The Company made no political donations during the year or the preceding period.

Requirements of the Listing Rules

Listing Rule 9.8.4 requires the Company to include certain information in a single identifiable section of the Annual Report or a cross-reference table indicating where the information is set out. The Directors confirm that no disclosures are required in relation to Listing Rule 9.8.4.

Anti-Bribery and corruption policy

The Company is committed to ensuring that the Company, its subsidiaries, partners, agents and anyone contracted to it, including by the Company's Investment Manager and key service providers complies with the requirements of both the UK Bribery Act 2010 and the Modern Slavery Act 2015. These statements are regularly reviewed by the Board. The Company's Anti-Bribery Statement is published on the Company's website.

The Report was approved by the Board on 18 June 2020 and signed on its behalf by:

On behalf of the Board

Tony Roper
Chairman

4.3 Corporate Governance Statement

This Corporate Governance statement forms part of the Directors' report.

The Board of Directors has considered the Principles and Provisions of the AIC Code published in February 2019. The AIC Code addresses the Principles and Provisions set out in the UK Corporate Governance Code 2019 (the UK Code) published in July 2018, as well as setting out additional Provisions on issues that are of specific relevance to the Company. The Board considers that reporting against the Principles and Provisions of the AIC Code, which has been endorsed by the Financial Reporting Council (FRC) provides more relevant information to shareholders. The UK Code can be found at www.frc.org.uk

Statement of Compliance with the AIC Code

The Company has complied with the Principles and Provisions of the AIC Code, except for the provisions as detailed below. The AIC Code is available on the AIC website (www.theaic.co.uk). It includes an explanation of how the AIC Code adapts the Principles and Provisions set out in the UK Code to make them relevant for investment companies.

The Board recognises the importance of sound corporate governance culture that meets the requirements of the UK Listing Authority and the AIC Code.

As an AIC member, the Company has considered the principles and recommendations of the AIC Code by reference to the AIC Guide. The AIC Code, as explained by the AIC Guide, provides a "comply or explain" code of corporate governance and addresses all the principles set out in the UK Code as well as setting out additional principles and recommendations on issues that are of specific relevance to investment companies such as the Company. The Board considers that reporting against the principles and recommendations of the AIC Code and by reference to the AIC Guide, provides better information to shareholders.

The Board is of the view that, throughout the year ended 31 March 2020, the Company complied with the recommendations of the AIC Code and the provisions of the UK Code, except for the provisions relating to:

- The role of the chief executive;
- Executive Directors' remuneration; and
- The need for an internal audit function

For the reasons set out in the AIC Guide, the Board considers these provisions are not relevant to the Company, being an externally managed investment company, with no employees. The Company has therefore not reported further in respect of the provisions relating the role of the chief executive and Executive Directors' remuneration. In relation to the need for an internal audit function, the provision is not relevant for the Company, however the Board considers that the Company's existing internal financial and operating controls, coupled with the analysis of risks inherent in the business models of the Company continue to provide appropriate tools for the Company to monitor, evaluate and mitigate its risks.

The Directors confirm they have carried out a robust assessment of the principal risks facing the company, including those that would threaten its business model, future performance, solvency or liquidity. See Section 3.4 Risk and Risk Management for further details.

The Directors have assessed the prospects of the Company over a five-year period to 31 March 2025. The Directors have determined that a five-year period is an appropriate period over which to provide this viability statement as this period accords with the Company's business planning exercises and is appropriate for the investments owned by the Company and the nature of the Company.

Based on the reviews conducted throughout the year, the Directors confirm that they have a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the period to March 2025. See Section 3.5 Viability Statement for further details.

The Board of Directors

The Directors of the Company are listed on page 43.

The Board consists of three independent non-executive Directors, who are all independent of the Investment Manager. The Board seeks to ensure that it has an appropriate balance of skills and experience, and considers that, collectively, it has substantial recent and relevant experience.

The Chairman, Tony Roper, met the independence criteria upon appointment and has continued to meet this condition throughout his term of service. The independence of the Directors is reviewed as part of the annual evaluation process and each Director is considered to be independent in character and judgement and entirely independent of the Investment Manager. Chris Knowles was appointed as Senior Independent Director at IPO.

The Senior Independent Director acts as the sounding board for the Chairman, is available to meet with major shareholders if required, provides a channel for any shareholder concerns and leads the annual evaluation of the Chairman. In the event of the Board and/or Company going through period of stress, the Senior Independent would work with the Chairman, the other directors and/or the shareholders to resolve any issues.

The responsibilities of the Chairman and Senior Independent Director are available for inspection on the Company's website.

Culture of the Board

The Chairman leads the Board and is responsible for its overall effectiveness in directing the Company. He demonstrates objective judgement, promotes a culture of openness and debate and facilitates constructive board relations and the effective contribution of all Directors. In liaison with the Company Secretary, he ensures that the Directors receive accurate, timely and clear information. The Directors are required to act with integrity, lead by example and promote this culture within the Company.

The Board seeks to ensure the alignment of its purpose, values and strategy with this culture of openness, debate and integrity through ongoing dialogue and engagement with its service providers, principally the Investment Manager. The culture of the Board is considered as part of the annual performance evaluation process which is undertaken by each Director and the culture of the Company's service providers, including their policies, practices and behaviour, is considered by the Board as a whole during the annual review of the performance and continuing appointment of all service providers.

Diversity

Diversity, including, but not limited to, gender, ethnicity, professional and industry specific knowledge, is an important consideration in ensuring that the Board and its committees have the right balance of skills, experience, independence and knowledge necessary to discharge their responsibilities. The right blend of perspectives is critical to ensuring an effective Board and a successful Company.

At the year end, the Board of Directors comprised three non-executives; two male and one female.

Re-election

The Articles of Incorporation provide that each of the Directors shall retire at each AGM. All three Directors intend to retire at the forthcoming AGM in July 2020 and offer themselves for re-election.

As set out further below, the Board carries out an annual review of each Director and the Board, as a whole. The Board believes that the balance of skills, gender, experience and knowledge of the current Board provides for a sound base from which the interests of investors will be served to a high standard.

The Board recommends the re-election of each Director at the forthcoming AGM.

Terms of Appointment

The terms of appointment of the Directors are formalised in letters of appointment, copies of which are available for inspection at the Company's registered office. None of the Directors has a contract of service with the Company.

Any appointments to the Board are subject to a formal, rigorous and transparent procedure. The Nomination Committee is responsible for satisfying itself that there is succession planning in place for directors to ensure continued refreshment of the board; identifying and nominating appointments to the Board, for their approval and are also responsible for identifying and nominating candidates to fill Board vacancies, as and when they arise.

As part of the appointment process, the Nomination Committee will:

- evaluate the balance of skills, knowledge and experience on the board and will draw up a description of the role it is seeking to fill and the capabilities required;
- use external search consultancies or open advertising in the search for candidates, if considered necessary and appropriate; and
- ensure appointments are made based on merit and after assessing candidates by means of objective criteria, ensuring that appointees have enough time available to devote to the position, and also set out the terms and conditions of the appointment of non-executive directors setting out clearly what is expected of them in terms of time, commitment, committee service and involvement outside Board meetings.

4.3 Corporate Governance Statement
continued

New directors appointed to the Board will receive an induction pack from the Secretary, containing relevant information about the Company, its constitutional documents and its processes and procedures together with Directors' training.

Board responsibilities

Under the leadership of the Chairman, the Board is responsible for the effective stewardship of the Company's affairs, including strategy, corporate governance, risk assessment and overall investment policy.

Matters reserved for the Board

The Directors have adopted a formal schedule of matters specifically reserved for their approval. The Directors have overall responsibility for the Company's business activities in accordance with the Company's Articles and Investment Policy. The Board has delegated certain functions as described further below and retains the right to vary the delegation from time to time.

The responsibilities of the Board are described in this Section and reserved matters for the Board's approval include capital raising activities, declaring dividends, reviewing the performance and appointments of key service providers, setting terms of references for the Board and relevant Committees, monitoring constitution and efficiency of the Board and its Committees and key governance aspects such as General Meetings and shareholder circulars. The full list is available on request from the Company Secretary.

Board and Chairman tenure policy

The Board's policy regarding tenure of service of the Directors including its Chairman, is that any decisions regarding tenure should balance the benefits of continuity and knowledge and the orderly transition of responsibilities through succession plans for the retirement and appointment of Directors against the need to periodically refresh the Board composition to maintain an appropriate mix of the required skills, experience, diversity and length of service. The Board considers each of the Directors' independence carefully on an annual basis as part of the Board self-evaluation and succession planning process.

It is not envisaged that any board members will continue on the Board past 9 years, except where required by Company circumstances at that time (and then only for a limited period), to be agreed by the Board as a whole, taking into account their independence and balance this against the benefits of maintaining continuity, knowledge and experience.

The Board recognises the need for continued board refreshment and expansion when considering succession and the Board has commenced a search to find a suitable additional director to support future succession plans.

Delegation of responsibilities

The Board has delegated the following areas of responsibility to a number of service providers, each engaged under separate contracts:

The day-to-day administration of the Company has been delegated to Sanne Group (UK) Limited in its capacity as Company Secretary and Administrator.

The management of the Company's portfolio is delegated to the Investment Manager.

The Investment Manager has full discretion (within agreed parameters) to make investments in accordance with the Company's Investment Policy and has responsibility for financial administration and investor relations, in addition to advising the Board in relation to further capital raisings and the payment of dividends amongst other matters, subject to the overall supervision and oversight of the Board.

Among the specific tasks of the Investment Manager are the overall financial management of the Company and existing portfolio as a whole, including the deployment of capital, management of the SEEIT group's debt facilities, hedging arrangements, the sourcing of new investments, preparing the semi-annual valuations, the statutory accounts, the management accounts, business plans, presenting results and information to shareholders, coordinating all corporate service providers to the Company and giving the Board general advice.

Members of the Investment Manager's teams are also appointed as directors of the SEEIT group's project companies and/or intermediate holding companies and as part of their role in managing the portfolio, they attend board meetings of these companies and make appropriate decisions. Material decisions are referred back to the Investment Manager's Investment Committee for consideration, and the Company's Board is consulted on key matters relevant to the Company's strategy, policies or overall performance, both on an ad hoc basis where required and during formal reporting sessions, including all matters outside the Investment Manager's delegated authority.

The Board has sought to identify potential conflicts which could arise, including the situation whereby the Investment Manager intends to acquire energy efficiency projects from a SDCL related party. Should such a situation arise, as in the case of the Northeastern US CHP transaction which completed in March 2019, where SEEIT acquired a project from a SDCL related party, the Investment Manager approached the Board at the earliest opportunity for approval and to discuss any additional diligence or comfort, such as independent valuation or audits required.

Committees of the Board

The Board has agreed a schedule of matters specifically reserved for decision by the full Board, subject to which the Board has delegated specific duties to Committees of the Board which are clearly defined in formal terms of reference.

Further details of the matters reserved for Board decision can be found in this Section. Copies of the terms of reference for Board Committees are available from the Company Secretary and on the Company's website.

Sanne Group (UK) Limited acts as Company Secretary to each Committee. No persons other than the Committee members are entitled to attend Committee meetings unless formally invited by the Committee.

The Committees of the Board are the Audit & Risk Committee, the Remuneration Committee and the Nomination Committee. Further details about each of the Committees and their activities during the year are set out in Section 4.4, Section 4.5 and Section 4.6.

Committee membership

The Chair and member of each committee as at 31 March 2020 are as follows:

	Audit and Risk Committee	Remuneration Committee	Nomination Committee
Chair	Helen Clarkson	Chris Knowles	Tony Roper
Members	Chris Knowles	Helen Clarkson	Helen Clarkson
	Tony Roper	Tony Roper	Chris Knowles

Reporting on stakeholder engagement.

The Company sets out how it interacts and engages with its stakeholders in Section 4.2 Report of the Directors. The stakeholder relationships identified provide the foundation for the Company's sustainability, which in return provides benefits to all parties. Both the Board and the Investment Manager value the importance of maintaining a high standard of business conduct and stakeholder engagement and ensuring a positive impact on the environment in which the Company operates.

Meetings

The Board is scheduled to meet at least four times a year and between these formal meetings there is regular contact with the Investment Manager, the Administrator and the Company's Broker. The Directors are kept fully informed of investment and financial controls, and other matters that are relevant to the business of the Company that should be brought to the attention of the Directors.

The attendance record of Directors for the year ended 31 March 2020 is set out below:

	Quarterly Board Meetings	Audit and Risk Committee	Remuneration Committee	Nomination Committee
Number of meetings held	4	5	1	1
Meetings attended				
Tony Roper	4	5	1	1
Helen Clarkson	4	5	1	1
Chris Knowles	4	5	1	1

During the year ended 31 March 2020, there were 16 additional adhoc Board and Committee meetings held in order to deal with matters substantially of an administrative nature and these were attended by those Directors available. The Board considers agenda items laid out in the notice and agenda of meeting which are circulated to the Board in advance of the meeting as part of the Board papers. Directors may request any agenda items to be added that they consider appropriate for Board discussion. Each Director is required to inform the Board of any potential or actual conflicts of interest prior to Board discussion. Board meetings include a review of investment performance and associated matters such as health and safety, marketing/ investor relations, risk management, gearing, general administration and compliance, peer group information and industry issues.

Performance Evaluation

The Board carried out an internal performance evaluation via questionnaires. The evaluation process was led by the Chairman and was designed to assess the strengths and independence of the Board and the performance of its Committees, the Chairman and individual Directors. The Chairman met with each Director separately during the evaluation process. The Board evaluation questionnaires were also intended to analyse the focus and appropriateness of Board meetings.

The evaluation of the Chairman was carried out by the other Directors of the Company and led by the Senior Independent Director. The results of the Board evaluation process were reviewed and discussed by both the Nomination Committee and Board. Further details of the results of the Board evaluation process can be found in the Nomination Committee report.

The independence of each Director has been considered and each has been confirmed as being independent of the Company and the Investment Manager.

Insurance and indemnity provisions

Directors' and Officers' liability insurance cover is in place in respect of the Directors. The Company's Articles of Association provide, subject to the provisions of UK legislation, an indemnity for Directors in respect of costs which they may incur relating to the defence of any proceedings brought against them arising out of their positions as Directors, in which they are acquitted or judgement is given in their favour by the Court.

Except for such indemnity provisions in the Company's Articles of Association and in the Directors' letters of appointment, there are no qualifying third-party indemnity provisions in force.

The Board has agreed arrangements whereby Directors may take independent professional advice in the furtherance of their duties.

Conflicts of Interests

It is the responsibility of each individual Director to avoid an unauthorised conflict of interest situation arising. All Directors must inform the Board as soon as they become aware of the possibility of an interest that conflicts or might possibly conflict, with the interests of the Company. A register of conflicts is maintained by the Company Secretary and is reviewed at Board meetings to ensure that any authorised conflicts remain appropriate. The Directors are required to confirm at these meetings whether there has been any change to their position.

Relations with shareholders

The Company welcomes the views of shareholders and places great importance on communication with its shareholders. Senior members of the Investment Manager make themselves available, as practicable, to meet with principal shareholders and key sector analysts. Feedback from these meetings is provided to the Board. The Board is also kept fully informed of all relevant market commentary on the Company by the Company's Financial PR agency, as well as receiving relevant updates from the Investment Manager and the Company's broker.

The Company reports formally to shareholders twice a year.

Results of AGMs are announced by the Company promptly after the relevant meeting and also published on the Company's website. Additionally, other notices and information are provided to shareholders on an ongoing basis through the Company's website in order to assist in keeping shareholders informed.

The Company Secretary and Registrar monitor the voting of the shareholders and proxy voting is taken into consideration when votes are cast at the AGM.

The Company is committed to ongoing shareholder dialogue and takes an active interest in voting outcomes. Where there are substantial votes against any resolution at an AGM, the Company will consider what, if any, actions it intends to take going forward

2019 AGM

The 2019 AGM of the Company was held on 11 September 2019. Resolutions 1 to 10 related to ordinary business and resolutions 11 to 12 related to special business as follows:

- to authorise the Directors to make market purchases of the Company's own shares; and
- to authorise the Directors to convene a general meeting on not less than 14 clear days' notice.

All votes cast were in favour and as a result each of the resolutions proposed at the AGM were passed.

2020 AGM

The AGM of the Company will be held in July 2020.

A separate notice convening the AGM will be published on the Company's website and will include an explanation of the items of business to be considered at the meeting.

Extraordinary General Meeting

As described in Section 2.2, the Company held an Extraordinary General Meeting on 18 March 2020 where a proposed amendment to the Company's investment objective and policy to remove the requirement for at least 25 per cent. of the Gross Asset Value to be in respect of Energy Efficiency Equipment based in the UK was approved.

4.4 Nomination Committee Report

Nomination Committee

The Board established a Nomination Committee on 25 November 2019 and had its first and only meeting during the year on 5 March 2020. Due to the limited size of the Board, the Nomination Committee is comprised of the entire Board.

The Nomination Committee operates within clearly defined terms of reference, which are available on the Company's website.

Function of the Nomination Committee

The principle duties of the Nomination Committee are:

- Regularly review the structure, size and composition required of the Board and make recommendations to the Board with regard to any changes (including skills, knowledge and experience in accordance with Principle K of the AIC Code);
- Give full consideration to succession planning for Directors taking into account the challenges and opportunities facing the Company;
- Be responsible for identifying and nominating, for the approval of the Board, candidates to fill Board vacancies as and when they arise; and
- Ensure plans are in place for orderly succession to the Board and oversee the development of a diverse pipeline for succession.

Matters reviewed in the year

Performance evaluation

In accordance with the AIC Code of Corporate Governance, the Directors undertake an annual evaluation of the Board, its Committees, the Chairman and the Directors.

The Nomination Committee reviewed the results of the annual evaluation which included questionnaires and face-to face meetings between the Chairman and each Director. The evaluation covered a range of areas including processes and effectiveness, overall strategy, corporate governance, investment management, communications with shareholders, training requirements and independence.

The Senior Independent Director also met with the Chairman to discuss his performance and provide feedback. The results of the evaluation process were reported to, and discussed by, the Nomination Committee and subsequently by the Board.

The following recommendations were made following consideration of the review process:

- The Company will appoint an external consultant to undertake the annual performance evaluation for the financial year ended March 2022;
- It is the Board's intention to diversify the composition of the Board as part of its plans with the future appointment of a fourth Director;
- A skills matrix would be compiled to assess the additional skills that are required by the Company to aid the appointment of an additional Director; and
- A professional development and training programme for the Directors be implemented for 2020.

Tony Roper
Chair of the Nomination Committee

4.5 Audit and Risk Committee Report

The Audit & Risk Committee is chaired by Helen Clarkson and it operates within clearly defined terms of reference and comprises all of the Directors. It is also the formal forum through which the independent auditor reports to the Board of Directors and met five times during the year.

The Board is satisfied that the Committee is properly constituted. The Audit & Risk Committee has adopted formal Terms of Reference which are available on the Company's website.

The Terms of Reference are reviewed periodically as necessary.

The main duties of the Audit & Risk Committee are:

- Assessing, and recommending to the Board for approval, the contents of the half year and annual financial statements and reviewing the independent auditor's report thereon, including consideration as to whether the financial statements are overall fair, balanced and understandable;
- Reviewing the valuation of the Company's investments prepared by the Investment Manager and making a recommendation to the Board on the valuation;
- Agreeing with the independent auditor the external audit plan including discussing with the independent auditor the key risk areas within the financial statements;
- Considering and understanding the key risks of misstatement of the financial statements and formulating an appropriate plan to review these and agreeing with the Investment Manager its processes to manage these risk areas;
- Reviewing the Viability and Going Concern Statements and reviewing the work prepared by the Investment Manager in support of these statements;
- Reviewing the scope, results, cost effectiveness, independence and objectivity of the independent auditor as well as reviewing the effectiveness of the external audit process and making any recommendations to the Board for improvement of the audit process;
- Reviewing and recommending to the Board for approval the audit, audit related and non-audit fees payable to the independent auditor or their affiliated firms overseas and the terms of their engagement;
- Reviewing the appropriateness of the Company's accounting policies;
- Ensuring the adequacy and effectiveness of the internal control and risk management systems;
- Monitor current and emerging risk exposures on behalf of the Board;
- Considering any reports or information received in respect of whistleblowing; and
- Reporting to the Board on how it has discharged its duties.

None of the members of the Audit & Risk Committee have any involvement in the preparation of the financial statements of the Company, as this has been contracted to the Investment Manager and the Company's Administrator.

The Audit & Risk Committee meets the independent auditor before, during and after their audit and has discussed with the independent auditor the scope of its annual audit work and also its audit findings. The independent auditor attends the Audit & Risk Committee meetings at which the annual and interim accounts are considered, and at which it has the opportunity to meet with the Committee without representatives of the Investment Manager and Administrator being present. The Audit & Risk Committee has direct access to the independent auditor and to key senior staff of the Investment Manager, and it reports its findings and recommendations to the Board which retains the ultimate responsibility for the financial statements of the Company.

Activities in the year

During the year, the audit and risk committee's discussions have been broad ranging which focused but not limited to:

- Conducting a review of the risk management systems of the Company and its third-party service providers, and introduced further enhancement to the system;
- Agreeing the audit plan and fees with the independent auditor in respect of the review of the half-yearly report for the six months ended 30 September 2019 and the statutory audit of the annual report for the year ended 31 March 2020, including the principal areas of focus;
- Receiving and discussing with the independent auditor its report on the results of the review of the half-yearly financial statements and the year-end audit;

- Reviewing and challenging information received from the Investment Manager recommending the rationale for preparing the accounts on a going concern basis and including a viability statement. This was discussed with the independent auditor prior to concluding that the recommendation be adopted.
- In light of the growth of the Company in the year, reviewing and recommending the continued application of IFRS 10 Investment Entity for the Company to the Board
- Reviewing the Company's annual and half yearly financial statements and recommended these to the Board for approval; and
- Reviewing whether an internal audit function would be of value and concluded that this would provide minimal added comfort at considerable extra cost to the Company.

In addition to formal Audit and Risk Committee meetings during the year, the Audit and Risk Committee has had regular contact and meetings with the Investment Manager, the Administrator and the Auditor.

Significant Issues Considered

After discussion with the Investment Manager and the independent auditor, the Audit & Risk Committee determined that the key risks of misstatement of the Company's financial statements related to the valuation of the investments.

Valuation of Investments

As outlined in Note 15 to the financial statements, the total carrying value of the investment portfolio at fair value at 31 March 2020 was £319,802k (31 March 2019: £60,850k). Market quotations are not available for these financial assets, and as such, their valuation is undertaken using a discounted cash flow methodology. This requires a number of material estimates to be made as further explained in Note 3 to the financial statements.

The valuation process and methodology were discussed by the Audit & Risk Committee with the Investment Manager at the time of the interim review, in March 2020 prior to the year-end valuation process, and again in May 2020 as part of the year-end sign off process. The Audit & Risk Committee met with the independent auditor when it reviewed and agreed the independent auditor's group audit plan and also at the conclusion of the audit of the financial statements and focussed much of its discussion on the valuation process. The Investment Manager carries out a valuation semi-annually and provides a detailed valuation report to the Company.

The Company engaged an independent valuation expert to provide a report on fair and reasonable range of discount rates for the investments in the portfolio as at 31 March 2020. The Audit & Risk Committee was satisfied that this report confirmed the reasonableness of the discount rates applied by the Investment Manager in its valuation of the portfolio as at 31 March 2020.

Valuation of Investments – key forecast assumptions

The Audit & Risk Committee considered in detail those assumptions that are subject to judgement that may have a material impact on the valuation. The key assumptions are:

Macroeconomic assumptions

Macroeconomic assumptions include inflation and tax rate assumptions. The Investment Manager's assumptions in this area are set out and explained in Section 3.2 Valuation of the Portfolio.

The Investment Manager has discussed and agreed the valuation assumptions with the Audit & Risk Committee. In relation to the key judgements underpinning the valuation, the Investment Manager has provided sensitivities showing the impact of changing these assumptions and these have been reviewed by the Investment Manager and the Audit & Risk Committee to assist in forming an opinion on the fairness and balance of the Annual Report, together with their conclusion on the overall valuation.

Valuation of Investments – valuation discount rates

The discount rates adopted to determine the valuation are selected and recommended by the Investment Manager. The discount rate is applied to the expected future cash flows for each investment's financial forecasts derived adopting the assumptions explained above, amongst others, to arrive at a valuation (discounted cash flow valuation). The resulting valuation is sensitive to the discount rate selected. The Investment Manager is experienced and active in the area of valuing these investments and adopts discount rates reflecting its current extensive experience of the market. It is noted however that this requires subjective judgement and that there is a range of discount rates which could be applied. The discount rate assumptions and the sensitivity of the valuation of the investments to this discount rate are set out in Section 3.2 Valuation of the Portfolio.

The Audit & Risk Committee discussed with the Investment Manager the process adopted to arrive at the selected valuation discount rates (which includes comparison with other market transactions and an independent review of valuation discount rates by Grant Thornton just prior to the IPO in December 2018) and satisfied itself that the rates applied were appropriate. The independent auditor explained to the Audit & Risk Committee the results of its review of the valuation, including its consideration of the Company's underlying cash flow projections, the economic assumptions and discount rates.

Internal controls and Risk Management

The Audit & Risk Committee is responsible for the Company's system of internal control and for reviewing its effectiveness. It has therefore established an ongoing process designed to meet the particular needs of the Company in managing the risks to which it is exposed. During the year the Audit & Risk Committee conducted a review of the risk management systems of the Company and its third-party service providers, and introduced further enhancement to the system.

The process is based on a risk-based approach to internal control through a risk log which identifies the key functions carried out by the Investment Manager and other service providers; the various activities undertaken within those functions; the risks associated with each activity; and the controls employed to minimise and mitigate those risks. The risk log is updated on an on-going basis and reviewed quarterly and the Audit & Risk Committee considers all material changes to the risk ratings and the action which has been, or is being, taken. By their nature, these procedures will provide a reasonable, but not absolute, assurance against material misstatement or loss.

At each Board meeting, the Board also monitors the SEEIT group's investment performance and it reviews the group's activities since the last Board meeting to ensure that the Investment Manager is adhering to the Company's Investment Policy and approved investment guidelines. The Board considers the pipeline of new potential opportunities and reviews the prices paid for new investments during the quarter.

Further, at each Board meeting, the Board receives reports from the Investment Manager, Company Secretary and Administrator in respect of compliance matters and duties they have performed on behalf of the Company.

The Board has considered the need for an internal audit function and it has decided that the systems and procedures employed by the Investment Manager and the Administrator, including their own internal review processes and processes in place in relation to the Company, provide sufficient assurance that a sound system of internal control, which safeguards the Company's assets, is maintained. An internal audit function specific to the Company is therefore considered unnecessary.

The Audit & Risk Committee recognises that these control systems can only be designed to manage rather than eliminate the risk of failure to achieve business objectives, and to provide reasonable, but not absolute, assurance against material misstatement or loss, and relies on the operating controls established by the Company's Administrator and the Investment Manager.

The Investment Manager prepares management accounts and updates business forecasts on a quarterly basis, which allow the Board to assess the Company's activities and review its performance. The Board and the Investment Manager have agreed clearly defined investment criteria, return targets, and exposure limits. Reports on these performance measures, coupled with cash projections and investment valuations, are submitted to the Board at each quarterly meeting.

The Investment Manager prepares quarterly project performance and project financial analysis, and highlights the key activities performed and any specific new risks identified relating to the operating portfolio for consideration by the Board.

Appointment of the independent auditor

PricewaterhouseCoopers LLP ("PwC") was appointed to be independent auditor for the SEEIT group at the IPO of the Company.

The objectivity of the independent auditor is reviewed by the Audit & Risk Committee which also reviews the terms under which the independent auditor may be appointed to perform non-audit services. The Audit & Risk Committee reviews the scope and results of the audit, its cost effectiveness and the independence and objectivity of the independent auditor, with particular regard to any non-audit work that the independent auditor may undertake. In order to safeguard auditor independence and objectivity, the Audit & Risk Committee ensures that any other advisory and/or consulting services provided by the independent auditor does not conflict with its statutory audit responsibilities.

Advisory and/or consulting services generally only cover reviews of interim financial statements, tax compliance and capital raising work. The independent auditor may not undertake any work for the Company in respect of the preparation of the financial statements, preparation of valuations used in financial statements, provision of investment advice, taking management decisions or advocacy work in adversarial situations.

The Committee reviews the scope and results of the audit, its cost effectiveness and the independence and objectivity of the independent auditor, with particular regard to the level of non-audit fees.

The total proposed fees for audit and audit related services amounted to £215k for the year ended 31 March 2020 of which £140k related to the Company and its direct subsidiary, SEEIT Holdco, and £75k related to audit of the SEEIT group's project subsidiaries and other audit-related services. Non-audit fees amounted to £40k for the year ended 31 March 2020 which related to the interim review of the half yearly financial statements.

Notwithstanding such services, the Audit & Risk Committee considers PwC to be independent of the Company and that the provision of such non-audit services is not a threat to the objectivity and independence of the conduct of the audit.

To fulfil its responsibility regarding the independence of the independent auditor, the Audit & Risk Committee considered:

- a report from the independent auditor describing their arrangements to identify, report and manage any potential independence threats; and
- the extent of non-audit services provided by the independent auditor.

To assess the effectiveness of the external audit process, the Audit & Risk Committee reviewed:

- the independent auditor's fulfilment of the agreed audit plan and variations from it; and
- reports highlighting any significant issues that arose during the course of the audit.

The Audit & Risk Committee notes the requirements of the UK Corporate Governance Code and, in particular, the requirement to put the external audit out to tender at least every 10 years. As this is the second year of operation of the Company, it is not expected that the Company will tender the external audit in the foreseeable future.

The Audit & Risk Committee is satisfied with PwC's effectiveness and independence as auditor having considered the degree of diligence and professional scepticism demonstrated by the firm. As such, the Committee has not considered it necessary during this period to conduct a tender process for the appointment of its independent auditor for the year ending 31 March 2021.

The Audit & Risk Committee will conduct a formal review of PwC following the issue of these financial statements to ensure that the Audit & Risk Committee considers all aspects of the independent auditor's service and performance.

Having satisfied itself that the independent auditor remains independent and effective, the Audit & Risk Committee has recommended to the Board that PwC be reappointed as independent auditor for the year ending 31 March 2021.

Audit & Risk Committee Performance Evaluation

During the year the Committee evaluated its performance considering checklists provided by leading audit firms. All of the Directors and the Managers completed the form and the results were discussed at an Audit & Risk Committee meeting.

A few items of a minor nature arose and led to recommendations that have been adopted. Overall the finding of the evaluation was that the Audit & Risk Committee is sufficiently skilled and experienced and effective in carrying out its role.

Helen Clarkson
Chair, Audit & Risk Committee

4.6 Directors' Remuneration Report

The Board presents the Directors' Remuneration Report for the year ended 31 March 2020.

Statement of the Chairman of the Remuneration Committee

The Remuneration Committee operates within clearly defined terms of reference, which are available on the Company's website and comprises all the Directors of the Company, all of whom are independent and non-executive. The Committee formally met once during the year ended 31 March 2020.

Directors' remuneration is determined by the Remuneration Committee, at its discretion within an aggregate ceiling of £300,000 per annum, and recommends remuneration to the Board for approval as set out in the Company's Articles of Association.

The Remuneration Committee met in March 2020 to consider the levels of Directors fees paid and concluded that the base Director's fee be increased by £5,000 per annum for year ending March 2021 but the additional fees paid for the roles of Chairman, Senior Independent Director and Chair of Audit & Risk Committee should remain unchanged.

The Board has adopted the recommendation from the Remuneration Committee and will seek shareholder approval at the upcoming AGM.

The Remuneration Committee's main functions include: (i) agreeing the policy for the remuneration of the Directors and reviewing and proposing changes to the policy; (ii) reviewing and considering ad hoc payments to the Directors in relation to duties undertaken over and above normal business; and (iii) appointing independent professional remuneration advisors.

Each Director abstains from voting on his or her own individual remuneration.

The law requires the Company's independent auditor to audit certain of the disclosures provided. Where disclosures have been audited, they are indicated as such. The auditor's opinion is included in their report on pages 65 to 71..

Remuneration Policy

All Directors of the Company are non-executive, and they receive an annual fee appropriate for their responsibilities and time commitment but no other incentive programme or performance-related emoluments. As such there are:

- no service contracts with the Company;
- no long-term incentive schemes;
- no options or similar performance incentives; and
- no payments for loss of office unless approved by shareholder resolution.

The Directors' remuneration shall:

- reflect the responsibility, experience, time commitment and position on the Board;
- allow the Chairman, Senior Independent Director and Chair of the Audit and Risk Committee to be remunerated in excess of any potential remaining Board members to reflect their increased roles of responsibility and accountability;
- be paid quarterly in arrears;
- include remuneration for additional, specific corporate work which shall be carefully considered and only become due and payable on completion of that work; and
- be reviewed annually and, at least every three years, by an independent professional consultant with experience of investment companies and their fee structures.

The Directors' remuneration policy was last approved by shareholders at the AGM held in September 2019. There will be no significant change in the way the current, approved remuneration policy will be implemented during the course of this financial year.

Remuneration Committee

During the year ended 31 March 2020, the Remuneration Committee met and undertook an analysis of Director fees of comparable companies and considered the increased expectations on the time of the Directors given the growth of the Company and associated investment and capital markets activity. As all Directors of the Company are non-executive, they receive an annual fee appropriate for their responsibilities and time commitment but receive no other incentive programmes or performance-related emoluments.

Directors' remuneration for the year ended 31 March 2020

The table below sets out the Directors' remuneration approved and paid for the period to 31 March 2020 as well as that proposed for the year ending 31 March 2021.

The remuneration shown below for the year ended 31 March 2020 is audited:

Director	Role	Remuneration paid for year ended 31 March 2020* £'000	Remuneration proposed for year ending 31 March 2021 £'000
Tony Roper	Chairman	£45	£50
Christopher Knowles	Senior Independent Director	£35	£40
Helen Clarkson	Audit & Risk Committee Chair	£35	£40
Total		**£115**	**£130**

*Paid before taxes where relevant.

No additional fees were payable to the Directors in the year ended 31 March 2020.

The Directors will also be entitled to be paid all reasonable expenses properly incurred by them in connection with the performance of their duties. These expenses will include those associated with attending general meetings, Board or Committee meetings and legal fees. In the year 31 March 2020, such expenses were de minimis. The Board may determine that additional remuneration may be paid, from time to time, to any one or more Directors in the event such Director or Directors are requested by the Board to perform extra or special services on behalf of the Company.

The Board also considered the availability of time of each Director, taking into account their other commitments, and concluded that adequate time was in each case available for the appropriate discharge of the Company's affairs.

Voting at AGM on Annual Report

The Directors Remuneration Policy was put to a binding vote at the AGM on 11 September 2019 and is due for renewal at the AGM in 2022. The Directors remuneration report was subject to an advisory vote at the AGM held on 11 September 2019. An ordinary resolution for the approval of this Annual Report on Directors' Remuneration will be put to shareholders at the forthcoming AGM.

The voting outcome is set out in the table below:

	Resolution approve directors' remuneration report	Resolution to approve remuneration policy
Votes for	121,799,095	121,799,095
%	100%	100%
Votes against	-	-
%	-%	-%
Votes withheld	-	-

Company performance

The Board is responsible for the Company's investment strategy and performance, although day-to-day management of the Company's affairs, including the management of the Company's portfolio, has been delegated to the Investment Manager. An explanation of the performance of the Company is given in the Strategic Report.

Relative importance of spend on pay

The remuneration of the Directors with respect to the year totalled £115k in comparison to dividends paid to shareholders with respect to the year ended 31 March 2020 of £8,422k.

Directors Interests (audited)

As at 18 June 2020, the interests of the Directors and any connected persons in the ordinary shares of the Company are set out in the table below:

	Ordinary shares of £1 each held at 18 June 2020	Ordinary shares of £1 each held at 26 June 2019
Tony Roper	50,000	35,000
Helen Clarkson	5,000	5,000
Christopher Knowles[1]	–	25,000
Total	**55,000**	**65,000**

(1) All of Christopher Knowles' holdings held as at 26 June 2019 (25,000 Ordinary shares) were legally and beneficially transferred to members of his immediate family. During the year, a further 10,000 Ordinary shares were purchased and legally and beneficially transferred to members of his immediate family. Post year end, Christopher Knowles purchased an additional 10,000 Ordinary shares, which were legally and beneficially transferred to members of his immediate family. Christopher Knowles family members hold 45,000 Ordinary shares in the Company. Chris Knowles' immediate family members holding ordinary shares in the Company do not meet the definition of Persons Closely Associated (PCAs) as defined in Article 3(1)(26) of the Market Abuse Regulation (*MAR*).

(2) None of the Directors or any persons connected with them had a material interest in the Company's transactions, arrangements or agreements during the period.

As at the date of this report, Jonathan Maxwell, CEO and Founder of the Investment Manager, had interests in the shares of the Company of 100,000 ordinary shares. Jonathan Maxwell is considered to be a Person Discharging Managerial Responsibilities (PDMR) by both the Board of Directors and Investment Manager

The Directors' Remuneration Report was approved by the Board on 18 June 2020 and signed on its behalf by:

On behalf of the Board

Christopher Knowles

Chair, Remuneration Committee

4.7 Statement of Directors' Responsibilities

Statement of Directors' responsibilities in respect of the financial statements

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulation.

Company law requires the Directors to prepare financial statements for each financial period. Under that law the Directors have prepared the financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and the Directors must not approve the financial statements unless they are satisfied that they present a fair, balanced and understandable report and provide the information necessary for shareholders to assess the Company's performance, business model and strategy. In preparing the financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable IFRSs as adopted by the European Union have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The Directors are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements and the Directors' Remuneration Report comply with the Companies Act 2006.

The Directors are responsible for the maintenance and integrity of the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Statement of the Directors in respect of the Annual Report

Each Director confirms that to the best of their knowledge:

- the Company financial statements, which have been prepared in accordance with the applicable set of accounting standards, give a true and fair view of the assets, liabilities, financial position and profit of the Company taken as a whole; and
- the Strategic Report and the Directors' report includes a fair review of the development and performance of the business and the position of the Company, together with a description of the principal risks and uncertainties that it faces.

The Directors consider that the annual report and accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's position and performance, business model and strategy.

The Annual Report and Accounts were approved by Board and the above responsibility statement was signed on its behalf by:

Tony Roper
Chair

Independent auditors' report to the members of SDCL Energy Efficiency Income Trust plc

Report on the audit of the financial statements

Opinion

In our opinion, SDCL Energy Efficiency Income Trust plc's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2020 and of its profit and cash flows for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Audited Financial Statements (the "Annual Report"), which comprise: the statement of financial position as at 31 March 2020; the statement of comprehensive income, the statement of cash flows, the statement of changes in shareholders' equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Our opinion is consistent with our reporting to the Audit and Risk Committee.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, as applicable to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

To the best of our knowledge and belief, we declare that non-audit services prohibited by the FRC's Ethical Standard were not provided to the company.

Other than those disclosed in Note 6 of the financial statements, we have provided no other non-audit services to the company in the period from 1 April 2019 to 31 March 2020.

Our audit approach

Overview

Materiality

Overall materiality: £3.2 million (2019: £1 million), based on 1% of total assets.

Audit scope

The company invests in a diversified portfolio of energy efficient projects through an intermediate holding company and special purpose vehicles. We performed an audit of the company including its investments in SEEIT Holdco Limited.

Substantially all of our audit work was conducted in the UK by the company audit team.

Key audit matters

Valuation of investments.

Impact of Covid-19

The scope of our audit

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we looked at where the directors made subjective judgements, for example in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain.

Capability of the audit in detecting irregularities, including fraud

Based on our understanding of the company and industry, we identified that the principal risks of non-compliance with laws and regulations related to the Listing Rules, environmental regulations, and UK tax legislation, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the preparation of the financial statements such as the Companies Act 2006. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to the valuation of investments and posting inappropriate journal entries to achieve desired financial results. Audit procedures performed by the engagement team included:

- Challenging the assumptions and judgments made by management in their significant accounting estimate, valuation of investments;
- Identifying and testing journal entries, in particular any journal entries posted with unusual account combinations.

There are inherent limitations in the audit procedures described above and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we would become aware of it. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

Key audit matters

Key audit matters are those matters that, in the auditors' professional judgement, were of most significance in the audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by the auditors, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters, and any comments we make on the results of our procedures thereon, were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. This is not a complete list of all risks identified by our audit.

Key audit matter	How our audit addressed the key audit matter
Valuation of investments	
The company has £254 million of investments recorded at fair value and these are significant in the context of the overall balance sheet of the company. The company invests through a holding company which in turn holds debt and equity interests in project companies (the "underlying investment portfolio") for which there is no liquid market. The fair value of the underlying investment portfolio has principally been valued on a discounted cash flow basis, which necessitates significant estimates in respect of the forecasted cash flows and discount rates applied. The directors' assessment of those fair values involves estimates about the future results of the business, in particular around future revenues, growth rates and discount rates applied to future cash flow forecasts where there is a higher degree of sensitivity. Based on the historical performance of investments and best estimates of future assumptions, the directors believe that these fair values are reasonable. Determining the valuation methodology and determining the inputs and assumptions within the valuation is subjective and complex. This, combined with the significance of the unlisted investments balance in the statement of financial position, meant that this was a key audit matter for our current year audit. The Audit and Risk Committee have set out their consideration of this matter on pages 57 to 58 as well as the forecasted cash flows and discount rates being recognised as a critical accounting estimate in Note 3 of the financial statements. Note 11 includes a breakdown of the investments and assumptions applied to the valuation.	We planned our audit to critically assess management's assumptions and the investment valuation model in which they are applied; We have evaluated the design and implementation of relevant controls over the preparation of the portfolio valuation; We assessed the reasonableness of the assumptions made by management in the applicable valuation models; We tested the mathematical accuracy of the valuation models; We tested a sample of inputs into the fair value models and assessed the reasonableness of the assumptions used in determining the fair value of investments; We specifically challenged management on the impact of Covid-19 on the future cashflows assumed in the models and obtained further evidence to support management's assumptions We used our internal valuation specialists to provide audit support in reviewing and concluding on the fair valuation of the underlying investment portfolio. They (a) reviewed the appropriateness of the valuation methodology and approach and (b) reviewed and commented on the computation of the discounted cash flow valuation models, including comparing the discount rate and other key assumptions against those used by comparable market participants and other macroeconomic data, where appropriate; We have concluded that the overall valuation of the portfolio as a whole is within a reasonable range.

Key audit matter	How our audit addressed the key audit matter
Potential impact of Covid-19	
In March 2020, the World Health Organisation formally declared Covid-19 as a global pandemic, which has had an unprecedented impact on the global economy. Management and the Board considered the potential impact of Covid-19 on the current and future operations of the business. In doing so, management has prepared a business continuity plan. This included performing stress testing scenarios to determine the potential impact and likelihood of such events on the company's liquidity, covenant compliance and also on the valuation of its investment portfolio (see key audit matter above) In preparing the business continuity plan, management has made estimates and judgements that are critical to the outcome of these assessments. Because of its significance to the financial statements and to our audit, we determined that management's consideration of the potential impact of Covid-19 on going concern is a key audit matter.	We reviewed the business continuity plan and the going concern assessment prepared by management, including the underlying cash flow; In relation to the Covid-19 stress testing, we held discussions with management to understand the rationale behind the assumptions made and to consider the previous accuracy of management's cash flow forecasts. We challenged management on the appropriateness of key assumptions and considered their reasonableness in the context of other supporting evidence gained from our audit work. We also prepared our own independent severe downside scenario to assess the viability of the Company in such a scenario which included an assessment of the company's ability to meet its debt covenants where appropriate; We considered the group's available financing and maturity profile to assess liquidity throughout the assessment period in the context of the downside cashflow scenarios considered; We reviewed management's disclosures in the financial statements in relation to Covid-19 and found them to be appropriate.

How we tailored the audit scope

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the structure of the company, the accounting processes and controls, and the industry in which it operates. We performed an audit over the company including its investments in SEEIT Holdco Limited. Substantially all of our audit work was conducted in the UK performed by the Company audit team. We obtained coverage of 100% of the Company's total assets and profit before tax from the audit procedures.

Materiality

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

Overall materiality	£3.2 million (2019: £1 million).
How we determined it	1% of total assets.
Rationale for benchmark applied	We believe that total assets is the most appropriate benchmark because this is the key metric of interest to investors, and is a generally accepted measure used for companies in this industry.

We agreed with the Audit and Risk Committee that we would report to them misstatements identified during our audit above £135,000 (2019: £50,000) as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

Going concern

In accordance with ISAs (UK) we report as follows:

Reporting obligation	Outcome
We are required to report if we have anything material to add or draw attention to in respect of the directors' statement in the financial statements about whether the directors considered it appropriate to adopt the going concern basis of accounting in preparing the financial statements and the directors' identification of any material uncertainties to the company's ability to continue as a going concern over a period of at least twelve months from the date of approval of the financial statements.	We have nothing material to add or to draw attention to. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern.
We are required to report if the directors' statement relating to Going Concern in accordance with Listing Rule 9.8.6R(3) is materially inconsistent with our knowledge obtained in the audit.	We have nothing to report.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained

in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic Report and Report of the Directors, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, the Companies Act 2006 (CA06), ISAs (UK) and the Listing Rules of the Financial Conduct Authority (FCA) require us also to report certain opinions and matters as described below (required by ISAs (UK) unless otherwise stated).

Strategic Report and Report of the Directors

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Report of the Directors for the year ended 31 March 2020 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements. (CA06)

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Report of the Directors. (CA06)

The directors' assessment of the prospects of the company and of the principal risks that would threaten the solvency or liquidity of the company

We have nothing material to add or draw attention to regarding:

- The directors' confirmation on page 50 of the Annual Report that they have carried out a robust assessment of the principal risks facing the company, including those that would threaten its business model, future performance, solvency or liquidity.
- The disclosures in the Annual Report that describe those risks and explain how they are being managed or mitigated.

The directors' explanation on page 41 of the Annual Report as to how they have assessed the prospects of the company, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the company will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

We have nothing to report having performed a review of the directors' statement that they have carried out a robust assessment of the principal risks facing the company and statement in relation to the longer-term viability of the company. Our review was substantially less in scope than an audit and only consisted of making inquiries and considering the directors' process supporting their statements; checking that the statements are in alignment with the relevant provisions of the AIC Corporate Governance Code (the "Code"); and considering whether the statements are consistent with the knowledge and understanding of the company and its environment obtained in the course of the audit. (Listing Rules)

Other Code Provisions

We have nothing to report in respect of our responsibility to report when:

- The statement given by the directors, on page 64, that they consider the Annual Report taken as a whole to be fair, balanced and understandable, and provides the information necessary for the members to assess the company's position and performance, business model and strategy is materially inconsistent with our knowledge of the company obtained in the course of performing our audit.
- The section of the Annual Report on page 57 to 60 describing the work of the Audit and Risk Committee does not appropriately address matters communicated by us to the Audit and Risk Committee.
- The directors' statement relating to the company's compliance with the Code does not properly disclose a departure from a relevant provision of the Code specified, under the Listing Rules, for review by the auditors.

Directors' Remuneration

In our opinion, the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006. (CA06)

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of Directors' responsibilities in respect of the financial statements set out on page 71, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the 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.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, 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.

Other required reporting

Companies Act 2006 exception reporting

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

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

We have no exceptions to report arising from this responsibility.

Appointment

Following the recommendation of the Audit and Risk Committee, we were appointed by the directors on 10 December 2018 to audit the financial statements for the year ended 31 March 2019 and subsequent financial periods. The period of total uninterrupted engagement is two years, covering the years ended 31 March 2019 to 31 March 2020.

Matthew Mullins (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP

Chartered Accountants and Statutory Auditors
Uxbridge
18 June 2020

5. Financial Statements

Statement of Comprehensive Income

For the year ended 31 March 2020

	Note	For the year ended 31 March 2020 £'000	For the period from 12 October 2018 (date of incorporation) to 31 March 2019 £'000
Income			
Investment income	5	14,500	1,562
Total income		14,500	1,562
Fund expenses	6	(2,888)	(1,147)
Operating profit		11,612	415
Profit for the year/period before tax		11,612	415
Tax	7	–	–
Profit and total comprehensive income for the year/period after tax		11,612	415
Profit and total comprehensive income for the year/period attributable to:			
Equity holders of the Company		11,612	415
Earnings Per Ordinary Share (pence)	8	5.2	0.4

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

All items in the above Statement derive from continuing operations.

5.2 Financial Statements
continued

Statement of Financial Position
as at 31 March 2020

	Note	31 March 2020 £'000	31 March 2019 £'000
Non-current assets			
Investment at fair value through profit or loss	11	254,095	61,334
		254,095	61,334
Current assets			
Trade and other receivables	12	1,840	2,001
Cash and cash equivalents	2	68,179	38,007
		70,019	40,008
Current liabilities			
Trade and other payables	13	(584)	(2,927)
Net current assets		69,435	37,081
Net assets		323,530	98,415
Capital and reserves			
Share capital	14	3,204	1,000
Share premium	14	219,721	–
Other distributable reserves	14	88,578	97,000
Retained earnings		12,027	415
Total equity		323,530	98,415
Net assets per share (pence)		101.0	98.4

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

The financial statements for the year ended 31 March 2020 of SDCL Energy Efficiency Income Trust plc, were approved and authorised for issue by the Board of Directors on 18 June 2020.

Signed on behalf of the Board of Directors:

Helen Clarkson
Director

Tony Roper
Director

Company number: 11620959

Statement of Changes in Shareholders' Equity

For the year ended 31 March 2020

	Note	Share Capital £'000	Share Premium £'000	Other distributable reserves £'000	Retained earnings £'000	**Total £'000**
Balance at 1 April 2019		1,000	–	97,000	415	98,415
Shares issued	14	2,204	223,876	–	–	226,080
Share issue costs	14	–	(4,155)	–	–	(4,155)
Dividends paid	9	–	–	(8,422)	–	(8,422)
Profit and total comprehensive income for the year		–	–	–	11,612	11,612
Shareholders' equity at 31 March 2020		3,204	219,721	88,578	12,027	323,530

	Note	Share Capital £'000	Share Premium £'000	Other distributable reserves £'000	Retained earnings £'000	Total £'000
Balance at 12 October 2018		–	–	–	–	–
Shares issued	14	1,000	99,000	–	–	100,000
Share issue costs	14	–	(2,000)	–	–	(2,000)
Reserves transfer			(97,000)	97,000	–	–
Profit and total comprehensive income for the period		–	–	–	415	415
Shareholders' equity at 31 March 2019		1,000	–	97,000	415	98,415

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 accompanying Notes are an integral part of these financial statements.

5.2 Financial Statements
continued

Statement of Cash Flows

For the year ended 31 March 2020

	Note	For the year ended 31 March 2020 £'000	For the period 12 October 2018 (date of incorporation) to 31 March 2019 £'000
Cash flows from operating activities			
Operating profit for the year/period		11,612	415
Adjustments for:			
Gain on investment at fair value through profit or loss		(11,895)	(78)
Operating cash flows before movements in			
working capital		(283)	337
Changes in working capital			
Movement in trade and other receivables	12	161	(2,001)
Movement in trade and other payables	13	(2,342)	227
Net cash used in operating activities		(2,464)	(1,437)
Cash flows from investing activities			
Purchase of investment		(180,866)	(58,556)
Net cash used in investing activities		(180,866)	(58,556)
Cash flows from financing activities			
Net proceeds from the issue of shares	14	221,924	98,000
Dividends paid	9	(8,422)	–
Net cash generated from financing activities		213,502	98,000
Net movement in cash and cash equivalents during the year/period		30,172	38,007
Cash and cash equivalents at the beginning of the year/period	2	38,007	–
Cash and cash equivalents at the end of the year/period	2	68,179	38,007

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

Notes to the Financial Statements

For the year ended 31 March 2020

1. General Information

The Company is registered 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 Asticus Building, 2nd Floor, 21 Palmer Street, London, SW1H 0AD. 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 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, which raised gross proceeds of £100m. Subsequent fundraisings are detailed in Note 14.

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 efficient projects.

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 the 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.

The current year financial information is from 1 April 2019 to 31 March 2020 whilst the comparative information is for the period 12 October 2018 (date of incorporation) to 31 March 2019 and is therefore not comparable.

The financial statements are presented in Pounds Sterling because that is the currency of the primary economic environment in which the Company operates.

2. Significant Accounting Policies

a) Basis of accounting

The financial statements have been prepared in accordance with The Companies Act 2006 and International Financial Reporting Standards adopted for use in the European Union ("IFRS") and interpretations issued by the IFRS Interpretation Committee ("IFRS IC"). Such 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 principal accounting policies adopted are set out below and consistently applied, subject to changes in accordance with any amendments in IFRS.

Fair value is the price that would be received on sale of an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or liability, the Company takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these financial statements is determined on such a basis.

(i) New Accounting Standards, amendments to existing Accounting Standards and/or interpretations of existing Accounting Standards (separately or together, "New Accounting Requirements") adopted during the current year

There are no standards, amendments to standards or interpretations that are effective for annual periods beginning on 1 April 2019 that have a material effect on the financial statements of the Company nor the value of investments. This includes the new IFRS 16 Leases standard which the Company adopted during the year.

Non-mandatory New Accounting Requirements not yet adopted

All non-mandatory New Accounting Requirements in issue are either not yet permitted to be adopted or, in the Directors' opinion, would have no material effect on the reported performance, financial position, or disclosures of the Company and consequently have neither been adopted, nor listed.

b) IFRS 10, Investment entities exemption

The Company invests its investable cash into SEEIT Holdco Limited (the "Holdco") when a targeted investment has been approved by the Investment Manager's Investment Committee. The sole objective of the Holdco is to enter into several energy efficient projects, via individual corporate entities. The Holdco issues equity and loans to finance the projects.

As in the previous period, the Directors have concluded that in accordance with IFRS 10, the Company continues to meet the definition of an investment entity having re-evaluated the criteria (see below) that needs to be met.

During the year the Company made significant new investments, notably in Spain and the USA, and as a result the size of the Company more than tripled. In light of these changes, the Directors assessed each acquisition carefully in order to determine whether the Company as a whole still meets the definition of an investment entity.

As part of the assessments the Directors had regard for the nature of the underlying business and operations and the exit strategy of each new investment and how that compared to the already existing portfolio. The assessments concluded that the new investments shared similar characteristics to the existing investments, are in line with the business purpose of the Company and that each has an appropriate exit strategy. In particular, the Directors noted that:

- the underlying businesses and the structure of the new investments are in keeping with the existing portfolio through the provision of energy efficiency services to clients, or host counterparties, predominantly through long term contracted agreements
- The underlying business are set up as Special Purpose Vehicles (SPV's) and although each SPV can have an indefinite life, the equipment associated with providing such services have finite lives, are capable of being upgraded or sold and the contracts can be renewed
- As part of the exit strategy for each new investment, the structure of that investment is such that it could be readily made available for sale
- Each new investment is measured at fair value.

Under IFRS 10 investment entities are required to hold subsidiaries at fair value through the Statement of Comprehensive Income rather than consolidate them. There are three key conditions to be met by the Company for it to meet the definition of an investment entity. For each reporting period, the Directors assess whether the Company continues to meet these conditions:

(i) The Company has obtained funds for the purpose of providing investors with investment management services.

(ii) The business purpose of the Company, which was communicated directly to investors, is investing solely for risk adjusted returns (including having an exit strategy for investments).

(iii) The performance of substantially all investments is measured and evaluated on a fair value basis.

After assessing whether the Company meets the definition of an investment entity set out in IFRS 10 the Directors concluded that as a whole:

(i) the Company has multiple investors with shares issued publicly on London Stock Exchange and obtains funds from a diverse group of shareholders who would otherwise not have access individually to investing in energy efficient projects;

(ii) the Company's purpose is to invest funds for both investment income and capital appreciation. The Holdco and its SPVs have indefinite lives however the underlying assets have minimal residual value because they do not have unlimited lives and are not to be held indefinitely; and

(iii) the Company measures and evaluates the performance of all of its investments on a fair value basis which is the most relevant for investors in the Company. The Directors use fair value information as a primary measurement to evaluate the performance of all of the investments and in decision making.

The Directors are of the opinion that the Company meets all the typical characteristics of an investment entity and therefore meets the definition set out in IFRS 10. The Directors believe the treatment outlined above provides the most relevant information to investors.

c) Going concern

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 cash flow forecasts, including the potential impact from COVID-19 and believe, based upon those projections and forecasts that it is appropriate to prepare the financial statements on a going concern basis. Accordingly, they continue to adopt the going concern basis in preparing its financial statements. The Company's business activities, together with the factors likely to affect its future development, performance and position are set out in the Strategic Report.

d) Segmental reporting

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 efficient 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.

e) Foreign Currency Translation

Foreign currency and presentation currency

Items included in the financial statements of the Company are measured using the currency of the primary economic environment in which the entity operates, the Company's functional currency. The financial statements are presented in Pounds Sterling which is the Company's functional and presentation currency.

Transactions and balances

Foreign currency transactions are translated into Pounds Sterling using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Statement of Comprehensive Income.

f) Income

Dividend income and investment income from financial assets at fair value through profit or loss is recognised in the Statement of Comprehensive Income within investment income when the Company's right to receive payments is established.

Fair value gains on financial assets at fair value through profit or loss is recognised in the Statement of Comprehensive Income at each valuation point.

Finance income comprises interest earned on cash held on deposit. Finance income is recognised on an accruals basis. Loan interest income is accounted for on an accruals basis using the effective interest method.

g) Dividends

Dividends to the Company's shareholders are recognised when they become legally payable. In the case of interim dividends, this is when they are paid. In the case of final dividends, this is when they are approved by the shareholders at the Annual General Meeting.

h) Fund Expenses

All expenses including investment management fees, transaction costs, non-executive directors' fees are accounted for on an accruals basis. Share issue expenses of the Company directly attributable to the issue and listing of shares are charged to the share premium account.

i) Acquisition costs

In line with IFRS 3 (Revised), acquisition costs are expensed to the Income Statement as they are incurred.

j) Taxation

The Company is liable to UK corporation tax on its income.

Current tax is the expected tax payable on the taxable income for the period, using tax rates that have been enacted or substantively enacted at the date of the Statement of Financial Position.

Deferred tax is the tax expected to be payable or recoverable on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised.

Deferred tax assets and liabilities are not recognised if the temporary differences arise from the initial recognition of other assets and liabilities in a transaction that affects neither the tax profit or the accounting profit. Deferred tax liabilities are recognised for taxable temporary differences arising on investments, except where the Company is able to control the timing of the reversal of the difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited to the Statement of Comprehensive Income except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off tax assets against tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis. Deferred tax assets and liabilities are not discounted.

k) Cash and cash equivalents

Cash and cash equivalents includes deposits held at call with banks and other short-term deposits with original maturities of three months or less. There is no expected credit loss as the bank institutions have credit ratings of at least BBB+ and all cash is held at call from the banks.

l) Trade and other receivables

Trade and other receivables are non-derivative financial assets with fixed or determinable payments that not quoted in an active market. Those includes Prepayments, VAT Receivable and other receivables which are intercompany balances due from subsidiary. Receivables are initially recognised at fair value. They are subsequently measured at amortised cost using the effective interest method, less provision for impairment.

The Company has assessed IFRS 9's expected credit loss model and does not consider any impact on these financial statements.

m) Trade and other payables

Trade and other payables include accruals and other payables and initially are recognised at fair value, and subsequently re-measured at amortised cost using the effective interest method where necessary.

n) Financial instruments

Financial assets and financial liabilities are recognised in the Company's Statement of Financial Position when the Company becomes a party to the contractual provisions of the instrument. Financial assets are derecognised when the contractual rights to the cash flows from the instrument expire or the asset is transferred and the transfer qualifies for derecognition in accordance with IFRS 9 Financial instruments.

Investments are recognised when the Company has control of the asset. Control is assessed considering the purpose and design of the investments including any options to acquire the investments where these options are substantive. The options are assessed for factors including the exercise price and the incentives for exercise.

The Company classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value through profit or loss; and
- those to be measured at amortised cost.

At initial recognition, the Company measures investments in energy efficiency projects at its transaction price net of transaction costs that are directly attributable to the acquisition of the financial asset. The Company subsequently measures all investments at fair value and changes in the fair value are recognised as gains/(losses) on investments at fair value through profit or loss within investment income.

o) Share Capital

The Company's ordinary shares are not redeemable and are classified as equity. Incremental costs directly attributable to the issue of ordinary shares and share options are recognised as a deduction in equity and are charged from the share premium account. The costs incurred in relation to the IPO and subsequent fundraisings of the Company were charged from the share premium account.

3. 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 year. 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 disclosed in Note 2, the Directors have concluded that the Company continues to meet the definition of an investment entity as defined in IFRS 10, IFRS 12 and IAS 27. 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 Board of Directors has appointed the Investment Manager to produce investment valuations based upon projected future cash flows. These valuations are reviewed and approved by the Board. The investments are held indirectly through the Holdco and its intermediate holding companies.

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 bases the fair value of the investments on the information received from the Investment Manager.

Fair values for those investments for which a market quote is not available, in this instance being all investments, are determined using the income approach which discounts the expected cash flows at the appropriate rate. The investment at fair value through profit or loss is valued by discounting future cash flows to the group from investments in both equity cash flows, such as dividends and equity redemptions, and subordinated loans cash flows, such as interest and principal repayments, at an appropriate discount rate for the underlying asset.

The weighted average discount rate applied in the March 2020 valuation was 7.5% (2019: 6.5%). 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.

The valuation at 31 March 2020 includes estimates of future cash flows that have the potential to have a material effect on measurement of fair value. These include estimates on near, medium and long-term cash flows on the investment in the nine assets in Oliva Spanish Cogeneration in relation to thermal revenues from off takers, the operations of the olive processing plants and the terms on which future regulatory periods for cogeneration assets will be renewed. For the five assets in the Primary Energy, estimates have been made to determine the demand for generation by the off takers.

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 4.

4. Financial Instruments

Valuation methodology

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.

The Investment Manager exercises its judgment 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 macro-economic assumptions and specific operating assumptions.

The fair value for each investment is then derived from the application of an appropriate market discount rate for that investment 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. 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.

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 £'000	Level 2 £'000	Level 3 £'000
31 March 2020	**–**	**–**	**254,095**
31 March 2019	–	–	61,334

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 SPV investments or debt schedules, 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 11.

Valuation Assumptions

		31 March 2020	31 March 2019
Inflation rates	UK (RPI)	2.75% p.a.	2.75% p.a.
	Spain (CPI)	1.1% in 2020, 1.6% in 2022 and 2.0% 2023 and thereafter	n/a
	USA (CPI)	2.00% p.a.	2.00% p.a.
Tax rates	UK	19%	19% to March 2020, 17% thereafter
	Spain	25%	n/a
	USA	21% Federal & 3-9% State rates	21% Federal & 3-9% State rates
Foreign exchange rates	USD/GBP	0.80	0.77
	EUR/GBP	0.88	n/a

Discount rates

The discount rates used for valuing each investment are described in the Valuation Methodology section above.

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

	31 March 2020	31 March 2019
Weighted Average discount rate	7.5%	6.5%
Discount rates	4.5% to 8.5%	4.5% to 9.5%

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

Discount rate	NAV/share impact	-0.5% change	Net asset value	+0.5% change	NAV/share impact
31 March 2020	4.1p	£13,101k	£323,530k	(£12,322k)	(3.8p)
31 March 2019	1.5p	£1,455k	£98,415k	(£1,395k)	(1.4p)

5.3 Notes to the Financial Statements
continued

Inflation rates

The Portfolio Valuation assumes long-term inflation as indicated above in the UK, USA and Spain. A change in the inflation rate by plus or minus 0.5% has the following effect on the NAV, with all other variables held constant.

Inflation rate	NAV/share impact	-0.5% change	Net asset value	+0.5% change	NAV/share impact
31 March 2020	1.0p	£3,264k	£323,530k	(£4,242k)	(1.3p)
31 March 2019	0.2p	£209k	£98,415k	(£289k)	(0.3p)

Corporation tax rates

The Portfolio Valuation 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 NAV, with all other variables held constant.

Corporation tax rate	NAV/share impact	-5% change	Net asset value	+5% change	NAV/share impact
31 March 2020	2.8p	£8,812k	£323,530k	(£8,781k)	2.7p
31 March 2019	0.9p	£891k	£98,415k	(£886k)	(0.9p)

Foreign exchange rates

The Portfolio Valuation 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 and USD) has the following effect on the NAV, with all other variables held constant. The effect is shown after the effect of current level of hedging which reduces the impact of foreign exchange movements on the Company's NAV.

Foreign exchange rate	NAV/share impact	-10% change	Net asset value	+10% change	NAV/share impact
31 March 2020	0.8p	£2,618k	£323,530	(£2,380k)	(0.7p)
31 March 2019	0.3	£260k	98,415k	(£260k)	(0.3p)

5. Investment Income

	Year ended 31 March 2020 £'000	Period from 12 October 2018 to 31 March 2019 £'000
Dividend income	1,500	1,450
Bank interest received	166	34
Gain on investment at fair value through profit or loss (Note 11)	11,895	78
Loan interest income	939	–
Investment income	**14,500**	**1,562**

Loan interest income is in respect of coupon bearing loan notes issued to the Company by Holdco (Note 17). 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.

6. Fund Expenses

	Year ended 31 March 2020 £'000	Period from 12 October 2018 to 31 March 2019 £'000
Investment management fees	1,973	241
Transaction costs	–	629
Non-executive directors' fees (Note 17)	125	34
Other expenses	610	145
Fees to the Company's independent auditor:		
– for the audit of the statutory financial statements	140	98
– for audit-related assurance services	40	–
Fund Expenses	**2,888**	**1,147**

As at 31 March 2020, the Company had no employees (31 March 2019: nil) apart from Directors in office. The Company confirms that it has no key management personnel, apart from the Directors disclosed in Directors' Remuneration Report. There is no other compensation apart from those disclosed.

7. Taxation

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

	Year ended 31 March 2020 £'000	Period from 12 October 2018 to 31 March 2019 £'000
Profit for the period before taxation	11,612	415
Profit for the year/period multiplied by the standard rate of corporation tax of 19%	2,206	79
Fair value movements (not subject to taxation)	(2,260)	(15)
Dividends received (not subject to tax)	(285)	(276)
Surrendering of tax losses to unconsolidated subsidiaries	339	212
UK Corporation Tax	**–**	**–**

8. Earnings per Ordinary Share

	Year ended 31 March 2020	Period from 12 October 2018 to 31 March 2019
Profit and comprehensive income for the year/period (£'000)	11,612	415
Weighted average number of ordinary shares ('000)	225,422	100,000
Earnings per ordinary share (pence)	**5.2**	**0.4**

There is no dilutive element during the financial year and subsequent to the financial year.

9. Dividends

	31 March 2020 £'000	Period from 12 October 2018 to 31 March 2019 £'000
Amounts recognised as distributions to equity holders during the year/period:		
Interim dividend for the period ended 31 March 2019 of 1.0p per share	1,713	–
First Interim dividend for the year ended 31 March 2020 of 2.5p per share	6,709	–

The Company has declared a second interim dividend of 2.5 pence per share in respect of the year to 31 March 2020 on 22 May 2020 (See Note 19). The dividend, which is payable on 30 June 2020, is expected to total £8,010k.

10. Net assets per ordinary share

	31 March 2020	31 March 2019
Shareholders' equity (£'000)	323,530	98,415
Number of ordinary shares ('000)	320,374	100,000
Net assets per ordinary share (pence)	**101.0**	**98.4**

11. Investment at fair value through profit or loss

The Company recognises the investment in its single directly owned holding company 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.

	Year ended 31 March 2020 £'000	Period from 12 October 2018 to 31 March 2019 £'000
Brought forward investment at fair value through profit or loss	61,334	–
Acquisitions at cost at IPO	–	57,156
New investments in year/period	180,866	4,100
Movement in fair value	11,895	78
Closing investment at fair value through profit or loss	**254,095**	**61,334**

Movement in fair value is recognised through Investment Income in the Statement of Comprehensive Income (see Note 5).

Investments in the year/period reflect funds paid to the Holdco following issuance of equity to shareholders.

Acquisitions

The Company, made the following acquisitions during the year ended 31 March 2020:

In August 2019, an investment was made into Holdco of £1.5m in relation to financing rooftop solar projects across the estate of Tesco in the UK.

In September 2019, an investment was made into Holdco of £18.4m in relation to a senior debt investment into a portfolio developed by Sparkfund, a US-based energy systems-as-a-service company.

In September 2019 to November 2019, investments of £76.0m were made into Holdco in relation to acquiring a cogeneration portfolio in Spain, the Oliva Spanish Cogeneration portfolio of nine assets.

In December 2019 and January 2020, investments of £85.0m were made into Holdco in relation to the acquisition of the Primary Energy portfolio of five assets in the USA.

A reconciliation between the Portfolio Valuation, 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.

	31 March 2020 £'000	31 March 2019 £'000
Portfolio Valuation (see Section 3.2 for details)	319,802	60,850
Holdco cash	2,584	1,562
Holdco debt	(62,826)	–
Holdco net working capital	(5,465)	(1,077)
Investment at fair value per Statement of Financial Position	**254,095**	**61,334**

Due to the nature of the investments, they are always expected to be classified as Level 3 for fair value measurements. There have accordingly been no transfers between levels during the year/period.

12. Trade and other receivables

	31 March 2020 £'000	31 March 2019 £'000
Dividend receivable	–	1,450
Prepayments	211	236
VAT receivable	9	206
Other receivables	1,620	109
Total trade and other receivables	**1,840**	**2,001**

13. Trade and other payables

	31 March 2020 £'000	31 March 2019 £'000
Due to investment	–	2,700
Other payables	584	227
Total trade and other payables	**584**	**2,927**

14. Share capital and reserves

	Number of shares '000	Gross amount raised £'000	Issue costs £'000	Share capital £'000	Share premium £'000	Other Distributable Reserves £'000
Total as at 31 March 2019	**100,000**	**100,000**	**(2,000)**	**1,000**	**–**	**97,000**
Shares Issued during the year	**220,374**	**226,080**	**(4,155)**	**2,204**	**219,721**	**–**
Dividends paid during the year	**–**	**–**	**–**	**–**	**–**	**(8,422)**
Total as at 31 March 2020	**320,374**	**326,080**	**(6,155)**	**3,204**	**219,721**	**88,578**

In April 2019, the Company issued 71,287,129 new ordinary shares at a price of 101.0 pence per share raising gross proceeds of £72m.

In October 2019, the Company issued 97,087,378 new ordinary shares at a price of 103.0 pence per share raising gross proceeds of £100m.

In December 2019, the Company issued 52,000,000 new ordinary shares at a price of 104.0 pence per share raising gross proceeds of £54m.

The Company currently has one class of ordinary share in issue with a par value of 1 pence per share. The total authority is for 1bn shares. All the holders of the ordinary shares, which total 320,374k 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. All of the shares issued are fully paid.

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.

15. Financial risk management

Capital management

The Company manages its capital to ensure that it will be able to continue as a going concern while maximizing the return to shareholders. In accordance with the Company's investment policy, the Company's principal use of cash (including the proceeds of the IPO) has been to fund investments as well as ongoing operational expenses.

The Board, with the assistance of the Investment Manager, monitors and reviews the broad structure of the Company's capital on an ongoing basis. The capital structure of the Company consists entirely of equity (comprising issued capital, reserves and retained earnings).

The Company is not subject to any externally imposed capital requirements.

Financial risk management objectives

The Board, with the assistance of the Investment Manager, monitors and manages the financial risks relating to the operations of the Company through internal risk reports which analyses exposures by degree and magnitude of risk.

These risks include market risk (including price risk, currency risk and interest rate risk), credit risk and liquidity risk.

Price risk

The value of the investments directly and indirectly held by the Company is affected by the discount rate applied to the expected future cash flows and as such may vary with movements in interest rates, inflation, power prices, market prices and competition for these assets.

Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company is indirectly exposed to currency risk through its Holdco as investments are held in GBP, EUR and USD.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's financial assets and financial liabilities are at a pre-determined interest rate, as a result the Company is subject to limited exposure to risk due to fluctuations in the prevailing levels of market interest rates.

Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Company.

The Company does not have any significant credit risk exposure to any single counterparty in relation to trade and other receivables. On-going credit evaluation is performed on the financial condition of accounts receivable.

As at 31 March 2020 there were no receivables considered impaired. At investment level, the credit risk relating to significant counterparties is reviewed on a regular basis and potential adjustments to the discount rate are considered to recognise changes to these risks where applicable.

The Company maintains its cash and cash equivalents across various banks to diversify credit risk. These are subject to the Company's credit monitoring policies including the monitoring of the credit ratings issued by recognized credit rating agencies.

The Company is subject to credit loss on its loans, receivables, cash and deposits. Investments are held at fair value using discounted cash flows. Receivables are primarily intercompany and taxation. While cash and cash equivalents are subject to the impairment requirements of IFRS 9, there was no identified impairment loss.

The Company's maximum exposure to credit risk over financial assets is the carrying value of those assets in the Statement of Financial Position.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Board of Directors has established an appropriate liquidity risk management framework for the management of the Company's short-, medium- and long-term funding and liquidity management requirements. The Company manages liquidity risk by maintaining adequate reserves by monitoring forecast and actual cash flows and by matching the maturity profiles of assets and liabilities.

The table below shows the maturity of the Company's non-derivative financial assets and liabilities. The amounts disclosed are contractual, undiscounted cash flows and may differ from the actual cash flows received or paid in the future as a result of early repayments.

As at 31 March 2020	Up to 3 months £'000	Between 3 and 12 months £'000	Between 1 and 5 years £'000	Total £'000
Assets				
Cash and cash equivalents	68,179	–	–	68,179
Trade and other receivables	1,620	–	–	1,620
Liabilities				
Trade and other payables	(584)	–	–	(584)
Total	**69,215**	**–**	**–**	**69,215**

As at 31 March 2019	Up to 3 months £'000	Between 3 and 12 months £'000	Between 1 and 5 years £'000	Total £'000
Assets				
Cash and cash equivalents	38,007	–	–	38,007
Trade and other receivables	1,559	–	–	1,559
Liabilities				
Trade and other payables	(2,927)	–	–	(2,927)
Total	**36,639**	**–**	**–**	**36,639**

16. Subsidiaries

The following table shows the subsidiaries and related undertakings of the Company. As the Company applies IFRS 10 and Investment Entities (Amendments to IFRS 10, IFRS 12 and IAS 27) (see Note 2), these entities have not been consolidated in the preparation of these financial statements.

Investment	**Place of Business**	**Shareholding at 31 March 2020**
SEEIT Holdco Limited	United Kingdom	100%
EECo Kingscourt Limited	United Kingdom	100%
SEEIT Europe Limited	United Kingdom	100%
EECo Data Centres No. 1 Limited	United Kingdom	100%
SEEIT US Limited	United Kingdom	100%
EECo Biomass No 1 Limited	United Kingdom	60%
EECo Evergreen Limited	United Kingdom	100%
EECo Wilton No. 1 Limited	United Kingdom	100%
EECo Car Parks No. 2 Limited	United Kingdom	50%
SmartEnergy Finance Two Limited	United Kingdom	49%
SDCL VCO Energy Limited	United Kingdom	100%
Combined Heat and Power Investments Limited	United Kingdom	100%
Energy Efficient Global UK Project Limited	United Kingdom	100%
EECo Smithfield Limited	United Kingdom	100%
SDCL Solar Edge Limited	United Kingdom	100%
SDCL TG Cogen LLC	USA	71%
Walworth Invest S.L.	Spain	100%
PERC Midco LLC	USA	50%
SEEIT Capital LLC	USA	100%

All subsidiaries that have a place of business of the United Kingdom are registered at Foxglove House, 166 Piccadilly, London, United Kingdom, W1J 9EF.

SEEIT Capital LLC and SDCL TG Cogen, LLC are registered in Delaware, USA and their place of business is 1120 Avenue of the Americas, New York, New York 10036, USA.

PERC Midco LLC is registered in Delaware, USA and its place of business is 1209 Orange Street, Wilmington, Delaware, USA..

Walworth Invest S.L. is registered in Spain and its place of business is Calle Príncipe de Vergara 112, Planta Cuarta, 28002 Madrid, Spain.

17. 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 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 acquisitions or investments and monitoring the Company's funding requirements.

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 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 in excess of £750 million.

The management fee is calculated and accrues monthly and is invoiced monthly in arrears. During the year ended 31 March 2020, management fees of £1,973k (31 March 2019: £241k) were incurred of which £472k (31 March 2019: £69k) was payable at the year end.

The Directors of the Company, who are considered to be key management, received fees for their services. Their fees were £125k (disclosed as Non-executive directors' fees in Note 6) in the year (31 March 2019: £34k).

During the year ended 31 March 2020, £180.9m of funding was provided by the Company to the Holdco for investment acquisitions, consisting of issued share capital and coupon bearing loan notes. Of this, £36.2 million of coupon bearing loan notes were issued which accrue interest at 6%. In the year to 31 March 2020, £939k interest had accrued on the loan notes of which £nil is outstanding at the year end.

All of the above transactions were undertaken on an arm's length basis and there have been no changes in material related party transactions since the last annual report.

18. Guarantees and other commitments

In April 2019, the Company became the Guarantor of the Revolving Credit Facility ("RCF") secured by its subsidiary (Holdco). The RCF includes a three-year revolving tranche of £25 million ("Facility A") and acquisition finance of up to EUR45million ("Facility B"). On 4 November 2019, Holdco utilised EUR26 million of Facility A and EUR45 million of Facility B in order to acquire the Oliva Spanish Cogeneration portfolio. These balances remain outstanding as at 31 March 2020.

19. 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. There were no subsequent events identified which require adjustment or disclosure in these financial statements other than those stated below.

On 22 May 2020 the Company declared a second interim dividend of 2.5 pence per share for the year ending 31 March 2020. The dividend is payable on 30 June 2020.

Alternative Investment Fund Managers Directive Disclosures (Unaudited)

Under the AIFMD legislation, an AIFM must, where appropriate for each Alternative Investment Fund ("AIF") it manages, disclose in the Company's annual report the total amount of remuneration paid to its staff for the financial period, split into fixed and variable remuneration, and where relevant, any carried interest paid by the AIF. The aggregate amount of remuneration broken down by senior management and members of staff whose actions have a material impact on the risk profile of the AIF must also be disclosed.

SDCL has set out its Remuneration Code in its Compliance Manual. The Remuneration Code applies to an approved full-scope AIFM such as SDCL. Compliance with the AIFM Remuneration Code will ensure compliance with the Prudential Sourcebook for Banks, Building Societies and Investment Firms "BIPRU" requirements as contained within the Financial Conduct Authority's (UK) Handbook.

It is important to note that:

- Staff engaged in control functions are independent, have appropriate authority, and are remunerated in accordance with the achievement of the objectives linked to their functions, independent of the performance of business areas;
- Where a component of an employee's remuneration is performance related the total amount of remuneration is based on a combination of the assessment of the performance of the individual, of the business unit concerned, and of the overall results of the firm;
- When assessing individual performance, financials and non-financial criteria are taken into account;
- Fixed and variable components of total remuneration are appropriately balanced;
- The Policy is consistent with and promotes sound and effective risk management and does not encourage risk taking which is not consistent with the risk profiles of the Company, and
- A variety of factors including financial and non-financial measures influence the level of remuneration that the Investment Manager receives and the investment management role and activity is also governed by its Conflict of Interest Policy.
- The total remuneration incurred by the AIFM (Sustainable Development Capital LLP) in relation to the activities of SDCL Energy Efficiency Income Trust plc is approximately £1m.
- This was allocated as 100% Fixed.
- The average number of staff engaged during the period was 12.

Company Information

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Tony Roper, Chairman
Christopher Knowles
Helen Clarkson

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Key Company Data

Company name	SDCL ENERGY EFFICIENCY INCOME TRUST PLC
Registered address	Asticus Building 2nd Floor, 21 Palmer Street, London, SW1H 0AD
Listing	London Stock Exchange – Premium Listing
Ticker symbol	SEIT
SEDOL	BGHVZM4
Index inclusion	FTSE All-Share, FTSE SmallCap
Company year-end	31st March
Dividend payments	Quarterly (from year beginning on 1 April 2020)
Investment Manager	Sustainable Development Capital LLP
Company Secretary & Administrator	Sanne Group (UK) Limited
Shareholders' funds	£323.5m as at 31 March 2020
Market capitalisation	£296.3m as at 31 March 2020
Management fees	0.9% p.a. of NAV (adjusted for uncommitted cash)
ISA, PEP and SIPP status	The Ordinary Shares are eligible for inclusion in 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
Website	www.sdcleeit.com

Glossary

AIC Code the AIC Code of Corporate Governance, as revised or updated from time to time

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

Biomass boiler a wood-fuelled heating system, which burns wood pellets, chips or logs to provide warmth in a single room or to power central heating and hot water boilers

BMS building management systems

CCHP combined cooling/heating and power

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 Asticus Building 2nd Floor, 21 Palmer Street, London, SW1H 0AD

Company SPV a Project SPV owned by the Company or one of its Affiliates through which investments are made

Contractual payment the payments by the Counterparty to the Company or relevant Project SPV under the contractual arrangements governing an Energy Efficiency Project, whether such payments take the form of a service charge, a fee, a loan repayment or other forms of payments as may be appropriate from time to time

Counterparty the host of the Energy Efficiency Equipment 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 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 the premises of a Counterparty or a site directly connected to the premises of a Counterparty in connection with an Energy Efficiency Project, including but not limited to CHP units, CCHP plant schemes, HVAC units, lighting equipment, biomass boilers and steam raising boilers (including IP steam processors)

Energy efficiency project has the meaning given in paragraph 3 of Part II (Industry Overview, Investment Opportunity and Seed Portfolio) of the November 2018 Prospectus

Energy efficiency technology technologies deployed to achieve an improvement in energy efficiency

EPC Engineering, procurement and construction

ESA an energy saving agreement governing the terms on which energy savings are apportioned between the counterparty and the relevant Project

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

KWh kilowatts used or generated per hour

Lighting equipment energy efficient lighting used in connection with an Energy Efficiency Project, including but not limited to LEDs and associated fittings

November 2018 Prospectus is the prospectus issued by the Company on 22 November 2018

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

O&M Contractors operations and maintenance contractors. the contractor appointed by the Company or the relevant Project SPV to perform maintenance obligations in relation to the relevant Energy Efficiency Equipment

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

SDCL Group the Investment Manager and the SDCL Affiliates

Steam Raising Boiler Technology is technology through which pressurised water is transformed into steam through the application of heat

SDCL

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