CHAIR'S STATEMENT

JLEN has delivered strong returns during a period of extraordinary dislocation in the global economy. Our diverse portfolio of environmental assets is well placed to benefit from the continued drive for a more sustainable and secure way of living.

Ed Warner
Chair

On behalf of the Board, and for my first time as its Chair, I am pleased to present the Half-year Report of JLEN Environmental Assets Group Limited for the six months ended 30 September 2022.

Results

The Net Asset Value ("NAV") per share at 30 September 2022 was 125.4 pence, up from 115.3 pence at 31 March 2022. This 8.7% increase was driven primarily by further upward revisions to power price forecasts.

Post the balance sheet date, the UK government announced plans for its "Electricity Generator Levy" that reduces the NAV per share to 124.4 pence as at 18 November 2022. Further details on this post balance sheet event are provided below in the Chair's statement and on page 67 of the Half-year Report.

This performance has been delivered against a backdrop of extraordinary volatility in economies globally and in both energy and financial markets. The uncertainty this entails, while exacerbated by Russia's war with Ukraine, was already evident before the invasion itself. As the world emerged from the worst effects of the pandemic, it became clear that it was beset by severe supply chain disruption which has caused a surge in inflation. Russia's aggression triggered a spike in energy prices, further heightening the general inflationary pressure. Unsurprisingly, government bond yields have risen across the yield curve as monetary authorities have hiked rates and politicians have struggled to address ballooning budget deficits. In the UK, this was further amplified by market fall-out from the "mini-budget" of the short-lived Truss administration.

JLEN's profit before tax for the six-month period to 30 September 2022 was £89.7 million (six months to 30 September 2021: £51.8 million) and earnings per share for the period were 13.6 pence (six months to 30 September 2021: 8.8 pence).

Cash received from the portfolio by way of distributions, which includes interest, loan repayments and dividends, was £43.5 million (six months to 30 September 2021: £26.7 million). Net cash inflows from the investment portfolio (after operating and finance costs) of £38.1 million (six months to 30 September 2021: £21.7 million) cover the interim dividends of £23.0 million paid in the half-year period by approximately 1.64x (six months to 30 September 2021: £20.4 million; 1.06x).

Post balance sheet event: UK government intervention

At the time of writing, the UK government has just released details of the "Electricity Generator Levy", the means by which it intends to capture what it sees as excess profits being made in the wholesale electricity market by low carbon generators such as wind and solar. This Levy sees in-scope generators pay 45% of revenues earned on prices in excess of £75/MWh.

This constitutes a non-adjusting post-balance sheet event ("PBSE") as the Levy was not known at the balance sheet date. However, an expectation that some form of government intervention would be introduced was present, as was a recognition that high near-term power prices may not be captured in practice by generators. In the face of such uncertainty, the Directors used their judgement to reduce price forecast curves used in the valuation by 50% across the portfolio for the next 12 months, with this percentage stepping down by 10% per annum to zero over the next five years. This was applied to all UK generating assets including Renewables Obligation Certificate and Feed-in Tariff supported generators and gas assets supported under the Renewable Heat Incentive. Using this approach, the Directors valued the portfolio at £890.2 million as at the 30 September 2022, which results in a NAV per share of 125.4 pence.

The Directors have now assessed the impact of the Electricity Generator Levy and have also considered the latest available price forecast curves and actual inflation at the time of writing, as well as removing the discounts that were applied to forecast curves for the valuation at the balance sheet date.

The Directors' best estimate of the impact on NAV is shown here:

Net Asset Values	£m	Pence/share
NAV at 30 September 2022	£829.6m	125.4p
Add back short-term price discounts	£84.6m	12.8p
Application of Electricity Generator Levy	(£79.0m)	(11.9p)
PBSE NAV at 30 September 2022	**£835.2m**	**126.3p**
Latest power prices and actual inflation	(£12.6m)	(1.9p)
NAV at 18 November 2022	**£822.6m**	**124.4p**

Dividends

In line with the total target for the year ending 31 March 2023 of 7.14 pence per share set out in our 2022 Annual Report, a quarterly dividend of 1.78 pence per share was paid in September 2022 for the quarter to 30 June 2022.

The Board has declared an interim dividend of 1.79 pence per share for the quarter to 30 September 2022, payable on 30 December 2022, to shareholders on the register as at 9 December 2022. The ex-dividend date will be 8 December 2022.

The Company is confident that the dividend of 7.14 pence per share for the year ending 31 March 2023 will be well covered.

Portfolio performance

Acquisitions

During the six-month period under review, the Company announced investments in four new projects:

- a 50% stake in Clayfords Energy Storage Limited, a 49.9MW construction stage battery storage project located in the UK;
- a minority equity investment into a construction stage controlled environment aquaculture project located in Norway;
- provision of £26.7 million of senior funding for construction of a glasshouse project co-located with an existing JLEN AD facility; and
- a 50% stake in Gigabox No 4, a 49.9MW construction stage battery storage project located in the UK.

The new acquisitions bring further diversification to the portfolio both by technology type and geography.

Portfolio performance continued

Valuation

The Net Asset Value at 30 September 2022 was £829.6 million, comprising £890.2 million portfolio valuation, £10.5 million of cash held by the Group, less outstanding revolving credit debt of £71.4 million plus a positive working capital balance of £0.3 million. The portfolio comprised 41 investments.

Details on the valuation movements can be found in the investment portfolio and valuation section on pages 16 to 27.

Risks and uncertainties

A summary of the principal risks and uncertainties facing the Company is included on pages 41 to 48 of the Annual Report 2022 and developments in relation to these principal risks which could potentially have an impact during the period to 31 March 2023 are outlined on pages 14 and 15.

Sustainability and ESG

Sustainability and ESG remain a strong focus for the Fund, with the overall ESG strategy being driven by the ESG Committee of the Board and implemented by the Investment Manager. Progress has been made in the period in relation to the Company's approach to the Task Force on Climate-related Financial Disclosures ("TCFD") and tracking the Company's ESG performance against its ESG KPIs. The Company's full set of ESG KPIs and its TCFD report can be found in the Annual Report 2022 and on page 35 where the ESG performance for the current half year is summarised along with the awards that the Company has won for its ESG reporting.

Outlook

The uncertainties prevailing in economies and energy markets are adding to the difficulties in assessing the prospects for and valuation of environmental infrastructure projects. With quality of judgement so critical at this time, it is reassuring to be able to rely on the expertise of Foresight Group as JLEN's Investment Manager. With uncertainty comes opportunity and the Board is encouraged by the range of possible investments that Foresight continues to source and evaluate on behalf of the Company. Each evaluation contains a set of sensitivity analyses so that we can be sure that investments are founded on an understanding of the full range of possible outcomes under widely varying scenarios – essential we believe in the current climate.

These scenarios necessarily include different possible political interventions as governments seek ways to mitigate the punitive effects of soaring energy prices for individual and business consumers. This desire is likely to continue to underpin the search for renewable sources of energy. As national grids become increasingly more complex, so security of supply and system resilience will be paramount.

JLEN is well placed to capitalise on the search to secure solutions to the challenge of ensuring low carbon energy provision, as well as sustainable ways of living more broadly. Crucially, our portfolio is well diversified, so ensuring that no one set of risks predominates and hence long-term investment returns are likely to prove less volatile than if the Company's focus was on a single form of asset. For example, JLEN has invested in battery projects that provide flexibility of the kind that will be valuable for the electricity grid of the future and controlled environment projects that provide sustainable solutions for food production.

Board matters

Richard Morse left the Board in July, as previously announced. He served JLEN with distinction as its Chair since the inception of the Company and, on behalf of all stakeholders, I'd like to thank him for his eight years of valuable service. I would also like to express my gratitude to our Senior Independent Director, Richard Ramsay, who assumed the role of Interim Chair in the short period before my appointment on 2 August 2022. Richard is himself scheduled to step down from the Board before the next AGM and a process to identify a new Director is currently underway.

The Board notes the requirements of the UK Corporate Governance Code to put the external audit out to tender at least every 10 years. This is the ninth year of Deloitte's appointment as the Company's auditor and the Company has commenced a competitive tender process for the role of external auditor. The Board will report the results of this exercise in due course, but it is expected that this process will be completed before the end of the current financial year.

Ed Warner
Chair

25 November 2022