

# FINANCIAL REVIEW

## Analysis of financial results

The financial statements of the Company for the six-month period ended 30 September 2022 are set out on pages 48 to 67.

The Company prepared the condensed unaudited financial statements for the six-month period to 30 September 2022 in accordance with IAS 34 as adopted by the UK and issued by the International Accounting Standards Board. In order to continue providing useful and relevant information to its investors, the financial statements also refer to the "Group", which comprises the Company, its wholly owned subsidiary (JLEN Environmental Assets Group (UK) Limited ("UK HoldCo")) and the indirectly held wholly owned subsidiary HWT Limited (which holds the investment interest in the Tay project).

## Net assets

Net assets increased from £762.9 million at 31 March 2022 to £829.6 million at 30 September 2022.

The net assets of £829.6 million comprise £890.2 million portfolio value of environmental infrastructure investments and the Company's cash balances of £0.3 million, partially offset by £58.4 million of intermediate holding companies' net liabilities and other net liabilities of £2.5 million.

The intermediate holding companies' net liabilities of £58.4 million comprise a £71.4 million credit facility loan, partially offset by cash balances of £10.2 million and other net assets of £2.8 million.

## Analysis of the Group's net assets at 30 September 2022

| All amounts presented in £million (except as noted)        | At 30 Sep<br>2022 | At 31 Mar<br>2022 |
|--|-------------------|-------------------|
| Portfolio value  | 890.2             | 795.4             |
| Intermediate holding companies' cash                       | 10.2              | 16.0              |
| Intermediate holding companies' revolving credit facility  | (71.4)            | (53.6)            |
| Intermediate holding companies' other assets               | 2.8               | 5.1               |
| <b>Fair value of the Company's investment in UK HoldCo</b> | <b>831.8</b>      | <b>762.9</b>      |
| Company's cash   | 0.3               | 2.0               |
| Company's other net liabilities (excluding cash)           | (2.5)             | (2.0)             |
| <b>Net Asset Value</b>                                     | <b>829.6</b>      | <b>762.9</b>      |
| Number of shares   | 661,531,229       | 661,531,229       |
| <b>Net Asset Value per share</b>                           | <b>125.4p</b>     | <b>115.3p</b>     |

At 30 September 2022, the Group (the Company plus intermediate holding companies) had a total cash balance of £10.5 million (31 March 2022: £18.0 million), including £0.3 million in the Company's statement of financial position (31 March 2022: £2.0 million) and £10.2 million in the intermediate holding companies (31 March 2022: £16.0 million), which is included in the Company's statement of financial position within "investments at fair value through profit or loss".

At 30 September 2022, UK HoldCo had drawn £71.4 million of its revolving credit facility (31 March 2022: £53.6 million) which is included in the Company's statement of financial position within "investments at fair value through profit or loss".

The movement in the portfolio value from 31 March 2022 to 30 September 2022 is summarised as follows:

| All amounts presented in £million   | Six months ended<br>30 Sep 2022 | Year ended<br>31 Mar 2022 |
|---|---------------------------------|---------------------------|
| Portfolio value at start of the period/year                                     | 795.4                           | 571.4                     |
| Acquisitions/further investments<br>(net of post-acquisition price adjustments) | 40.1                            | 88.0                      |
| Disposal of assets  | —                               | (5.6)                     |
| Distributions received from investments   | (43.5)                          | (56.5)                    |
| Growth in value of portfolio  | 98.2                            | 198.1                     |
| <b>Portfolio value</b>  | <b>890.2</b>                    | <b>795.4</b>              |

Further details on the portfolio valuation and an analysis of movements during the year are provided in the investment portfolio and valuation section on pages 16 to 27.

### Profit before tax

The Company's profit before tax for the six-month period was £89.7 million (six-month period ended 30 September 2021: £51.8 million), generating earnings of 13.6 pence per share (six-month period ended 30 September 2021: 8.8 pence per share).

| All amounts presented in £million (except as noted) | Six months ended<br>30 Sep 2022 | Six months ended<br>30 Sep 2021 |
|---|---------------------------------|---------------------------------|
| Interest received on UK HoldCo loan notes           | 15.7                            | 14.4                            |
| Dividend received from UK HoldCo                    | 10.2                            | 10.1                            |
| Net gain on investments at fair value               | 69.0                            | 31.1                            |
| <b>Operating income</b>                             | <b>94.9</b>                     | <b>55.6</b>                     |
| Operating expenses                                  | (5.2)                           | (3.8)                           |
| <b>Profit before tax</b>                            | <b>89.7</b>                     | <b>51.8</b>                     |
| Earnings per share                                  | <b>13.6p</b>                    | <b>8.8p</b>                     |

In the six months to 30 September 2022, the operating income was £94.9 million, including the receipt of £15.7 million of interest on the UK HoldCo loan notes, £10.2 million of dividends also received from UK HoldCo and a net gain on investments at fair value of £69.0 million.

The operating expenses included in the income statement for the period were £5.2 million, in line with expectations. These comprise £4.2 million of Investment Manager fees and £1.0 million operating expenses. The details on how the Investment Manager fees are charged are set out in note 14 to the condensed unaudited financial statements.

### Ongoing charges

The "ongoing charges" ratio is an indicator of the costs incurred in the day-to-day management of the Fund. JLEN uses the Association of Investment Companies ("AIC") recommended methodology for calculating this ratio, which is an annual figure.

For the year ended 31 March 2022 the ratio was 1.19% and it is anticipated that the full-year ratio for the year ended 31 March 2023 will continue to decrease. The ongoing charges percentage is calculated on a consolidated basis and therefore takes into consideration the expenses of UK HoldCo as well as the Company's.

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### Cash flow

The Company had a total cash balance at 30 September 2022 of £0.3 million (31 March 2022: £2.0 million). The breakdown of the movements in cash during the period is shown below.

#### Cash flows of the Company for the period (£million):

|   | Six months ended<br>30 Sep 2022 | Six months ended<br>30 Sep 2021 |
|---|---------------------------------|---------------------------------|
| Cash balance at 1 April                                       | 2.0                             | 1.9                             |
| Net proceeds from share issue/(expenses from previous issues) | (0.2)                           | 55.9                            |
| Investment in UK HoldCo (equity and loan notes)               | —                               | (56.1)                          |
| Interest on loan notes received from UK HoldCo                | 15.7                            | 14.4                            |
| Dividends received from UK HoldCo                             | 10.2                            | 10.1                            |
| Directors' fees and expenses                                  | (0.2)                           | (0.1)                           |
| Investment Manager fees                                       | (3.8)                           | (3.0)                           |
| Administrative expenses                                       | (0.4)                           | (0.8)                           |
| Dividends paid in cash to shareholders                        | (23.0)                          | (20.4)                          |
| <b>Company cash balance at 30 September</b>                   | <b>0.3</b>                      | <b>2.0</b>                      |

The Group had a total cash balance at 30 September 2022 of £10.5 million (31 March 2022: £18.0 million) and borrowings under the revolving credit facility of £71.4 million (31 March 2022: £53.6 million). The breakdown of the movements in cash during the period is shown below.

#### Cash flows of the Group for the period (£million):

|  | Six months ended<br>30 Sep 2022 | Six months ended<br>30 Sep 2021 |
|--|---------------------------------|---------------------------------|
| Cash distributions from environmental infrastructure investments | 43.5                            | 26.7                            |
| Administrative expenses  | (0.5)                           | (0.6)                           |
| Directors' fees and expenses                                     | (0.2)                           | (0.1)                           |
| Investment Manager fees  | (3.8)                           | (3.0)                           |
| Financing costs (net of interest income)                         | (1.2)                           | (1.3)                           |
| <b>Cash flow from operations<sup>(1)</sup></b>                   | <b>37.8</b>                     | <b>21.7</b>                     |
| Net proceeds from share issues                                   | —                               | 55.9                            |
| Expenses from previous share issues                              | (0.2)                           | —                               |
| Acquisition of investment assets and further investments         | (40.1)                          | (75.6)                          |
| Disposal of asset  | 1.6                             | —                               |
| Acquisition costs (including stamp duty)                         | (0.3)                           | (1.7)                           |
| Short-term projects debtors                                      | (0.2)                           | (1.1)                           |
| Debt arrangement fee cost  | —                               | (2.2)                           |
| Drawdown under the revolving credit facility                     | 16.6                            | 29.0                            |
| Dividends paid in cash to shareholders                           | (23.0)                          | (20.4)                          |
| <b>Cash movement in the period</b>                               | <b>(7.8)</b>                    | <b>5.6</b>                      |
| Opening cash balance   | 18.0                            | 13.5                            |
| Exchange (losses)/gains on cash                                  | 0.3                             | —                               |
| <b>Group cash balance at 30 September</b>                        | <b>10.5</b>                     | <b>19.1</b>                     |

During the period, the Group received cash distributions of £43.5 million from its environmental infrastructure investments, in line with the distributions expected by the Group after adjusting for acquisitions during the period.

Cash received from investments in the period covered the operating and administrative expenses and financing costs, as well as the dividends declared to shareholders in respect of the six-month period ended 30 September 2022. Cash flow from operations of the Group of £37.8 million covered dividends paid in the six-month period to 30 September 2022 of £23.0 million by 1.64x.

The Group anticipates that future revenues from its environmental infrastructure investments will continue to be in line with expectations and therefore will continue to cover future costs as well as planned dividends payable to its shareholders.<sup>(2)</sup>

### **Dividends**

During the period, the Company paid a final interim dividend of 1.70 pence per share in June 2022 (£11.2 million) in respect of the quarter to 31 March 2022. Interim dividends of 1.78 pence per share were paid in September 2022 (£11.8 million) in respect of the quarter to 30 June 2022.

On 25 November 2022, the Board approved an interim dividend of 1.79 pence per share in respect of the quarter ended 30 September 2022 (£11.8 million), which is payable on 30 December 2022.

In line with the 2022 Annual Report, the target dividend for the year to 31 March 2023 is 7.14 pence per share.<sup>(2)</sup>

(1) "Cash flow from operations" is an alternative performance measure ("APM"). The APMs within the accounts are defined on page 69.

(2) These are targets only and not profit forecasts. There can be no assurance that these targets will be met.