

## Creating long-term value continued

# Capital allocation policy

The Board is continuing to execute the policy and has made progress during the year.

### Policy aims

In recognition of the disconnect between share price and NAV, and the material discount<sup>1</sup> at which the shares are trading, the Company reported that it planned to follow a progressive capital allocation policy in its 2023 annual report. This sought to realise £150 million of capital through disposals or refinancings to facilitate a material reduction in its RCF, return at least £50 million to shareholders, and rebalance underlying portfolio exposures.

The capital allocation policy has three key priorities: a material reduction in leverage, an improvement in the risk-adjusted return of the existing portfolio, and facilitating the return of at least £50 million of capital to shareholders whilst maintaining the dividend target.

The Board's focus during the financial year has been on the execution of the policy. The Investment Adviser's focus has therefore been on refinancing loans and disposing of investments where appropriate to achieve the Company's aims. The stated aims of the policy were based on interactions with shareholders and sought to address their concerns. This included reducing leverage while interest rates were high by decreasing the size of the RCF and ultimately paying down the drawn balance. Refer to page 24 for further information.

### Targets of the policy



1. APM – for definition and calculation methodology, refer to the APMs section on pages 170 to 172.

**Disposals**

The Investment Adviser has sought to restructure the underlying exposures in the portfolio and exit sectors where investors have concerns, as well as reducing the Company's exposure to merchant electricity prices and demonstrating a conservative valuation methodology through its sales processes. The policy also involved completing buybacks as a potential discount management tool, while simultaneously returning capital to shareholders.

The first transaction was completed earlier in the year, with the disposal of the Company's interest in Blackcraig wind farm. See below for further information.

Post year end, the Company completed the disposal of a portfolio of rooftop solar assets, generating proceeds of £6.8 million. Further, it expects to complete, subject to contract, on the disposal of a portfolio of onshore wind farms, generating proceeds of c.£20 million. The Company's disposals total £38.2 million at the end of 2024, with a pipeline of additional disposals in excess of £150 million.

The Investment Adviser has consistently witnessed delays in transaction processes across the market, which has slowed progress towards achieving the stated aims of the capital allocation policy. However, the Company expects to complete additional disposals in 2025, and remains committed to the capital realisation target and stated ambitions, with the share buyback programme recommencing imminently.

**Blackcraig Wind Farm**

In April 2024, the Company disposed of its interest in loan notes secured against Blackcraig Wind Farm, a 52.9MW onshore wind farm located outside Dumfries and Galloway in Scotland, at a 6.4% premium to its valuation at 31 March 2024. The Company originally acquired the senior secured loan notes in 2017 from the UK Green Investment Bank. The disposal generated net cash proceeds of £31.4 million which included principal and interest and were used to reduce the drawn balance on the Company's RCF.

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